United Malacca Berhad
(1319-V)

Annual Report 2019

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NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the 105th Annual General Meeting of the Company will be held at the United Malacca Berhad Building , 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka on Friday, 23 August 2019 at 11.00 a.m. for the following businesses:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 April 2019 and the Reports of the Directors and Auditors thereon. **Please refer to Note 6**
2. To approve the payment of Directors' fees of the Company and its subsidiaries amounting to RM703,195 for the financial year ended 30 April 2019. (*Refer to Note 7*) **[Resolution 1]**
3. To approve the payment of Directors' remuneration (excluding Directors' fees) amounting to RM303,500 for the period from 25 August 2018 to 30 April 2019. (*Refer to Note 8*) **[Resolution 2]**
4. To re-elect Datin Paduka Tan Siok Choo, a Director retiring by rotation in accordance with Article 118 of the Company's Constitution. **[Resolution 3]**
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 30 April 2020 and to authorise the Board of Directors to determine their remuneration. **[Resolution 4]**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions with or without amendment as Ordinary Resolution and Special Resolution:-

6. **ORDINARY RESOLUTION**
   Continuing In Office as Independent Non-Executive Director by Tan Sri Dato' Ahmad Bin Mohd Don

   "THAT approval be and is hereby given to Tan Sri Dato' Ahmad Bin Mohd Don who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." **[Resolution 5]**
7. **ORDINARY RESOLUTION**
   Continuing In Office as Independent Non-Executive Director by Mr. Tan Jiew Hoe

   "THAT approval be and is hereby given to Mr. Tan Jiew Hoe who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." **[Resolution 6]**
8. **SPECIAL RESOLUTION**
   Proposed Amendments to the Constitution of the Company

   "THAT approval be and is hereby given to alter and modify the existing Constitution of the Company, in the form and manner as set out in Appendix II of the Circular to Shareholders dated 1 August 2019 AND THAT the Directors of the Company be and are hereby authorised to do or procure to be done all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities." **[Resolution 7]**
9. To transact any other business of which due notice shall have been given.

By Order of the Board

Yong Yoke Hiong (MAICSA 7021707)
Pang Poh Chen (MACS 01405)
Company Secretaries
Melaka

Date: 1 August 2019

NOTES:

(1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(2) The right of Foreign Depositors to vote in respect of their deposited securities with Bursa Malaysia Depository Sdn. Bhd. is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991 and Securities Industry (Central Depositories)(Foreign Ownership) Regulations, 1996. The position of Depositors in this regard will be determined based on The General Meeting Record of Depositors. Depositors whose shares exceed the prescribed limit as at the date of The General Meeting Record of Depositors may attend the above Meeting but are not entitled to vote. Consequently, a proxy appointed by a Depositor who is not entitled to vote will also not be entitled to vote at the above meeting.

(3) The instrument appointing a proxy must be deposited at the Registered Office of the Company at United Malacca Berhad Building, 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka not less than forty-eight hours before the time appointed for holding the Meeting or any adjournment thereof for the proxy to be valid.

(4) Only members whose names appear in the Register of Members or registered in the General Meeting Record of Depositors on or before 5.00 p.m. on 15 August 2019 shall be eligible to attend the Annual General Meeting.

(5) **Poll Voting**
Pursuant to Paragraph 8.29(A) of the Main Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

(6) **Agenda 1**
The Audited Financial Statements for the financial year ended 30 April 2019 will be laid at the Company's Annual General Meeting in accordance with Section 340(1)(a) of the Companies Act, 2016. Therefore, Agenda 1 is for presentation of the said Financial Statements together with the accompanying Reports to shareholders for discussion only. Hence, no voting is required.

(7) **Agenda 2**

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The payment of Directors' fees of the Company and its subsidiaries amounting to RM703,195 for the financial year ended 30 April 2019 is based on the existing quantum of Directors' fees set out in the table below:-

Directors' fees*	Since 2018
Non-Executive Chairperson	RM100,000 per annum
Non-Executive Director	RM60,000 per annum

*in relation to United Malacca Berhad

(8) **Agenda 3**
During the financial year ended 30 April 2019, the Company had paid Directors' remuneration (excluding Directors' fees) for the period from 1 May 2018 until 24 August 2018 totalling RM105,500 having obtained prior shareholders' approval.

Resolution 2 seeks shareholders' approval to pay Directors' remuneration (excluding Directors' fees) totalling RM303,500 to the Non-Executive Chairperson and Non-Executive Directors for the period from 25 August 2018 to 30 April 2019.

With the passing of Resolution 2, the total Directors' remuneration (excluding Directors' fees) for the financial year ended 30 April 2019 covering 12 full months will be RM409,000.

(9) **Explanatory Note on Special Business**

Ordinary Resolution Nos. 5 and 6

The Board of Directors via the Nomination and Remuneration Committee had conducted an annual performance evaluation and assessment of Tan Sri Dato' Ahmad Bin Mohd Don and Mr. Tan Jiew Hoe, who have served as Independent Non-Executive Directors for a cumulative term of more than nine (9) years. The Board is of the opinion that given the Company's core business in planting oil palms take 4 years to mature and 7 years to reach prime yielding age, long-serving directors are appropriate for plantation companies where a long-term prospective is paramount. Therefore, the Board recommends to retain Tan Sri Dato' Ahmad Bin Mohd Don and Mr. Tan Jiew Hoe as Independent Non-Executive Directors of the Company.

Special Resolution No. 7

Special Resolution 7, if passed, will bring the Company's Constitution in line with the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The new Constitution will take effect once the special resolution is passed by a majority of not less than 75% of such members who are entitled to vote in person or by proxy at the 105th AGM. Please refer to Circular to Shareholders dated 1 August 2019 for more information.

STATEMENT ACCOMPANYING
NOTICE OF 105TH ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2), APPENDIX 8A OF THE BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

PURSUANT TO PARAGRAPH 8.27(2), APPENDIX 8A OF THE BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

The Director who is standing for re-election is Datin Paduka Tan Siok Choo. She does not have any interest in shares, direct or indirect in the subsidiaries of United Malacca Berhad.

Further details of Datin Paduka Tan Siok Choo can be found in the Profile of Directors on page 7 of this Annual Report. Her holding of shares, direct or indirect in United Malacca Berhad can be found in the Analysis of Shareholdings on page 223 of this Annual Report.

The following Directors whose profiles are as set out on pages 8 and 9 of the Annual Report are seeking continuation as Independent Non-Executive Directors:-

(1) Tan Sri Dato' Ahmad Bin Mohd Don
(2) Mr. Tan Jiew Hoe

The details of Directors' attendance at Board Meetings held during the financial year ended 30 April 2019 are as follows:-

Directors	Attendance
Datin Paduka Tan Siok Choo	6 of 6 Meetings
Tan Sri Dato' Ahmad Bin Mohd Don	6 of 6 Meetings
Mr. Tan Jiew Hoe	5 of 6 Meetings
Mr. Teo Leng	6 of 6 Meetings
Dato Dr Nik Ramlah Binti Nik Mahmood	6 of 6 Meetings
Mr. Ong Keng Siew	6 of 6 Meetings

GROUP HIGHLIGHTS

PRODUCTION	2019	2018*
	tonne	tonne
Crude palm oil	52,693	63,244
Palm kernel	13,195	15,237
Fresh fruit bunches	353,613	382,556
FINANCIAL		
	RM'000	**RM'000**
Revenue	203,741	278,291
(Loss) / Profit:		
Before tax	(48,892)	29,729
Net of tax	(41,175)	22,280
(Loss) / Profit net of tax attributable to:		
Owners of the Company	(39,027)	25,173
Non-controlling interests	(2,148)	(2,893)
	(41,175)	22,280
	Sen	**Sen**
(Loss) / Earnings per share attributable to owners of the Company:		
Basic / Diluted	(18.61)	12.02
Dividend per share:		
Gross / Net	8.00	12.00
	RM'000	**RM'000**
Total assets	1,855,242	1,816,208
	RM	**RM**
Net assets per share attributable to owners of the Company	6.29	6.53

* Financial information of the Group for FY 2018 has been adjusted in accordance with First-time Adoption of Malaysian Financial Reporting Standards.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datin Paduka Tan Siok Choo *(Chairperson)*
Non-Independent Non-Executive Director

Tan Sri Dato' Ahmad Bin Mohd Don
Independent Non-Executive Director

Mr. Tan Jiew Hoe
Independent Non-Executive Director

Mr. Teo Leng
Non-Independent Non-Executive Director

Dato Dr Nik Ramlah Binti Nik Mahmood
Independent Non-Executive Director

Mr. Ong Keng Siew
Independent Non-Executive Director

AUDIT COMMITTEE

Tan Sri Dato' Ahmad Bin Mohd Don *(Chairman)*
Mr. Tan Jiew Hoe
Dato Dr Nik Ramlah Binti Nik Mahmood
Mr. Ong Keng Siew

BOARD TENDER COMMITTEE

Tan Sri Dato' Ahmad Bin Mohd Don *(Chairman)*
Datin Paduka Tan Siok Choo
Mr. Teo Leng

NOMINATION AND REMUNERATION COMMITTEE

Mr. Tan Jiew Hoe *(Chairman)*
Tan Sri Dato' Ahmad Bin Mohd Don
Dato Dr Nik Ramlah Binti Nik Mahmood
Mr. Ong Keng Siew

EXECUTIVE COMMITTEE

Mr. Teo Leng *(Chairman)*
Datin Paduka Tan Siok Choo
Mr. Peter Benjamin

SECRETARIES

Ms. Yong Yoke Hiong (Maicsa 7021707)
Ms. Pang Poh Chen (Macs 01405)

SENIOR MANAGEMENT

Mr. Peter Benjamin *(Chief Executive Officer)*
Mr. Young Lee Chern *(Chief Financial Officer)*
Ms. Yong Yoke Hiong *(Head of Group Administration & Corporate Affairs)**
En. Abdul Razak Bin Md Aris *(Head of Group Audit)**
Mr. Fabian Fernandez *(Head of Engineering / Mill Controller)*
Mr. Anantakrishnan A/L A.R. Nambiar
(Senior Plantation Controller)
En. Muhamad Saipul'ilah Bin Che Idris *(Plantation Controller)**
Mr. Winston Chua Eng Meng
(General Manager (Plantation) - PT LAK)
** Effective 1 July 2019*

HEAD OFFICE/REGISTERED OFFICE

6th Floor, No. 61, Jalan Melaka Raya 8
Taman Melaka Raya, 75000 Melaka
P.O.Box 117, 75720 Melaka

Tel : 06-2823700
Fax : 06-2834599
Email : umb@unitedmalacca.com.my
website : www.unitedmalacca.com.my

DATE AND PLACE OF INCORPORATION

Incorporated on 27 April 1910 in Malaysia

AUDITORS

Ernst & Young
Level 16-1, Jaya99, Tower B
99, Jalan Tun Sri Lanang
75100 Melaka
Tel : 06-8525300
Fax : 06-2832899

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU1A/46, 47301
Petaling Jaya, Selangor
Tel : 03-78490777
Fax : 03-78418151

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Sector : Plantation
Stock Short Name : UMCCA
Stock Code : 2593

PROFILE OF DIRECTORS

Datin Paduka Tan Siok Choo

Chairperson & Non-Independent Non-Executive Director

A Malaysian, Datin Paduka Tan Siok Choo, aged 67, is the Chairperson. She joined the Board as an Independent Non-Executive Director on 8 December 1988 and was unanimously elected by the Directors as Chairperson on July 2011. On 17 July 2014, she was re-designated a Non-Independent Non-Executive Director.

A member of the Executive Committee and Board Tender Committee, she sits on the Board of the Group's subsidiaries: Leong Hin San Sdn Bhd, Meridian Plantations Sdn Bhd, Syarikat Penanaman Bukit Senorang Sdn Bhd, South-East Pahang Oil Palm Berhad and Vintage Plantations Sdn Bhd. She is the President Commissioner of PT Lifere Agro Kapuas as well as a Commissioner of PT Bintang Gemilang Permai and PT Wana Rindang Lestari, the Group's subsidiaries in Indonesia.

She holds a Bachelor of Law degree from the University of Bristol, U.K. and was admitted as a Barrister at Lincoln's Inn, London in 1976 and to the Malaysian Bar in 1977.

On 31 October 2015, Datin Paduka Tan Siok Choo was conferred the Honorary Doctorate of Philosophy in Plantation Management by Universiti Putra Malaysia in recognition of her contribution to the plantation industry.

Datin Paduka Tan Siok Choo has had a varied career in corporate finance, stockbroking, executive search and journalism. She was head of Corporate Finance in Southern Bank Berhad, worked as an investment analyst for Rashid Hussain Securities as well as Morgan Grenfell Asia & Partners' Securities, did a short stint with the world's largest executive search firm, Korn Ferry International, and was a journalist with Business Times and The Sunday Star. She is currently a columnist for The Sun.

She was appointed a Visiting Fellow of the Institute of Strategic and International Studies (ISIS) Malaysia on 1st September 1998. She had served on the Board of OCBC Bank (Malaysia) Berhad and OCBC AL-AMIN Berhad until 27 July 2014. She is currently a Director of a few private companies.

Datin Paduka Tan Siok Choo is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. She attended all six Board Meetings held during the financial year ended 30 April 2019. She has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Tan Sri Dato' Ahmad Bin Mohd Don

Senior Independent Non-Executive Director

Tan Sri Dato' Ahmad Bin Mohd Don, aged 72 and a Malaysian was appointed an Independent Non-Executive Director on 1 October 2006. He is Chairman of the Audit Committee and Board Tender Committee as well as a member of the Nomination and Remuneration Committee.

Tan Sri Dato' Ahmad is a Director of International Natural Resources Pte Ltd, the Group's subsidiary in Singapore. He is also a Commissioner of PT Lifere Agro Kapuas, PT Bintang Gemilang Permai and PT Wana Rindang Lestari, the Group's subsidiaries in Indonesia.

He graduated with a Bsc. Econ. Honours Degree from the Aberystwyth University, United Kingdom in 1969. He is a Fellow of The Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Dato' Ahmad started his career with the Corp of Accountants, Government of Malaysia between 1972 and 1973 before joining the private sector. He served as the Financial Controller between 1973 and 1980 in companies such as Syarikat Jengka Sdn. Bhd., Mansfield Berhad and Pernas Securities Sdn. Bhd. where he was also the Company Secretary. In November 1980, he joined Permodalan Nasional Berhad as the Deputy General Manager and was involved in the planning and launching of the National Unit Trust Scheme in 1981. Subsequently in April 1982, he joined Malayan Banking Berhad as General Manager, Treasury. During his service with Malayan Banking Berhad, he rose through the ranks of Senior General Manager and Board Member, then as Executive Director and in January 1991 he was appointed the Group Managing Director and Chief Executive Officer, a position which he held until 1994.

He was the Governor of Bank Negara Malaysia from May 1994 to August 1998. He was Chairman of Zurich Takaful Malaysia Berhad, Zurich Life Insurance Malaysia Berhad and Hap Seng Plantations Holdings Berhad. He is currently the Chairman and Independent Non-Executive Director of Alliance Bank Malaysia Berhad.

He is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. He attended all six Board Meetings held during the financial year ended 30 April 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Mr. Tan Jiew Hoe

Independent Non-Executive Director

Mr. Tan Jiew Hoe, aged 72 and a Singaporean, joined the Board as Alternate Director on 9 June 1997 and was subsequently appointed as Director on 30 March 2007. He is Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. He sits on the Board of several subsidiaries of the Group in Malaysia.

Mr. Tan is the Chairman of International Natural Resources Pte Ltd and the Director of Clifton Cove Pte Ltd, the Group's subsidiaries in Singapore.

He is also a Director of several other private companies in Malaysia and Singapore and is a keen plantsman.

In 2000, Mr. Tan was awarded silver medal for 10–19 years' service as a Director of Singapore Chinese Girls School by Ministry of Education. Subsequently in 2010 he received a gold medal for more than 20 years of service as a Director of Singapore Chinese Girls School by Ministry of Education.

He was also awarded Pingat Bakti Masyarakat (PBM) by the President of Singapore in November 2013 for his contribution to the Public Service from the National Parks Board. The award was given in recognition of his 30 years' contribution and support for plant introduction and botany publications.

In April 2019, Mr. Tan received the Veitch Memorial Medal, an international award issued by the Royal Horticultural Society in United Kingdom to persons of any nationality who have made outstanding contribution to the advancement of the science and practice of horticulture.

Mr. Tan is not related to any Director and/or major shareholder of United Malacca Berhad. He has no personal interest in any business arrangement involving the Company.

He attended five out of six Board Meetings held during the financial year ended 30 April 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Mr. Teo Leng

Non-Independent Non-Executive Director

Mr. Teo Leng, aged 67 and a Malaysian, was appointed an Independent Non-Executive Director on 1 September 2009. He was re-designated Non-Independent Non-Executive Director on 10 July 2017. He is Chairman of the Executive Committee and a member of the Board Tender Committee.

Mr. Teo is also a Director of several subsidiaries of the Group in Malaysia and is a Commissioner of PT Lifere Agro Kapuas, PT Bintang Gemilang Permai and PT Wana Rindang Lestari, the Group's subsidiaries in Indonesia.

He graduated with First Class Honours in Bachelor of Agriculture Science in 1976 from University of Malaya and holds a Master of Science (Soil Chemistry) from University of Wisconsin @ Madison, USA.

He joined the Malaysian Agricultural Research and Development Institute (MARDI) in 1976 as a Research Officer and began his career at EPA Management Sdn Bhd, a subsidiary of Kulim (Malaysia) Berhad, as an Agronomist in 1983, rising in ranks to the position of Director of Research and Development in January 1996. In January 2002, he was appointed Estate Director (Malaysia), a position which he held until his retirement in April 2008. He was a Consulting Advisor (Plantations) with Kulim (Malaysia) Berhad until March 2011.

During his 28 years' career at EPA Management Sdn. Bhd., Mr. Teo was responsible for the full implementation of requirements pertaining to certification under Roundtable for Sustainable Palm Oil (RSPO) and was also involved in the development and commercialization of Mill Integrated Waste Management System (MIWAMAS), a green technology converting empty fruit bunches and palm oil mill effluent to biocompost.

He has been an active committee member of national associations in the oil palm, rubber and cocoa industry. He was a past Board member of Malaysian Palm Oil Board (MPOB). He was also a Council member of Malaysian Palm Oil Association (MPOA), The Malayan Agricultural Producers Association (MAPA) and Environmental Quality Council (EQC) of Kementerian Sumber Asli & Alam Sekitar. Currently, he is a member of the MPOA Council as well as its Research and Development Main Committee.

Mr. Teo is also an Independent Non-Executive Director of Southern Acids (M) Berhad and director of several other private companies in Malaysia.

He is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. He attended all six Board Meetings held during the financial year ended 30 April 2019. He has not been convicted of any offence within past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Dato Dr Nik Ramlah Binti Nik Mahmood

Independent Non-Executive Director

Dato Dr Nik Ramlah Binti Nik Mahmood, aged 63 and a Malaysian, was appointed an Independent Non-Executive Director on 3 January 2017. She is a member of the Audit Committee as well as the Nomination and Remuneration Committee.

Dato Dr Nik Ramlah is a Commissioner of PT Lifere Agro Kapuas as well as Director of PT Bintang Gemilang Permai and PT Wana Rindang Lestari, the Group's subsidiaries in Indonesia.

She holds a First Class Honours in Law from University Malaya and LLM and PhD from University of London.

Dato Dr Nik Ramlah Binti Nik Mahmood retired as Deputy Chief Executive of Securities Commission Malaysia (SC) in March 2016. Prior to joining the SC in 1993, Dato Dr Nik Ramlah was an Associate Professor at the Faculty of Law, University of Malaya.

Dato Dr Nik Ramlah has been instrumental in developing many areas of the capital market. She has extensive experience in areas ranging from regulatory policy, legal reform, product and market development, corporate governance, Islamic capital market, investor education and enforcement.

Dato Dr Nik Ramlah is a member of the Board of Directors of Perbadanan Insurans Deposit Malaysia (PIDM) and the Securities Industry Development Corporation (SIDC). She is a member of the Financial Services Professional Board and a board member and member of Senate of INCEIF, the global university for Islamic finance.

Dato Dr Nik Ramlah is also a Board member of Permodalan Nasional Berhad, Amanah Saham Nasional Berhad, Axiata Group Berhad and Institute for Capital Market Research Malaysia.

Dato Dr Nik Ramlah is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. She attended all six Board Meetings held during the financial year ended 30 April 2019. She has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Mr. Ong Keng Siew

Independent Non-Executive Director

Mr. Ong Keng Siew, aged 63 and a Malaysian, was appointed an Independent Non-Executive Director on 19 January 2017. He is a member of the Audit Committee as well as the Nomination and Remuneration Committee.

Mr. Ong is a Director of PT Lifere Agro Kapuas as well as the President Director of PT Wana Rindang Lestari and PT Bintang Gemilang Permai, the Group's subsidiaries in Indonesia.

He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom. He is also a member of the Malaysian Institute of Accountants.

Mr. Ong joined the Board of Paramount Corporation Berhad on 14 November 1994 and was re-designated as an Independent Non-Executive Director on 14 August 2014. He is also a member of the Audit, Nominating and Board Risk Management Committees of Paramount Corporation Berhad.

Mr. Ong Keng Siew has served the Paramount Corporation Berhad in various positions for more than 30 years before retiring in 2012. He began his career with the Paramount Corporation Berhad as an Accountant in 1981 and was promoted to the position of Finance and Administration Manager in 1984. He was subsequently appointed as General Manager to oversee the operations of the property development and construction divisions in 1989. Mr. Ong assumed the post of Deputy Group Managing Director & Deputy Group CEO in 1997. He was appointed as the Managing Director & CEO of Paramount Corporation Berhad on 1 December 2008.

On 18 June 2012, after serving the Paramount Corporation Berhad with distinction for more than 30 years, Mr. Ong retired as the Managing Director & CEO of Paramount Corporation Berhad.

He is not related to any Director and/or major shareholder of United Malacca Berhad. He has no personal interest in any business arrangement involving the Company. He attended all six Board Meetings held during the financial year ended 30 April 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF CHIEF EXECUTIVE OFFICER

Mr. Peter Benjamin

Mr. Peter Benjamin, aged 62 and a Malaysian is the Chief Executive Officer. He joined United Malacca Berhad on 1st May 2014. He graduated from the University of Kerala, India with a Bachelor Of Science Degree (Botany).

He has working experience of 40 years in the plantation industry holding various Senior Management positions in different companies. He has the experience in managing various crop during his career, oil palm, cocoa, forestry, sago, coconut and rubber.

Started his career as a Field Conductor with Kuala Lumpur Kepong in 1979 and in 1982 joined Boustead Estates Agency as an Assistant Manager and moved up to Estate Manager. During the period, he was involved in new plantings, managed cocoa, coconut seed garden and oil palm plantations.

In 1992 was absorbed into Tradewinds when there was a change of management from Boustead to Tradewinds and was later transferred to Distinct Plantation Services, which was managing the MKIC Group's plantations. He was appointed as the Planting Advisor/General Manager of the company.

In 2000, he joined Eminent Capital (Berjaya Group) as General Manager for the Plantation and Oil Mill.

In 2004, he decided to venture into Indonesia and worked in different companies, with PT Arara Abadi (Sinar Mas Group) as District Manager managing 42,000 Ha of forestry plantation and later promoted to Plantation Controller for 250,000 Ha.

In 2007, he decided to return to planting of oil palm and to handle the challenge of working in Papua New Guinea with the US agriculture giant Cargill.

In 2010, he returned to Indonesia as Head of Plantations for PT Ganda Group and later joined Sampoerna Agro as Chief Operating Officer for Oil Palm and other crops which included sago, rubber, bamboo and industrial forestry.

He is currently the Honorary Secretary of the Malaysian Palm Oil Association (MPOA), the Vice-President of the Malaysian Estates Owners Association (MEOA) and is an alternate Board member of the Malaysian Palm Oil Board (MPOB). He is also a Director on the Board of subsidiaries of United Malacca Berhad, namely, Meridian Plantations Sdn. Bhd., Syarikat Penanaman Bukit Senorang Sdn. Bhd., South-East Pahang Oil Palm Berhad, Leong Hin San Sdn. Bhd., Masjid Tanah Properties Sdn. Bhd., Melaka Pindah Properties Sdn. Bhd and Vintage Plantations Sdn. Bhd. as well as the President Director of PT Lifere Agro Kapuas, Director of PT Bintang Gemilang Permai and PT Wana Rindang Lestari, the Group's subsidiaries in Indonesia.

He is not related to any Director and/or major shareholder of United Malacca Berhad and also has no personal interest in any business arrangement involving the company. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

As at 30 June 2019, Mr. Peter Benjamin holds 81,500 shares in the Company. He has no interest in the shares of the subsidiaries of the Company.

PROFILE OF KEY SENIOR MANAGEMENT

MR. YOUNG LEE CHERN
Chief Financial Officer

Nationality/Age/Gender: Malaysian/41/Male
Date Appointed as Key Senior Management: 13 February 2019
Qualification:
- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Member of the Malaysian Institute of Accountants

Working Experience:
- Audit Manager of KPMG, Kuala Lumpur
- Branch Manager of KPMG, Melaka
- Financial Controller of Genting Plantations Berhad in Indonesia
- Senior Financial Controller of a private equity owned plantations group in Indonesia

YONG YOKE HIONG
Head of Group Administration & Corporate Affairs

Nationality/Age/Gender: Malaysian / 49 / Female
Date Appointed as Key Senior Management: 1 July 2019
Qualification:
- Associate of The Malaysian Institute of Chartered Secretaries and Administrators

Working Experience:
- Gymtech Devt Sdn. Bhd. (1994 – 1995)
- KCA Corporate Services Sdn. Bhd. (1995 – 1997)
- United Malacca Berhad (since 1997)

EN. ABDUL RAZAK BIN MD ARIS
Head of Group Audit

Nationality/Age/Gender: Malaysian / 50 / Male
Date Appointed as Key Senior Management: 1 July 2019
Qualification:
- Bachelor of Accountancy (Hons.)
- Chartered Member - The Institute of Internal Auditors Malaysia (IIAM)

Working Experience:
- Golden Hope Plantations Berhad (1993 – 1995)
- The News Straits Times Press (M) Berhad (1995 – 1997)
- Nestle Malaysia Berhad (1997 – 2000)
- Straits Securities Sdn Bhd (2000 – 2002)
- United Malacca Berhad (since 2002)

Profile of Key Senior Management (cont'd)

MR. FABIAN FERNANDEZ
Head of Engineering / Mill Controller

Nationality/Age/Gender: Malaysian / 48 / Male
Date Appointed as Key Senior Management: 1 May 2016
Qualification:
- Master of Business Administration (Wales)
- Marine Engineer
- 1st Grade Steam Engineer
- Diploma in Marine Engineering
- Certified Corporate Coach

Working Experience:
- Marine Engineer in Merchant Marine Fleet
- Mill Manager in Boustead Estates, United Plantations Berhad and Cargill.
- Business Unit Head for Maintenance and Reliability in Cargil (2009)
- Visiting Engineer for Boustead Plantations (2014)
- United Malacca Berhad as Mill Controller (since May 2016)

MR. ANANTAKRISHNAN A/L A.R. NAMBIAR
Senior Plantation Controller

Nationality/Age/Gender: Malaysian / 59 / Male
Date Appointed as Key Senior Management: 15 December 2014
Qualification:
- Bachelor of Science (Zoological Science)

Working Experience:
- Agriculturist Incorporated Sdn Bhd (1984–1996)
- Myanmar Syklink Agro Sdn Bhd (1996–2000)
- Tung Hup Enterprise (2000–2009)
- Wilmar Africa (2009–2014)

EN. MUHAMAD SAIPUL'ILAH BIN CHE IDRIS
Plantation Controller

Nationality/Age/Gender: Malaysian / 56 / Male
Date Appointed as Key Senior Management: 1 July 2019
Qualification:
- Sijil Pelajaran Malaysia (SPM)
- Diploma in Planting Industry and Management

Working Experience:
- Assistant Manager in UIE–United Plantations (1989–1992)
- Senior Manager in Kumpulan Guthrie (1993–2007)
- General Manager in Sime Darby (2007–2016)
- Freelance Plantation Consultant (2016–2019)

Profile of Key Senior Management (cont'd)

MR. WINSTON CHUA ENG MENG
General Manager (PT. Lifere Agro Kapuas)

Nationality/Age/Gender: Malaysian / 47 / Male
Date Appointed as Key Senior Management: 15 March 2016
Qualification:
- Sijil Tinggi Persekolahan Malaysia (STPM)

Working Experience:
- Manager in IOI Corporation Berhad (12 years in Peninsular and 3 years in Sabah) (1994–2009)
- Senior Manager in Genting Plantation Berhad—Plantation Advisory HO and Mewah Estate, Sandakan, Sabah (2009–2011)
- General Manager Estates of TSH Resources Berhad—overseeing all plantation properties in Indonesia (2011 –2013)
- General Manager of Julong Group Indonesia—Managing PT Grand Mandiri Utama (GMU) in Sintang Kalimantan Barat (2013–2015)

Save as disclosed, the above Key Senior Management members have no directorship in Public Companies, no family relationship with any Director and/or major shareholders of United Malacca Berhad, no conflict of interest with United Malacca Berhad, have not been convicted of any offence within the past 5 years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

Chairperson's **Statement**

During the financial year ending 30 April 2019, prolonged US-China trade tension, the imposition of high import duties on palm products by India, the European Union's ban on palm oil for biodiesel use by the year 2021 and bumper supply of seed oils in the global edible oil market caused average CPO price plummet to a 10-year low. Significantly lower CPO prices coupled with the adoption of the Malaysian Financial Reporting Standards caused the Group to sustain losses for the first time since 1921. Despite this challenging backdrop, UMB remains committed to sustainability. All Malaysian estates and mills have obtained MSPO certification while Indonesian operations have completed the ISPO final audit.

FROM THE CHAIR

On behalf of the Board of Directors of United Malacca Berhad, I present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 30 April 2019 (FY 2019).

BUSINESS PERFORMANCE

Palm oil prices in FY2019 were significantly lower compared with the previous financial year. Averaging RM2,071 and RM1,481 per tonne for crude palm oil ("CPO") and palm kernel ("PK"), prices were 21% and 36% lower than the preceding year's average of RM2,621 and RM2,306 per tonne.

In FY2019, output of fresh fruit bunches ("FFB") totalled 353,613 tonnes, 8% lower than the 382,556 tonnes recorded in the preceding year. This was mainly due to the delayed impact of prolonged adverse weather during the past two years. Caused by El Nino in FY 2015/2016 and wet weather due to La Nina in FY 2017/2018, the adverse weather depressed FFB yields in FY2019. Nevertheless, FFB output from the Indonesian estate surged by 36% to 38,748 tonnes in FY2019 while production in Millian-Labau Plantations rose by 9%.

During the current financial year ended 30 April 2019, the Group recorded a pre-tax loss of RM48.9 million compared with the adjusted pre-tax profit of RM29.7 million in the preceding year. Pre-tax loss in the current financial year was mainly due to the double whammy from lower average CPO and PK prices and high production cost from young matured palms planted in 5,803 hectares (Malaysia— 2,419 hectares and Indonesia—3,384 hectares). Additionally, the losses were compounded by net foreign exchange loss of RM5.8 million and the negative financial impact of adopting MFRS which totalled RM25.4 million.

At the Company level, the pre-tax loss totalled RM20.6 million compared with the adjusted pre-tax profit of RM36.1 million in the preceding year. This was mainly due to lower average CPO and PK prices, unrealised foreign exchange loss of RM10.5 million and the negative financial impact on adopting MFRS amounting to RM12.8 million.

Visit to PT Lifere Agro Kapuas by Directors and Chief Executive Officer

PT LAK Palm Oil Mill.

BUSINESS PERFORMANCE (CONT'D)

During the financial year, the Company's issued share capital increased from RM212,084,031 to RM254,935,499 due to the issue of 10,000 ordinary shares under the Employee Share Option Scheme and the reclassification of the share premium of RM42,795,168 to share capital under new Companies Act 2016.

DIVIDENDS

The Board declared a second interim single-tier dividend of 6 sen for the financial year ended 30 April 2019 payable on 21 August 2019.

Together with the first interim single-tier dividend of 2 sen paid on 31 January 2019, the total single-tier dividend for the financial year ended 30 April 2019 is 8 sen or RM16.8 million. For the preceding financial year, United Malacca paid a total single-tier dividend of 12 sen amounting to RM25.2 million.

The Board of Directors do not recommend any final dividend for the financial year ended 30 April 2019.

SUSTAINABILITY & CORPORATE RESPONSIBILITY

UMB's commitment to sustainable production is demonstrated by two key strategies:

1. MSPO and ISPO certification. To date, all Malaysian estates and mills have obtained MSPO certification while the Indonesian operations have passed the ISPO final audit and now await certification from ISPO commissioners.
2. As at 30 April 2019, RM2.4 million was donated to University Putra Malaysia ("UPM") under the UPM-UMB research collaboration project that began in 2013. To date, UPM has completed nine research projects aimed at advancing the oil palm industry while the latest ongoing project is focused on developing a pruning cum harvesting mechanism for oil palm.

More detailed activities are set out in the Sustainability & Corporate Responsibility Statement on page 33 to page 54 of this Annual Report.

CURRENT YEAR PROSPECTS

For FY2020, UMB expects better yields compared with FY2019 as the palms mature and recover from the adverse weather in the past two years. UMB expects the CPO price to stabilise at RM2,100 to RM2,300 per tonne in the next 12 months.

With the commissioning of the palm oil mill in PT Lifere Agro Kapuas ("LAK") in June 2019, the Group expects LAK will achieve healthier financial performance. Apart from lower production cost, UMB expects the mill to contribute better profit margin from sales of CPO and PK.

In FY2019, UMB has realised the value of some of its assets by disposing four plantation estates (totalling a combined 1,021.06 Hectares) at the prevailing market price of RM175 million. Upon completion of this sale, the estimated gain on disposal of these estates amounting to RM86 million will be recognised. Management does not expect the disposal of four plantation estates to significantly impact on the Group's FFB output and profits in FY2020 and thereafter.

CURRENT YEAR PROSPECTS (CONT'D)

To ensure continued and sustained growth of good returns to shareholders, UMB will focus on improving yields, enhancing cost efficiency and maximising returns from the oil palm plantation in Kalimantan, Indonesia.

MOVING FORWARD

While UMB continues to focus on improving yields from its oil palms, the Board is mindful of external factors beyond UMB's control that can impact profits-potential turbulence in the global economy, a weaker ringgit, rising interest rates and fluctuating palm oil prices.

Challenges facing the oil palm industry include shortage of labour, environmental challenges and potential sanctions imposed by EU and other countries that could curb demand for palm oil. To mitigate these risks, UMB has accelerated mechanisation to reduce its dependency on manual labours and obtained MSPO certification to meet sustainability standards. To enhance organic growth on future yields within the existing estates, the Group has replanted some estates with a mixture of high-yielding semi-clonal and clonal planting materials.

A strong focus on controlling costs as well as prudent financial management has helped UMB to weather 109 years of volatile commodity prices.

In keeping with UMB's core belief that people are its biggest assets, the Group has invested in improving the skills of its employees. During the year under review, UMB has sent staff perceived as potential leaders to attend leadership and team building programmes.

UMB believes the long-term outlook for palm oil remains bright as palm oil is the most efficient and cost competitive crop in the edible oil market. Also helpful is continuing demand for renewable green energy.

On 17 October 2017, UMB announced to Bursa Malaysia Securities Berhad ("Bursa") that it had entered into a conditional sale and purchase agreement ("CSPA") with the vendor Dalvey Star Limited ("Dalvey"), using Clifton Cove Pte Ltd ("Clifton") as the acquiring vehicle for the proposed acquisition by UMB, of one (1) ordinary share of USD1.00 representing a 100% equity interest in Clifton (to hold an effective equity interest of 60% in PT Wana Rindang Lestari) for a total cash consideration of USD7,190,400 or approximately RM30,332,702.

The above-mentioned Acquisition was completed on 27 August 2018.

Notwithstanding palm oil's bright prospects, I firmly believe it is important UMB reduces its 100% reliance on palm oil for profits and growth. UMB is on track to further diversify geographically to Sulawesi in Indonesia

Chairperson greeting participants at United Malacca Berhad Sports Carnival in Multimedia University (MMU)

and to broaden the range of crops planted. In the current financial year, UMB will start work on planting stevia and dwarf coconuts in Sulawesi.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all employees for their hard work and endeavour in financial year ended 30 April 2019.

As in previous years, during the financial year under review, my fellow directors have willingly spent much time and offered their invaluable advice-often beyond the ambit of their statutory responsibilities-in dealing with some major challenges United Malacca faced, particularly those relating to the operations of LAK in Indonesia and the start-up of the joint venture project in Sulawesi.

I would like to congratulate Head of Engineering/Mill Controller Mr Fabian Fernandez and his staff Project Engineer, Ms Gan Bee Ling and Mill Manager, Encik Bintar for the sterling work in ensuring Indonesian subsidiary LAK's palm oil mill in Kapuas was completed on schedule and within budget. Not only is this palm oil mill state-of-the-art mill, it only requires 10 persons to run its operations while its control room on the upper floor provides a good overview of the operations on the factory floor.

Additionally, I would also like to congratulate CEO Peter Benjamin for starting work in Sulawesi. Not only is this a greenfield joint-venture covering nearly 60,000 hectares, Sulawesi marks the beginning of United Malacca's attemps to diversity its 100% reliance on palm oil for earnings and future growth.

Datin Paduka Tan Siok Choo
Chairperson

Pada tahun kewangan berakhir 30 April 2019, ketegangan perdagangan AS-China yang berpanjangan, pengenaan duti import yang tinggi ke atas produk sawit oleh India, pengharaman Kesatuan Eropah terhadap minyak kelapa sawit untuk kegunaan biodiesel menjelang tahun 2021 dan lambakan bekalan minyak bijian di pasaran minyak masak global telah menyebabkan purata harga minyak sawit jatuh ke paras terendah dalam tempoh 10 tahun. Harga minyak sawit mentah (MSM) yang lebih rendah serta penggunaan Piawaian Pelaporan Kewangan Malaysia telah menyebabkan Kumpulan menanggung kerugian buat kali pertama sejak tahun 1921. Walaupun dengan keadaan yang mencabar ini, UMB tidak pernah goyah dalam komitmennya terhadap kelestarian. Semua estet dan kilang di Malaysia telah mendapat pensijilan MSPO sementara operasi Indonesia telah menyelesaikan pengauditan terakhir ISPO.

DARI PENGERUSI

Bagi pihak Lembaga Pengarah United Malacca Berhad, saya membentangkan Laporan Tahunan dan Penyata Kewangan yang telah Diaudit bagi Syarikat dan Kumpulan bagi tahun kewangan berakhir 30 April 2019 (TK 2019).

PRESTASI PERNIAGAAN

Harga MSM pada TK 2019 jauh lebih rendah berbanding dengan tahun kewangan sebelumnya. Harga purata sebanyak RM 2,071 dan RM 1,481 setan untuk MSM dan isirong sawit adalah 21% dan 36% lebih rendah daripada harga purata tahun sebelumnya iaitu RM 2,621 dan RM 2,306 setan.

Pada TK 2019, pengeluaran buah tandan segar (BTS) sebanyak 353,613 tan adalah 8% lebih rendah daripada 382,556 tan yang dicatatkan pada tahun sebelumnya. Ini disebabkan terutamanya oleh kesan buruk yang berlaku dalam tempoh dua tahun yang lalu iaitu El Nino pada TK 2015/2016 dan cuaca lembab yang disebabkan oleh La Nina pada TK 2017/2018 yang mengurangi hasil BTS pada TK 2019. Walau bagaimanapun, pengeluaran BTS dari estet Indonesia melonjak sebanyak 36% kepada 38,748 tan pada TK 2019 manakala hasil pengeluaran di Millian-Labau Plantations meningkat sebanyak 9%.

Dalam tahun kewangan semasa yang berakhir pada 30 April 2019, Kumpulan mencatatkan kerugian sebelum cukai sebanyak RM 48.9 juta berbanding keuntungan sebelum cukai yang diselaraskan sebanyak RM 29.7 juta pada tahun sebelumnya. Kerugian sebelum cukai pada tahun kewangan semasa adalah terutamanya disebabkan oleh kesan berganda dari harga purata MSM dan isirong sawit yang lebih rendah dan kos pengeluaran yang tinggi dari pokok matang dewasa seluas 5,803 hektar (Malaysia - 2,419 hektar dan Indonesia - 3,384 hektar). Di samping itu, peningkatan kerugian juga disebabkan oleh kerugian pertukaran asing bersih sebanyak RM 5.8 juta dan impak kewangan negatif untuk menerima pakai Piawaian Pelaporan Kewangan Malaysia berjumlah RM 25.4 juta.

Di peringkat Syarikat, kerugian sebelum cukai berjumlah RM 20.6 juta berbanding keuntungan sebelum cukai yang diselaraskan sebanyak RM 36.1 juta pada tahun sebelumnya. Ini disebabkan oleh harga MSM dan isirong sawit yang lebih rendah, kerugian pertukaran asing yang belum direalisasi sebanyak RM 10.5 juta dan impak negatif kewangan untuk mengguna pakai Piawaian Pelaporan Kewangan Malaysia berjumlah RM 12.8 juta.

Sepanjang tahun kewangan, modal saham Syarikat yang diterbitkan meningkat daripada RM 212,084,031 kepada RM 254,935,499 disebabkan oleh terbitan 10,000 saham biasa di bawah Skim Opsyen Saham Pekerja dan

Penyata Pengerusi (sambungan)

Klinik di Paitan Estet

Pembukaan rasmi Kilang Minyak Sawit Arwana, PT LAK, Indonesia

PRESTASI PERNIAGAAN (Sambungan)

pengkelasan semula premium saham sebanyak RM 42,795,168 kepada modal saham di bawah Akta Syarikat 2016 yang baru.

DIVIDEN

Lembaga Pengarah mengisytiharkan dividen satu peringkat interim kedua sebanyak 6 sen bagi tahun kewangan berakhir 30 April 2019 yang akan dibayar pada 21 Ogos 2019.

Bersama dengan dividen satu peringkat interim pertama sebanyak 2 sen yang dibayar pada 31 Januari 2019, jumlah dividen satu peringkat untuk tahun kewangan berakhir 30 April 2019 adalah 8 sen atau RM 16.8 juta. Bagi tahun kewangan sebelumnya, United Malacca membayar dividen satu peringkat sebanyak 12 sen berjumlah RM 25.2 juta.

Lembaga Pengarah tidak mencadangkan sebarang dividen akhir bagi tahun kewangan berakhir 30 April 2019.

KELESTARIAN DAN TANGGUNGJAWAB KORPORAT

Komitmen UMB terhadap pengeluaran mampan melalui dua strategi utama:

1. Pensijilan MSPO dan ISPO. Sehingga kini, semua estet dan kilang di Malaysia telah mendapat pensijilan MSPO sementara operasi Indonesia telah lulus pengauditan terakhir ISPO dan kini menunggu pensijilan dari Pesuruhjaya ISPO.
2. Sehingga 30 April 2019, RM 2.4 juta telah didermakan kepada Universiti Putra Malaysia ("UPM") di bawah projek kerjasama penyelidikan UPM - UMB yang bermula pada tahun 2013. Setakat ini, UPM telah menyelesaikan sembilan projek penyelidikan yang bertujuan memajukan industri minyak kelapa sawit manakala projek yang sedang berlangsung kini memberi tumpuan kepada pembangunan mekanisme pemangkasan dan penuaian kelapa sawit.

Aktiviti yang lebih terperinci dibentangkan dalam Penyata Kelestarian Dan Tanggungjawab Korporat di halaman 33 ke halaman 54 dari Laporan Tahunan ini.

PROSPEK TAHUN SEMASA

Bagi TK 2020, UMB menjangka hasil yang lebih baik berbanding dengan TK 2019 kerana pokok sawit matang dan pemulihan dari kesan cuaca buruk dalam dua tahun yang lalu. UMB mengharapkan kestabilan harga MSM pada RM 2,100 hingga RM 2,300 setan dalam tempoh 12 bulan yang akan datang.

Dengan pengoperasian kilang minyak sawit di PT Lifere Agro Kapuas ("LAK") pada Jun 2019, Kumpulan menjangkakan LAK akan mencapai prestasi kewangan yang lebih baik. Selain daripada kos pengeluaran yang lebih rendah, UMB mengharapkan kilang itu untuk menyumbangkan margin yang lebih baik daripada penjualan MSM dan isirong sawit.

Pada TK 2019, UMB telah merealisasi nilai beberapa asetnya dengan melupuskan empat ladang perladangan (gabungan seluas 1,021.06 Hektar) pada harga pasaran dari semasa sebanyak RM 175 juta. Selepas penjualan ini selesai, keuntungan dianggarkan dari pelupusan estet ini berjumlah RM 86 juta akan diambilkira. Pengurusan tidak menjangka pelupusan empat ladang perladangan memberi impak yang ketara ke atas pengeluaran BTS dan keuntungan Kumpulan pada TK 2020 dan seterusnya.

PROSPEK TAHUN SEMASA (Sambungan)

Untuk memastikan pertumbuhan pulangan yang baik dan berterusan kepada para pemegang saham, UMB akan memberi tumpuan kepada peningkatan hasil, meningkatkan kecekapan kos dan memaksimumkan pulangan dari ladang kelapa sawit di Kalimantan, Indonesia.

BERGERAK KE HADAPAN

Walaupun UMB terus menumpukan perhatian kepada peningkatan hasil dari pokok kelapa sawitnya, Lembaga Pengarah melihat faktor luaran di luar kawalan UMB yang boleh memberi kesan kepada keuntungan – potensi pergolakan dalam ekonomi global, ringgit yang lemah, kadar faedah yang semakin meningkat dan harga minyak sawit yang turun naik.

Cabaran yang dihadapi industri kelapa sawit termasuk kekurangan buruh, cabaran alam sekitar dan potensi sekatan yang dikenakan oleh Kesatuan Eropah dan negara-negara lain yang dapat menghalang permintaan minyak sawit. Untuk mengurangkan risiko ini, UMB telah mempercepatkan mekanisasi untuk mengurangkan pergantungannya pada tenaga kerja manual dan memperolehi pensijilan MSPO untuk memenuhi standard kelestarian. Untuk meningkatkan pertumbuhan organik pada hasil masa depan di estet-estet yang sedia ada, Kumpulan telah menanam semula beberapa ladang dengan campuran bahan penanaman semi-klonal dan klonal dengan penghasilan tinggi.

Tumpuan yang khusus untuk mengawal kos serta pengurusan kewangan yang berhemah telah membantu UMB untuk menghadapi harga komoditi yang tidak menentu selama 109 tahun.

Selaras dengan kepercayaan teras UMB bahawa kakitangan adalah asetnya yang terbesar, Kumpulan telah melabur dalam meningkatkan kemahiran pekerjanya. Pada tahun kewangan di bawah kajian, UMB telah menghantar para pemimpin berpotensi untuk menghadiri program kepimpinan dan bina semangat.

UMB percaya prospek jangka panjang bagi minyak sawit kekal cerah kerana minyak sawit merupakan tanaman yang paling cekap dan kos yang kompetitif di pasaran minyak masak. Ia juga membantu permintaan berterusan untuk tenaga hijau yang boleh diperbaharui.

Pada 17 Oktober 2017, UMB mengumumkan kepada Bursa Malaysia Securities Berhad ("Bursa") bahawa ia telah memeterai perjanjian jual beli bersyarat ("CSPA") dengan vendor Dalvey Star Limited ("Dalvey"), menggunakan Clifton Cove Pte Ltd ("Clifton") sebagai cadangan pengambilalihan oleh UMB, satu (1) saham biasa sebanyak USD 1.00 yang mewakili 100% kepentingan ekuiti dalam Clifton (untuk memegang kepentingan ekuiti efektif sebanyak 60% di PT Wana Rindang Lestari) untuk pertimbangan tunai sebanyak USD 7,190,400 atau kira-kira RM 30,332,702.

Pengambilalihan di atas telah selesai dengan sempurna pada 27 Ogos 2018.

UMB berada di landasan yang tepat untuk terus mempelbagaikan geografi ke Sulawesi di Indonesia dan memperbanyakkan pelbagai tanaman yang ditanam.

Pada tahun kewangan semasa UMB akan memulakan kerja bagi penanaman stevia dan kelapa rendah di Sulawesi.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan terima kasih kepada semua pekerja atas kerja keras dan usaha mereka dalam tahun kewangan berakhir 30 April 2019.

Seperti pada tahun-tahun terdahulu, pada tahun kewangan di bawah kajian, rakan-rakan pengarah saya dengan rela menghabiskan banyak masa dan menawarkan nasihat yang tidak ternilai yang sering melampaui tanggungjawab undang-undang mereka dalam menangani beberapa cabaran utama yang dihadapi oleh United Malacca, terutama yang berkaitan dengan operasi LAK di Indonesia dan permulaan projek usahasama di Sulawesi.

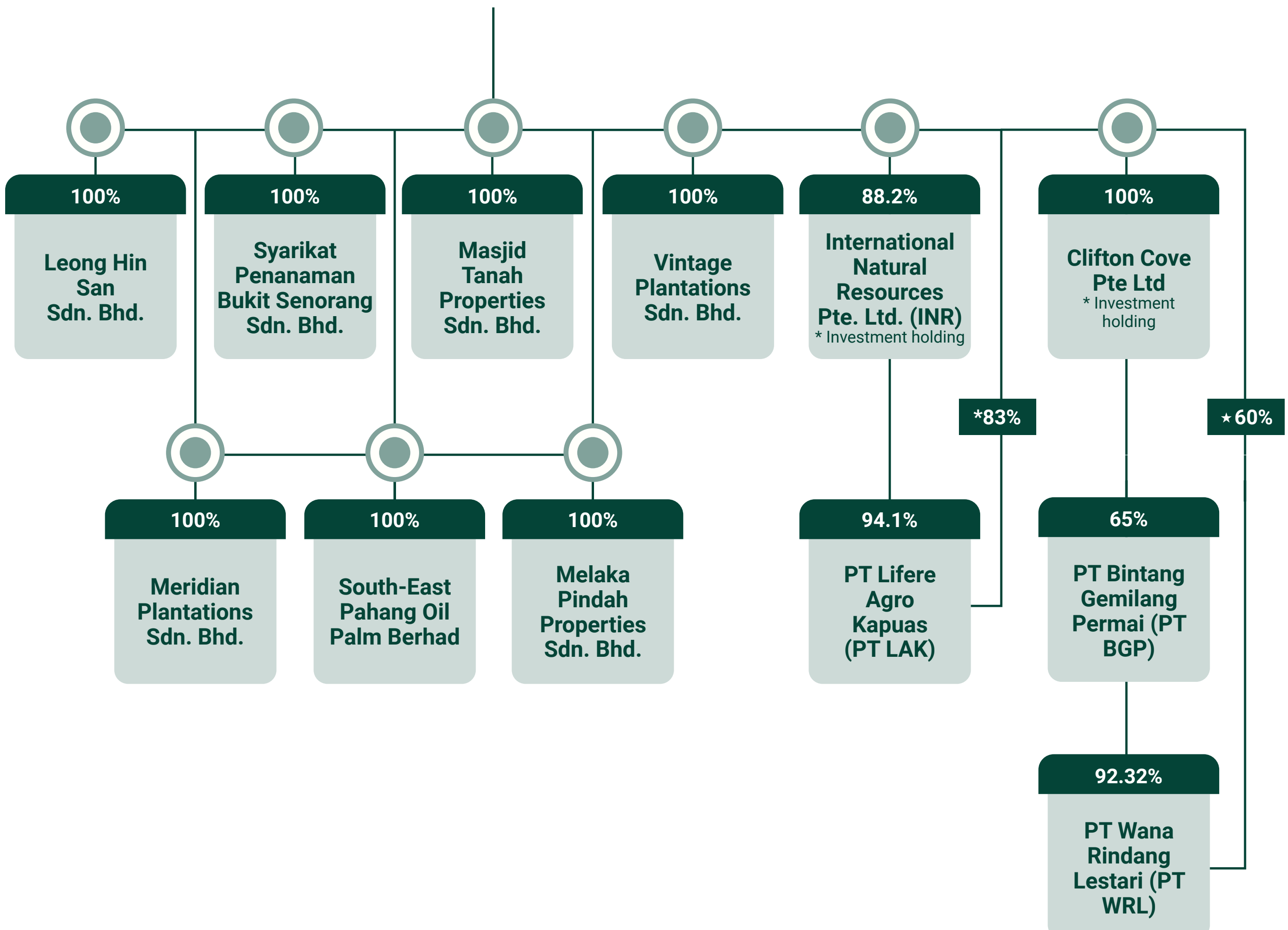
Saya ingin mengucapkan tahniah kepada Ketua Kejuruteraan/Pegawal Kilang Encik Fabian Fernandez dan kakitangan, Jurutera Projek Cik Gan Bee Ling dan Pengurus Kilang Encik Bintar yang bekerja keras dalam memastikan kilang minyak kelapa sawit Indonesia di Kapuas siap mengikut jadual dan dalam anggaran bajet. Kilang minyak kelapa sawit ini bukan sahaja canggih, ia hanya memerlukan 10 orang untuk menjalankan operasinya manakala bilik kawalan di tingkat atas memberikan gambaran keseluruhan mengenai operasi di lantai kilang.

Di samping itu, saya juga ingin mengucapkan tahniah kepada Ketua Pengawai Eksekutif Peter Benjamin yang telah memulakan kerja di Sulawesi. Bukan sahaja usaha sama kawasan hijau ini meliputi hampir 60,000 hektar, projek di Sulawesi menandakan permulaan percubaan United Malacca untuk mempelbagaikan kebergantungan 100% ke atas minyak sawit untuk pendapatan dan pertumbuhan masa hadapan.

Datin Paduka Tan Siok Choo
Pengerusi

CORPORATE STRUCTURE AS AT 30 JUNE 2019

United Malacca Berhad
(1319-V)



** 83% effective equity interest in PT LAK through INR*
⋆60% effective equity interest in PT WRL through Clifton Cove Pte Ltd and PT BGP

At A Glance

KEY DATES

Financial Year End	30 April 2019
Annual General Meeting	23 August 2019
Dividend Payments:	
1st Interim 2 sen	31 January 2019
2nd Interim 6 sen	21 August 2019

LAND BANK ANALYSIS

	Malaysia Ha	**Indonesia** Ha	**Total** Ha
Mature	20,992	10,273	31,265
Immature	802	1,502	2,304
Total Planted	**21,794**	**11,775**	**33,569**
Land Clearing	-	964	964
Plantable	85	4,344	4,429
Unplantable	2,759	7,854	10,613
Total Land Bank	**24,638**	**24,937**	**49,575**

Management Discussion & Analysis (cont'd)

GROUP BUSINESS PERFORMANCE (RM'000)

	FY 2019	FY 2018*	FY 2017
1 Revenue			
• Malaysia	175,410	244,307	247,183
• Indonesia	28,331	33,984	27,526
Total	203,741	278,291	274,709
% (Decrease)/increase over previous year	(27%)	1%	34%
2 (Loss)/Profit Before Tax	(48,892)	29,729	98,888
% (Decrease)/increase over previous year	(264%)	(70%)	41%
Plantation			
• Malaysia	(21,112)	36,498	85,642
• Indonesia	(17,420)	(10,041)	4,239
Investment (Expense)/Income	(10,360)	3,272	9,007
3 Operating Margin (%)	(19%)	10%	33%
4 Capital Management			
4.1 Return on Average Equity (%)	(3.0)	1.6	4.8
4.2 Basic/Diluted (Loss)/Earnings Per Share (sen)	(18.6)	12.0	40.4
4.3 Dividend Per Share (sen)	8.0	12.0	23.0
4.4 Net Assets Per Share (RM)	6.3	6.5	8.4
4.5 Dividend Cover	(2.5)	0.9	1.8
4.6 Interest Cover	(5.8)	6.7	26.4

5 Market Price & Production	**FY 2019**	**FY 2018**	**Change (%)**
Average selling price (RM/MT) :			
CPO	2,071	2,621	- 21.0%
PK	1,481	2,306	- 35.8%
Group FFB Production (MT):			
• Malaysia	314,865	354,089	- 11.1%
• Indonesia	38,748	28,467	+ 36.1%
Total	**353,613**	**382,556**	**- 7.6%**
Group Mill Processing Capacity	80 tonnes/hr	80 tonnes/hr	-

*Financial information of the Group for FY 2018 has been adjusted in accordance with First-time Adoption of Malaysian Financial Reporting Standards.

Founded by the late Tun Tan Cheng Lock on 27 April 1910. As of 30 April 2019, United Malacca Berhad ("UMB") owns and manages a total of 49,575 hectares of oil palm estates in Malaysia and Central Kalimantan.

FY 2019 has been a challenging year for UMB. The Group's results were overwhelmed by a bearish trend in crude palm oil ("CPO") and palm kernel ("PK") prices and a contraction in the Group's fresh fruit bunch ("FFB") production by 8% compared with the preceding financial year. Commendable growth of FFB production from Indonesian estates by 36% (10,281 tonnes) was overshadowed by the decline experienced at Malaysian estates by 11% (39,224 tonnes) due to the delayed impact of the extended adverse weather in the past 2 years. Through enhanced internal efficiencies and continuously rebuilding internal organisational strengths, production costs for matured areas were held in check, partially offsetting higher costs for newly matured areas. Accelerated implementation of mechanisation helped UMB reduce its dependency on labour. In line with UMB's commitment to manage its plantations in a sustainable manner, all Malaysian estates and mills were MSPO certified while Indonesian estates have completed the ISPO final audit.

FINANCIAL MATTERS

- **Revenue**

  Group revenue for FY 2019 decreased by 27% to RM203.7 million mainly due to lower average CPO and PK prices as well as lower FFB production.

- **Loss Before Tax**

  During the current financial year ended 30 April 2019, the Group recorded a pre-tax loss of RM48.9 million compared with the adjusted pre-tax profit of RM29.7 million in the preceding year. Pre-tax loss in the current financial year was mainly due to the double whammy from lower average CPO and PK prices and high production cost from young matured palms planted in 5,803 hectares (Malaysia–2,419 hectares and Indonesia–3,384 hectares).

UMB's vision is pursuing growth, an untiring commitment to excellence, nurturing a sense of belonging for stakeholders and ensuring a fair share of success for all.

Additionally, the losses were compounded by net foreign exchange loss of RM5.8 million and the negative financial impact of adopting MFRS which totalled RM25.4 million.

- **Assets and Liabilities**

  Property, Plant and Equipment decreased to RM1,375.4 million in FY 2019 from RM1,404.2 million in the preceding year mainly due to classifying four plantation estates with the net book value of RM69.5 million as non-current assets held for sale.

  Completing the acquisition of PT Wana Rindang Lestari resulted in the Group increasing its intangible asset by RM29.7 million. This represents the cost of concession rights over approximately 59,920 hectares in the Regencies of Tojo Una-Una and Morowali in Central Sulawesi.

  An increase in Trade and Other Receivables to RM80.3 million from RM49.3 million was mainly due to higher advances by RM19.8 million to plasma receivables in Indonesian subsidiary, PT Lifere Agro Kapuas ("LAK").

  During the financial year, the Group secured a fresh term loan for the construction of new palm oil mill in LAK. As of 30 April 2019, total outstanding bank borrowings stand at RM209.3 million.

Management Discussion & Analysis (cont'd)

FINANCIAL MATTERS (CONT'D)

- **Investment Holdings**

  Investment loss of RM10.4 million was mainly attributable to interest expense of RM7.2 million and net foreign exchange loss of RM5.8 million despite higher interest income of RM2.7 million.

  Investment profit of RM3.3 million in the preceding year was mainly due to net foreign exchange gain of RM4.7 million, interest income of RM2.4 million as well as net fair value gains on financial assets at fair value through profit or loss and other investments of RM1.0 million and RM0.9 million respectively, net of interest expense of RM5.2 million.

- **Plantation Financials**

  Malaysian Operations

  Plantation loss of RM21.1 million was recorded in the current year compared with a profit of RM36.5 million in the preceding year. Loss in the current year was mainly due to lower average prices of CPO of RM2,071/ tonne (2018: RM2,621/tonne) and PK of RM1,481/ tonne (2018: RM2,306/tonne) as well as high unit cost of production arising from 2,419 hectares young matured palms planted in Sabah.

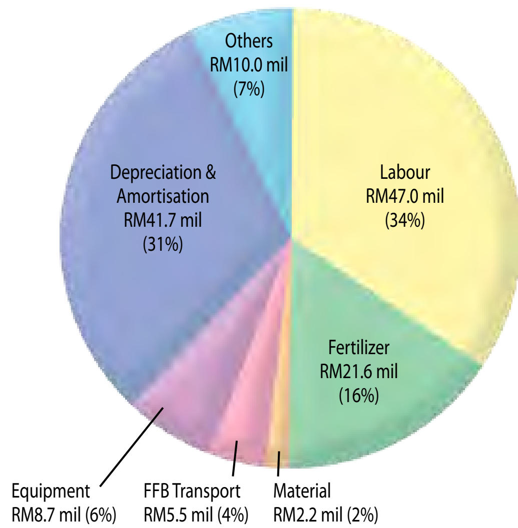
  Additionally, plantation losses were exacerbated by low FFB production of 314,865 tonnes (2018: 354,089 tonnes) caused by the delayed impact of extended adverse weather in the past two consecutive years. Nonetheless, FFB output in Millian-Labau Plantations rose by 9% or 7,232 tonnes compared with the preceding year.

  FFB cost of production (ex-estate before MFRS adjustment) for FY 2019 increased to RM325 tonne from RM295/tonne in the preceding year due to higher production cost in newly matured areas and lower FFB production. Going forward, the Group will prioritise rationalising cost, improving yields, maximising mechanisation, enhancing quality control for field works and stepping up performance-based payment for harvesters.

Production costs for FY 2019 and FY 2018 comprised the following:

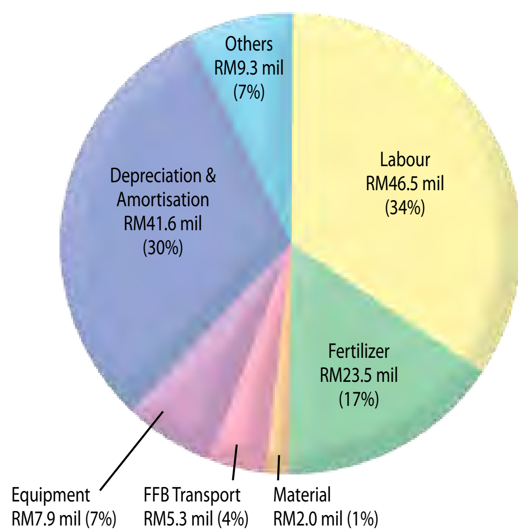
FFB PRODUCTION COST

FY 2019



Total cost: RM136.7 mil

FY 2018

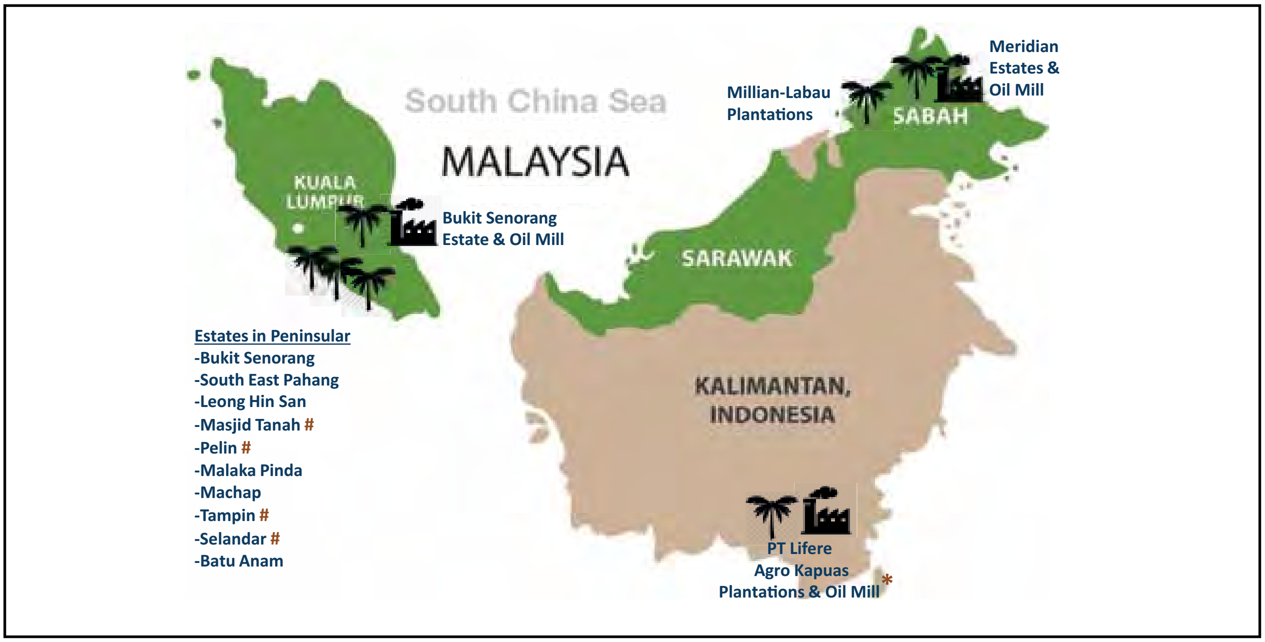


Total cost: RM136.1 mil

Indonesian Operations

For the current financial year, FFB production of LAK surged by 36% or 10,281 tonnes to 38,748 tonnes. Despite higher output, the Indonesian subsidiary incurred a loss of RM17.4 million for the current financial year. Depressed FFB prices fall by 31% compared with that in the preceding year and high production cost in the young matured area of 3,384 hectares which constitute approximately 65% of the total matured area.

MAP SHOWING UMB ESTATES & MILLS



* Commissioned in June 2019
\# Plantation estates in the process of disposal

REVIEW OF OPERATIONS

Plantation Operations

In FY 2019, an additional 715 hectares of oil palms reached maturity, boosting total matured area to 20,992 hectares or 96% of the total planted area in Malaysia. Of the total immature area of 802 hectares, 53% is in Peninsular Malaysia and 47% in Sabah. As at 30 April 2019, the overall planted area in Malaysia stood at 21,794 hectares.

LAK in Central Kalimantan has a land bank of 24,937 hectares, of which 47% or 11,775 hectares have been planted with oil palm. During the year under review, an additional 489 hectares of oil palms reached maturity, boosting the total matured area to 10,273 hectares. Of the immature area of 1,502 hectares, 189 hectares will mature in FY 2020. Planting the remaining area sustainably is targeted to be completed within the next three years. LAK's new mill was commissioned in June 2019.

Breakdown of planted area:

	Malaysia	Indonesia			Total
		Inti	Plasma*	Total	
	Ha	Ha	Ha	Ha	Ha
Mature	20,992	5,176	5,097	10,273	31,265
Immature	802	1,424	78	1,502	2,304
Total planted	**21,794**	**6,600**	**5,175**	**11,775**	**33,569**
Land clearing	-			964	964
Plantable	85			4,344	4,429
Unplantable ^	2,759			7,854	10,613
Total land bank	**24,638**			**24,937**	**49,575**

^ Land area for canals, roads, buildings, villages and forest reserve area.

* Plasma is a programme initiated by the Indonesian Government to develop the smallholders' plantations with the assistance and cooperation of the plantation companies which support the surrounding local community.

Management Discussion & Analysis (cont'd)

REVIEW OF OPERATIONS (CONT'D)

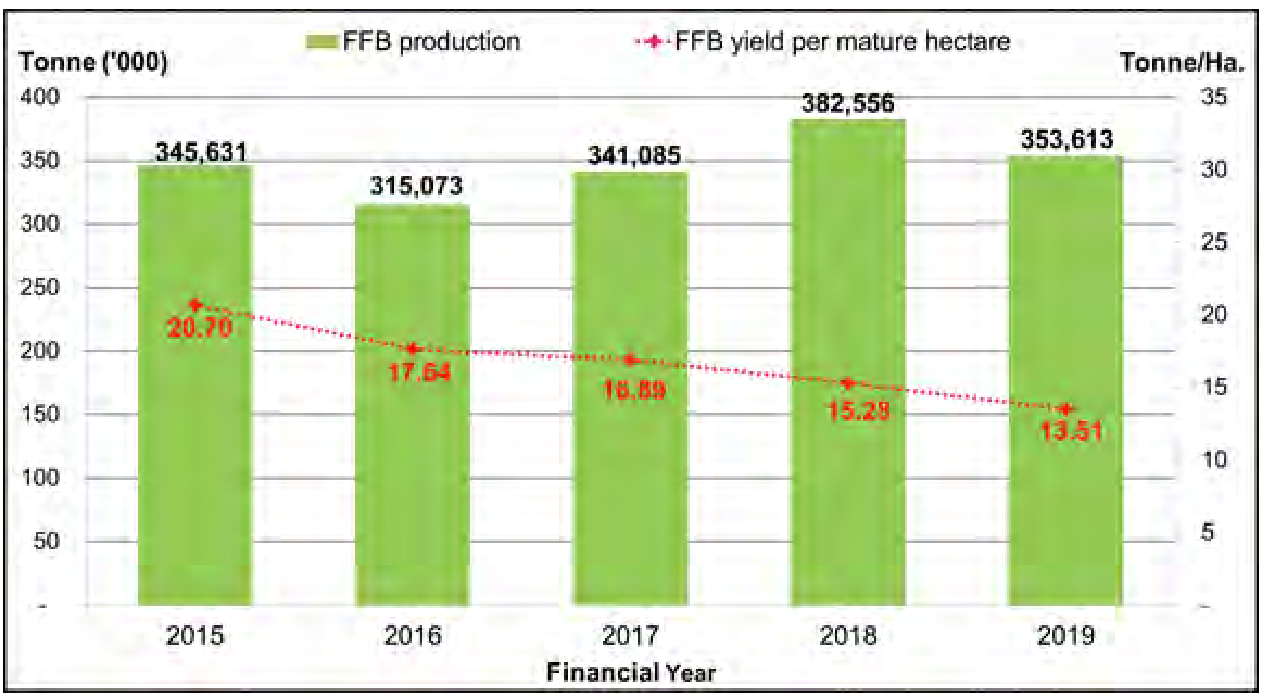
Plantation Operations (Cont'd)

Of the total planted hectarage, 31% of the palms are in prime production (age 8 to 15 years), 31% are on an increasing yield trend (5 to 7 years) and 8% are immature palms of less than 5 years. Only 4% or 1,236 hectares of palms are more than 20 years while the average age of palms is 11.6 years.

	Peninsular		Meridian		Millian-Labau		Malaysia		Indonesia*		Group	
	Ha	%	Ha	%	Ha	%	Ha	%	Ha	%	Ha	%
≤ 4 years	423	6%	88	1%	291	4%	802	4%	1,424	22%	2,226	8%
5 - 7 years	367	5%	364	5%	2,987	39%	3,718	17%	5,051	76%	8,769	31%
8 - 15 years	2,859	40%	1,555	22%	4,378	57%	8,792	40%	125	2%	8,917	31%
16 - 20 years	2,181	31%	5,065	72%	-	-	7,246	33%	-	-	7,246	26%
21 - 25 years	816	12%	-	-	-	-	816	4%	-	-	816	3%
> 25 years	420	6%	-	-	-	-	420	2%	-	-	420	1%
	7,066	100%	7,072	100%	7,656	100%	21,794	100%	6,600	100%	28,394	100%
Average Age	**14.9 years**		**16.5 years**		**9.2 years**		**13.4 years**		**5.4 years**		**11.6 years**	

* Excludes plasma

GROUP'S FFB PRODUCTION FOR PAST 5 YEARS



REVIEW OF OPERATIONS (CONT'D)

Plantation Operations (Cont'd)

During FY 2019, UMB faced numerous challenges including low FFB yields caused by adverse weather in the past two consecutive years and depressed prices for CPO and PK. Shortage of skilled harvesters also hampered output, especially in the tall palms area. In FY 2019, FFB production from Malaysia totalled 314,865 tonnes, a fall of 11% compared with the preceding financial year. FFB production in Peninsular Estates was 129,513 tonnes (41%) while output from the Sabah estates totalled 185,352 tonnes (59%).

UMB's Indonesian plantations contributed 38,748 tonnes of FFB (2018: 28,467 tonnes) from its matured area of 5,176 hectares. With a young average age of 5.4 years, FFB production from LAK is expected to increase significantly in the near future.

Given the various challenges the oil palm industry faces, UMB is focused on improving yields and rationalising costs. Furthermore, palms above 20 years will be replanted with high-yielding clonal and semi-clonal seedlings. For the current year under review, RM4.4 million has been spent on replanting old palms as well as nurturing immature oil palms planted over 393 hectares. In FY 2020, about 378 hectares of old palms will be replanted.

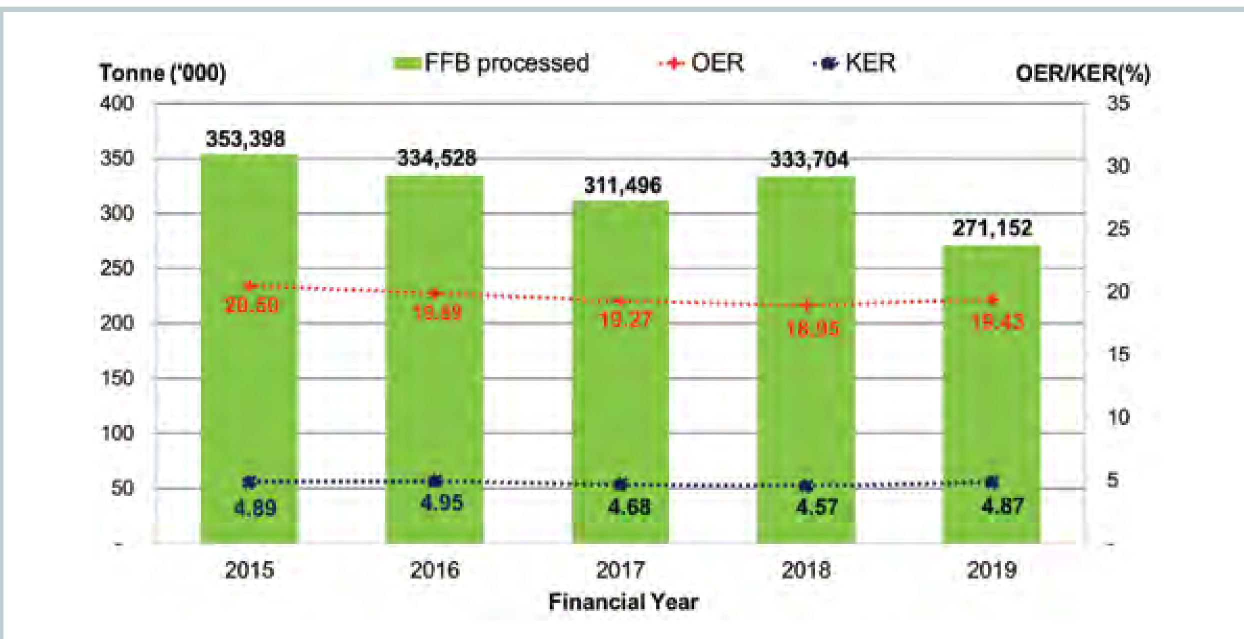
To minimise the need for labour and reduce labour costs, mechanisation was accelerated.

Milling Operations

The Group owns two palm oil mills – Bukit Senorang Palm Oil Mill in Pahang and Meridian Palm Oil Mill in Sabah with a total production capacity of 80 tonnes per hour ("tph"). In FY 2019, total FFB processed was 271,152 tonnes, 19% lower compared with 333,704 tonnes in the preceding year. UMB's own FFB accounted for 75% of the total crop processed. Lower FFB processed was due to lower FFB production from UMB's own estates.

Both mills collectively recorded total production of 52,693 tonnes (2018: 63,244 tonnes) of CPO and 13,195 tonnes (2018: 15,237 tonnes) of palm kernel with an average 19.43% oil extraction rate ("OER") (2018: 18.95%) and a 4.87% kernel extraction rate ("KER") (2018: 4.57%) in FY 2019.

GROUP'S PALM OIL MILL PERFORMANCE FOR PAST 5 YEARS



REVIEW OF OPERATIONS (CONT'D)

Milling Operations (Cont'd)

In June 2019, the Group's new palm oil mill in Indonesia with FFB processing capacity of 45MT/hour commenced operations. The Group expects the newly commissioned mill will contribute to profits at LAK and the Group.

FORWARD-LOOKING STATEMENT

For the financial year ending 30 April 2020, the Group expects better FFB output as the palm recover from adverse weather in the past two years and an additional 461 hectares coming into maturity – 345 hectares from Malaysia and 116 hectares from Indonesia. However, lower FFB output from Meridian Plantations is expected because the majority of its palms are older.

Financially, the Group's performance will be determined largely by palm oil and kernel prices. UMB will incur higher production costs in the young and newly matured areas, and rising labour recruitment costs. Nevertheless, Management will maintain its focus on improving labour productivity, maintaining a stable workforce, enhancing cost efficiency and strengthening estate management practices.

Despite challenges from NGOs, EU and other countries trying to curb the use of palm oil, UMB is optimistic about the vegetable oil's long-term prospects due to projected growth in world population and higher income per capita. On a per hectare basis, palm oil is the cheapest and highest yielding vegetable oil in the world and also possesses superior health qualities—it contains a significant proportion of healthy mono-unsaturated fats, Vitamin E and other anti-oxidant compounds.

To broaden UMB's earning base and to reduce its dependence on a single commodity in FY 2020, the Group will start planting stevia, dwarf coconuts and cocoa in Sulawesi while coffee will be planted further down the road. UMB is also focusing on improving the skills and capabilities of its staff through enhanced training while continuing to offer scholarships for university students who meet the Group's educational and other criteria.

With expanded planted areas coming into maturity, UMB anticipates escalating growth of oil palms in Sabah and Indonesia.

As the CPO price is likely to remain at the current level, the Group expects FY 2020 to be challenging.

This Statement is made in accordance with the resolution of the Board of Directors passed on 23 July 2019.

ABOUT THIS STATEMENT

United Malacca Berhad produces a Sustainability Statement annually as part of its efforts to improve transparency and accountability of its operations. This Statement provides material information relating to the Group's (1) sustainability governance, (2) material sustainability matters, (3) stakeholder engagements, (4) sustainability efforts and performance.

In accordance with Bursa Malaysia Securities Berhad's Sustainability Reporting Guidelines (2nd edition) and Main Market Listing Requirements for Sustainability Statement, this statement covers all operations of all UMB subsidiaries including estates, mills and offices in Malaysia, from 1 May 2018 to 30 April 2019 (FY2019) as well as some initiatives by UMB subsidiary in Indonesia —PT. Lifere Agro Kapuas (PT LAK).

The list of UMB subsidiaries is disclosed in Note 19 to the financial statements.

Plantation at PT LAK

SUSTAINABILITY GOVERNANCE

Successful implementation of sustainability requires a committed and accountable leadership. UMB's Board of Directors oversee sustainability-related strategies while the Chief Executive Officer (CEO) approves and determines sustainability strategies, direction, targets and goals. UMB's Sustainability and Mechanisation Department facilitates the coordination, monitoring and reporting of sustainability matters in each department and business unit.

All heads of departments and business units convene biannually to review the Group's sustainability action plans and progress for the year. Sustainability matters are also discussed during UMB's quarterly management meetings. The Group's Sustainability Governance Structure is presented below:

Board of Directors *Led by Chairperson*	• Oversees sustainability strategies and other related matters
Chief Executive Officer	• Approves sustainability strategies • Determines sustainability strategies, direction, targets and goals assisted by the Sustainability and Mechanisation Department
Sustainability & Mechanisation Department *Led by Senior Manager*	• Proposes sustainability targets • Coordinates, monitors and communicates sustainability performance throughout UMB
Business Units and Employees	• Implements strategies and initiatives to enhance sustainability

Diagram 1 : UMB's Sustainability Governance Structure

Group Sustainability Policy

COMMITMENT
- MSPO & ISPO
- Implementation & Commitment Policy
- Quality Policy

SOCIAL
- Equal Opportunity Policy
- Social & Human rights Policy
- Sexual Harrassment Policy

SAFETY
- Safe & Health Policy
- Personal Protection Equipment Policy
- Food Safety Policy

ENVIRONMENTAL
- Environmental Policy
- Slope & River Protection Policy
- Zero Burning Policy

Diagram 2 : UMB's Group Sustainability Policy

SUSTAINABILITY POLICY

To strengthen good agricultural practices and sustainability measures in all operating units, UMB adopted a comprehensive Sustainability Policy in July 2015 based on the Principles & Criteria of Malaysian Sustainable Palm Oil (MSPO) UMB is further guided by 11 areas of its Sustainability Policy.

STAKEHOLDER ENGAGEMENT

Implementing Sustainability involves improvement across the value chain and collective action by various stakeholders. Effective engagement with stakeholders is important to foster mutually beneficial relationships crucial to UMB's success.

UMB acknowledges that each stakeholder has a unique perspective of the impact of our operations to them and each of them is equally valuable to us. In FY2019, UMB has engaged key stakeholder groups to include their interests and concerns as the basis of identifying in the company's material sustainability matters, risks and opportunities and UMB's sustainability initiatives. UMB's key stakeholders include:

Stakeholder group	Mode of engagement	Topic(s) discussed	UMB's initiatives
Employees / Field workers	• Morning muster • Occupational safety and health (OSH) meeting • Stakeholders meeting • Company website	• Operational Concerns • Occupational Health and Safety matters • Group policies and procedures	• Enhance better understanding and awareness among employees of Group policies, as well as sustainability and compliance requirements • Improve mechanism for complaints and grievances • Enforce strictly the Safety Policy and conduct more OSH and relevant SOP training • Construct new labour quarters
Board of Directors	• Board Meeting	• Progress of sustainability matters • Group performance • Strategic plan	• Provide better understanding of Group's sustainability, progress and initiatives
Government / Regulators	• Stakeholders meeting • On-site inspections	• Compliance with legal requirements	• Support and contribute to the development of national sustainability standards
Investors / Financiers	• Annual General Meeting • Quarterly announcements • Company website	• Group performance • Business prospects	• Discuss business and investment plans • Improve understanding of financial performance
Local Communities	• Direct engagements • Stakeholders meeting • Company website	• Job opportunities in UMB for locals • Donations for local schools and NGOs • Road maintenance for local accessibility	• Conduct Social Impact Assessment • Establish Human Right policy • Give priority to employing qualified and eligible locals • Contribute to community development • Improve road access

Frequency of engagement: • Ad hoc • Daily • Quarterly • Annually

Table 1 : UMB's Stakeholder Engagement

MATERIAL SUSTAINABILITY MATTERS

Material sustainability matters could have a significant economic, environmental and social impact on UMB's business and stakeholders. Material sustainability matters have been identified through the following materiality assessment process:

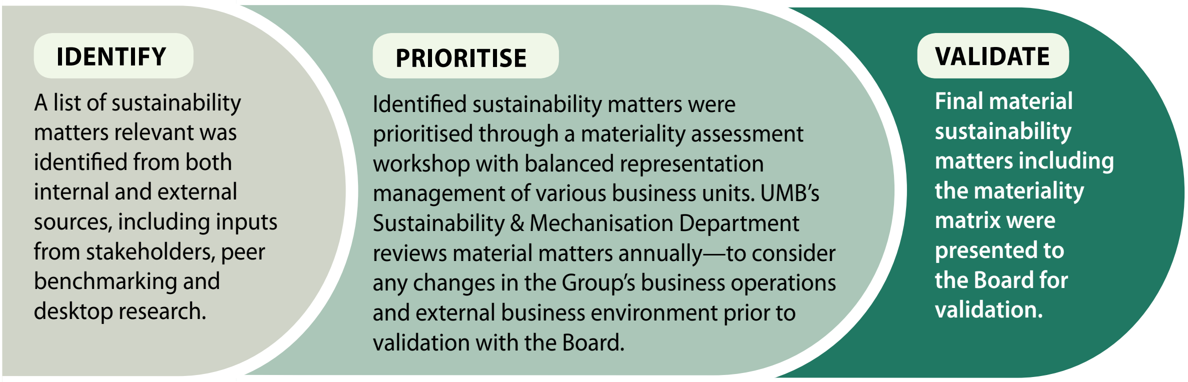


Diagram 3 : UMB's Materiality Assessment Process

In 2019, UMB reassessed its material sustainability matters and materiality matrix based on peer benchmarking as well as desktop research with inputs from stakeholders and taking into account the external business environment. UMB determined the material sustainability matters and their order of priorities remains relevant. Hence, there is no change in UMB's materiality matrix from last year.

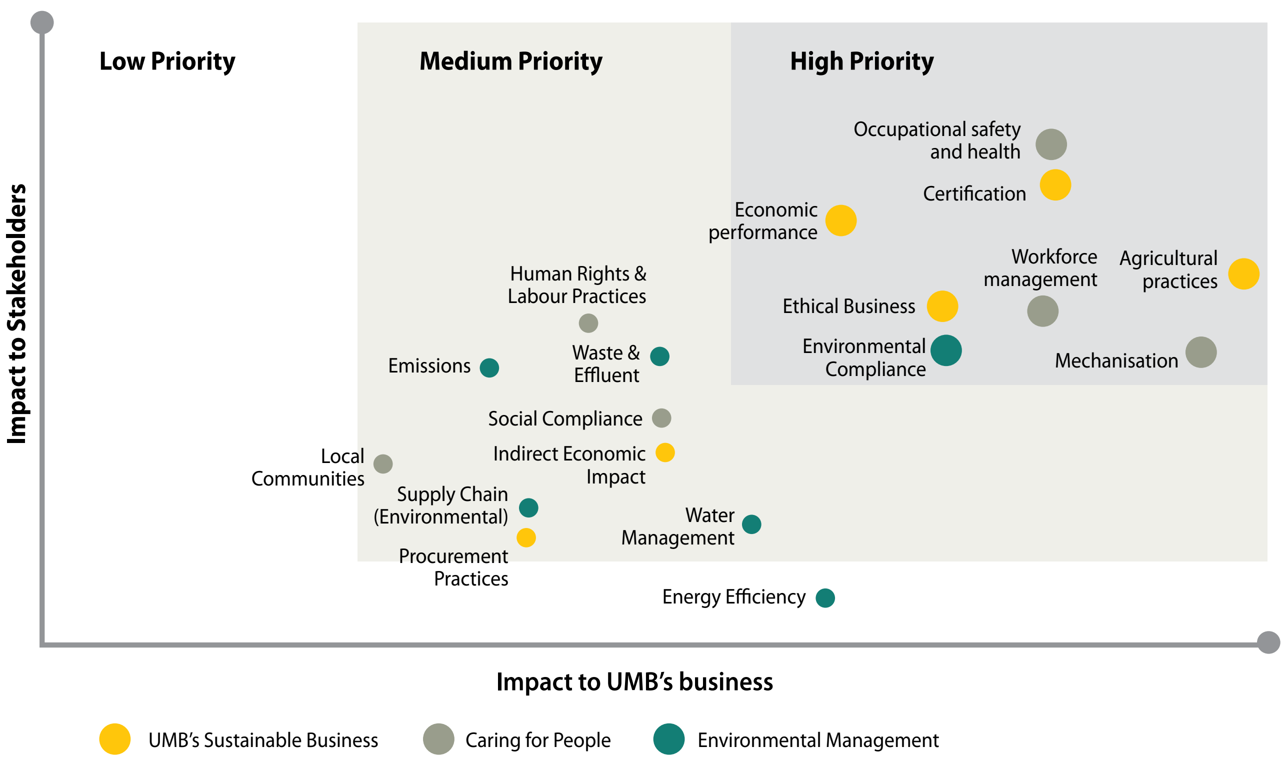


Diagram 4 : UMB's Materiality Matrix

Sustainability Statement (cont'd)

UMB's material sustainability matters are categorised according to three sustainability pillars: UMB's Sustainable Business (Economic), Caring for People (Social) and Environmental Management (Environmental).

Last year, UMB's reported on nine material matters which included eight of the high priority matters as well as local communities. For FY2019, UMB has expanded its disclosures to include some medium and low material sustainability matters.

Pillars		Material Sustainability Matters
	**UMB's Sustainable Business** Demonstrates how UMB conducts its business in a sustainable manner	• Economic performance • Ethical business • Procurement practices* • Certification • Indirect economic impact*
	**Caring for People** Highlights the move towards becoming a caring corporate citizen by taking care of employees, labours and the local community	• Occupational safety and health • Workforce management • Mechanisation • Local communities • Social compliance*
	**Environmental Management** Encompasses UMB initiatives to protect and minimises its impact on the environment.	• Agricultural practice • Water management* • Energy efficiency* • Waste and effluent* • Environmental compliance

* New material matters disclosed

Table 2 : UMB's Material Matters

Moving forward, UMB will continue to expand on the scope of its disclosure and enhance the depth of the existing disclosures.

Plantation at PT LAK

UMB's SUSTAINABLE BUSINESS

ECONOMIC PERFORMANCE

In FY2019, the Group reported revenue of RM204 million compared with RM278 million in the previous financial year. Yields in group's estate fell by 12% while output of Fresh Fruit Bunches ("FFB") dropped by 8% during the year under review.

Further analysis on economic performance for FY2019 is available in the Management Discussion and Analysis section of this Annual Report

In line with the Group's vision to ensure all stakeholders enjoy their fair share of success, UMB distributes economic value and benefits to stakeholders as shown below:

	FY2019 RM'000	FY2018 RM'000
To employees *Salaries, wages and other benefits*	51,703	51,715
government *Taxes and levies*	7,972	32,846
To shareholders *Dividends*	16,774	43,977
To communities *CSR contributions*	181	223

Table 3 : UMB's Value Distribution to Stakeholders

ETHICAL CONDUCT

Ethical conduct is an integral part of UMB's operations. UMB is committed to upholding the highest standards of work ethics, transparency and good governance. Failure to do so will threaten UMB's reputation for integrity. Over 109 years, UMB's track record of ethical business conduct has earned the trust and confidence of stakeholders.

UMB's approach to maintaining ethical business conduct is guided by the Directors' Code of Ethics ("Code") and Whistleblowing Policy. All Directors adhere to the Code which outlines the standard of ethical behaviour expected of Directors, premised on the group's ethos and core values. While fulfilling their duties, directors are expected to observe the Code, particularly the corporate governance rules, relationship with stakeholders, and uphold nurture their social and environmental responsibilities.

To promote transparency and accountability, UMB's Whistleblowing Policy encourages employees and workers to raise concerns of wrongdoing, corruption and instances of fraud, waste and/or abuse of corporate resources. The identity and details of the whistleblower will be kept confidential.

Further details on the Directors' Code of Ethics and Whistleblowing Policy are both accessible through our website at www.unitedmalacca.com.my

In FY2019, UMB did not receives any complaints of improper conduct or allegations of corruption involving management, employees and workers; as well as fines pertaining to non-compliance and breach of environmental and social laws and regulations.

Moving forward, UMB will increase anti-corruption programmes such as training sessions to enhance awareness of this subject.

PROCUREMENT PRACTICES

The integration of sustainability extends across UMB's value chain. Implementation of sustainable procurement practices involves considering social, environmental and financial factors to reduce potential harmful impact on UMB's business.

UMB's procurement practices as stipulated in its Purchasing Policy and Procedure reflect its effort to improve product traceability as UMB strives towards delivery of sustainable palm oil. UMB contractors and suppliers must comply with all ethics of the scope of work as well as the MSPO requirements outlines in the Job Contract. They are invited to attend a stakeholder engagement session conducted annually to explain the MSPO requirements.

UMB supports local suppliers and will prioritise them as the preferred suppliers in most of its procurement activities. This promotes the local economy and encourages more job opportunities for locals.

Sustainability Statement (cont'd)

For bulk purchases such as fertilisers, chemicals and operating equipment, the tender process is carried out by the Management Tender Committee to ensure transparency.

Moving forward, UMB is working towards obtaining the MSPO Supply Chain Certification Standard (MSPO-SCCS) mandated by the Malaysian Palm Oil Certification Council ("MPOCC").

CERTIFICATION

The MSPO standard has been made mandatory by end 2019. The benefits of certification go beyond merely compliance. UMB views certification as an opportunity to further improve internal processes and gain competitive marketing advantage.

UMB certification plans and efforts are guided by its MSPO Implementation and Commitment Policy, established in 2015. All UMB estates and palm oil mills in Malaysia have been certified under the Code of Good Agricultural Practice and Code of Good Milling Practice by the Malaysian Palm Oil Board ("MPOB").

UMB's Sustainability Department conducts an annual internal audit to ensure UMB maintain robust internal controls and complies with MSPO. Internal audit training is also provided to employees in respect of MSPO standards. As of January 2019, all UMB estates and palm oil mills in Malaysia, covering 21,795 Ha have successfully obtained MSPO certification, ahead of the mandatory implementation date.

Apart from MSPO certification, MPOCC has mandated that MSPO-SCCS should be implemented by end 2019. To meet the target date, UMB has made considerable effort towards obtaining this certification. UMB's Sustainability Department staff attended two SCCS audit training courses held in February 2019 to acquire the necessary expertise to conduct internal audits of UMB's supply chain using the principles of ISO 19011:2018—Guidelines for auditing management systems.

UMB has also embarked on obtaining the International Sustainable Carbon Certification ("ISCC") for all operations in Peninsular Malaysia and Meridian Plantations Sdn Bhd in Sabah. Various ISCC training sessions have been conducted in Melaka, Pahang and Sabah estates and palm oil mills to prepare operational units for ISCC-certification.

States	Estates and Mills	Status as of 30 April 2019		Date of Certification
		Code of Practice Certification	MSPO Certification	
Sabah	**Meridian Plantation Sdn Bhd ("MPSB")**			
	Paitan Estate Tanjung Nipis Estate Marhamat Estate Tengkarasan Estate	100%	100%	24 Apr 2018
	Meridian Palm Oil Mill ("MPOM")	100%	100%	24 Apr 2018
	Milian Labau Plantation Sdn Bhd ("MLP")			
	Milian Labau Plantation 1,2,3,4 & 5	100%	100%	18 Apr 2018
Melaka	Machap Estate ("MC") Melaka Pinda Estate ("MP")	100%	100%	29 Jan 2019
Pahang	South East Pahang Estate ("SEP") Bukit Senorang Estate ("BSE")	100%	100%	27 Apr 2018
	Bukit Senorang Palm Oil Mill ("BSPOM")	100%	100%	27 Apr 2018
Negeri Sembilan	Leong Hin San Estate ("LHS")	100%	100%	29 Jan 2019
Johor	Batu Anam Estate	100%	100%	29 Jan 2019

Table 4 : UMB's MSPO Certification Status

ISCC training for MPSB Estate and Mill staff

In Indonesia, UMB subsidiary PT. Lifere Agro Kapuas (PT LAK) is working towards complying with the Indonesian Sustainable Palm Oil (ISPO) standards, consistent with Indonesia's Ministry of Agriculture's Regulation No. 11 (2015) on ISPO implementation. PT. LAK achieved last year's target by concluding its Phase 2 audit in October 2018. Currently, PT LAK awaits verification from approved ISPO evaluators.

INDIRECT ECONOMIC IMPACT

UMB believes in creating shared value. The success of UMB's business and the wellbeing of the communities in the vicinity are mutually inter-dependent. UMB's oil palms are usually planted close to underdeveloped communities. UMB's approach is to create a positive impact to local communities by providing financial aid or contributing towards their education needs. UMB is convinced providing inclusive and quality education is the impetus needed to pull families and communities out of poverty.

In FY2019, UMB invested RM181,100 to support communities living nearby. UMB has awarded university scholarships totaling RM104,000 to high achievers to pursue tertiary education. Through the Tun Tan Siew Sin Scholarship, UMB awarded RM4,000 to employees' children for their outstanding achievements in public examinations. In addition, UMB has given donations totaling RM73,100.

In Indonesia, PT LAK's corporate social responsibility ("CSR") initiatives includes donating daily necessities such as staple food to local communities.

Scholarships awarded to University undergraduates

Corporate Social Responsibility activities by PT LAK in Indonesia

Donations to charitable organizations

Donations to a local library in Bukit Senorang

CARING FOR PEOPLE

OCCUPATIONAL SAFETY AND HEALTH (OSH)

A safe and healthy working environment is a basic human right. Any loss of life or injury could impact the livelihood of the families of those affected and reduce productivity. UMB is committed to maintaining a safe working environment for all employees, contractors and third parties.

In compliance with Malaysian laws and regulations, UMB's OSH Policy guides management's approach towards safety and health matters. UMB believes a culture of safety is best achieved by providing proper safety equipment and facilities as well as inculcating clear understanding of workplace risks and precautions employees should adopt.

OSH Governance

In 2017, UMB Group's Safety and Health Committee ("GSH Committee") was established to govern all OSH-related matters. The GSH Committee provides guidance to each operating unit on OSH issues and regularly inspects all operating units to ensure adherence to all OSH procedures. The GSH Committee also formulates strategies and action plans that will be conveyed to the Environment, Health and Safety ("EHS") Department for implementation by all operating units. The Committee meets every quarter to review the Group's OSH performance and identify areas requiring improvement.

PPE training conducted by Senior Safety Officer

Diagram 5 : UMB's Group Safety and Health Committee

The EHS department comprises a Senior Safety Officer and two Safety Officers—one for Meridian Plantation and one for Millian Labau Plantation. The EHS's primary role and responsibilities include:

- Providing advice and recommendations for EHS improvements to all group estates and mills;
- Providing safety training sessions;
- Arranging external competency training by safety consultants;
- Conducting OSH meetings;
- Inspecting workplace sites;
- Auditing internally OSH related-documentation;
- Conducting and following up internally on all occupational-related accidents and incidents;
- Assisting all operating units for audit visits by the Department of Safety and Health ("DOSH") officers and for workplace site inspections;
- Dealing with the Occupational Health Doctor ("OHD") for Health Surveillance

UMB's internal Hazards Identification Risk Assessment and Risk Control ("HIRARC") Guidelines and Safety Standard Operation Procedure ("SOP") aligns with the HIRARC Guidelines set by DOSH. UMB's ensures all OSH-related information, Safety SOPs and refresher courses are regularly communicated to all employees and workers via the intranet, annual e-newsletter, physical briefings and written hand-outs.

OSH Training

In FY2019, 29 safety and health training sessions were conducted with internal and external. Training covered a wide range of safety and health topics including the following:

OSH Training Aspects	List of OSH Trainings
Proper handling of equipment and chemicals	• Correct and safe usage of Protective Personal Equipment • Scheduled waste management training with Kualiti Alam
Emergency response	• Firefighting and building evacuation • Working at heights
Documentation training	OSH document auditing
Refresher training	In-house refresher training on Basic First Aid
Investigation training	Accident and incident internal investigation training for all estate and mill executives and staff

Table 5 : UMB's List of Key OSH Trainings

Above: Schedule waste management training conducted by Kualiti Alam for all estate and mill executives and staffs to upskill them on safe handling of wastes

29
Safety and health training
(FY2018: 23 sessions)

534
total training hours on OSH-related training
(FY2018: 591 hours)

Sustainability Statement (cont'd)

Training For Medical Check-Up

Held in Leong Hin San Estate this training session was conducted by an Occupational Health Doctor ("OHD") from the Qualitas Medical Group for workers, staff and executives who handle chemicals during spraying operations. All operating unit heads and assistants of Peninsular estates' operations attended the Guidelines on Medical Surveillance presentation session with the OHD under the Occupational Safety and Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000 from the Department of Safety and Health. The OHD shared information about early detection of deviations from health and interventions to mitigate occupational diseases.

Working at heights training for contractor and workers at Bukit Senorang Palm Oil Mill

OSH Performance

The Group's OSH performance is constantly monitored by the GSH Committee. In FY2019, UMB's recorded zero fatality compared with the previous year (FY2018: 1 fatality). This improvement is due to stricter OSH governance and more frequent training sessions. UMB recorded 14 accidents in its estates and mills. Most accidents occurred during harvesting operations, in particular during cutting, pruning and handling of palm fronds. All accidents were thoroughly investigated and followed up by conducting more safety briefings on 'Unsafe Act' and 'Unsafe Work Conditions' given by field staff and supervisors to harvesters to increase safety awareness.

To improve safety, UMB aims to carry out more safety awareness campaigns and achieve the Best Safety Index in all operating units in Peninsular Malaysia in FY2020. UMB will create health and safety briefings card for workers, contractors and visitors in Bukit Senorang Palm Oil Mill and Bukit Senorang Composting Plant in the next one to two years.

Safety Performance	Unit	FY2019	FY2018
Fatalities	Number of cases	0	1
Accidents	Number of cases	14	26
Incident rate	Incident/1000 employees	5.8	11.1
Frequency rate	Frequency/Million manhours	2.5	5.3
Severity rate	Frequency/Million manhours	34.6	66.3

Table 6 : UMB's Safety Performance

WORKFORCE MANAGEMENT

UMB's operations are still highly labour-intensive. Recognising people are one of the most important drivers of UMB's business, priority is given to their wellbeing to ensure adequate human capital to sustain UMB's operations.

UMB's efforts to create a conducive working environment is supported by the Group's Equal Opportunity Policy as well as the Social and Human Rights Policy which includes zero-tolerance for any kind of discrimination (such as gender, ethnicity, sexual orientation or disability) in the workplace, starting from the recruitment process. Additionally, UMB's Sexual Harassment Policy aims to protect female employees and workers from any form of sexual harassment or violence.

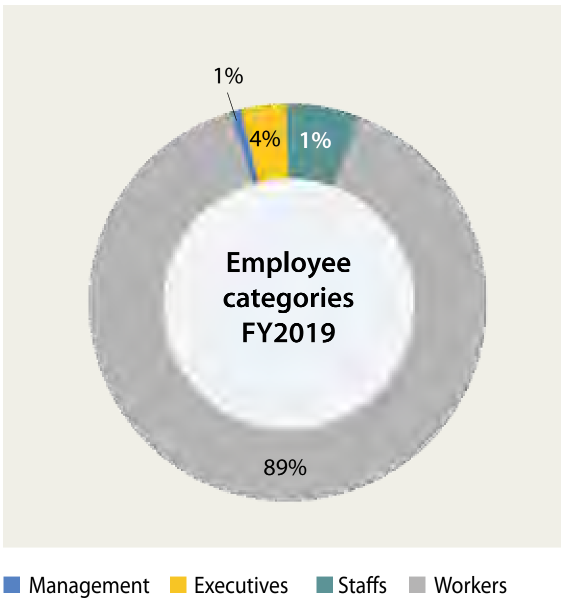


Diagram 6 : UMB's Employees Categories Breakdown

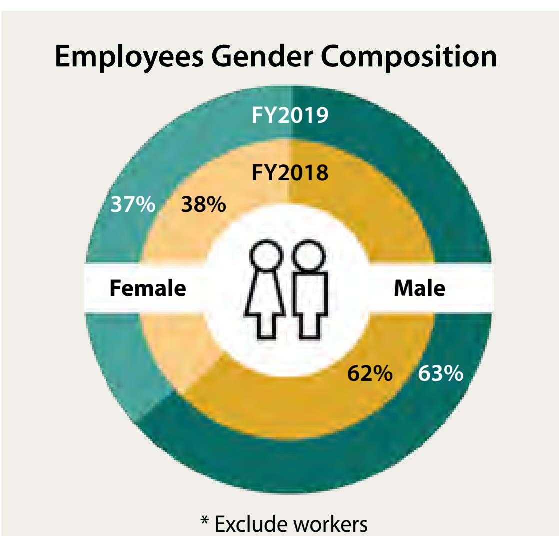


Diagram 7 : UMB's Employees Gender Composition

Stern action will be taken against those who contravene these policies, after investigations are held based on written complaints.

In FY2019, UMB recorded zero incidents relating to discrimination, child labour, forced labour and grievances regarding human rights issues.

Workforce Diversity

Maintaining a diversified workforce is important to UMB because the group recognises the advantages of having a broad range of skills and knowledge within its organisation. While most employees are male foreigners, UMB hires locals from a diverse background where possible. As at the end of FY2019, UMB's total workforce stands at 2,708.

Data on Employees		FY2019	FY2018
Nationality*	Local	26%	17%
	Foreigner	74%	83%
Gender*	Female	37%	38%
	Male	63%	62%
Age group*	Under 30	27%	26%
	30 to 50	59%	59%
	Over 50	14%	15%
Turnover rate by gender*	Female	9%	7%
	Male	14%	20%
Turnover rate by age group*	Under 30	18%	14%
	30 to 50	9%	12%
	Over 50	12%	26%

* Exclude workers

Table 7 : UMB's Employees Data

Employee Training And Development

Training is essential to develop the competencies of UMB employees and facilitate succession planning. Various courses and seminars are organised annually.

In FY2019, UMB's invested 1,104 training hours to nurture employees' skills, equivalent to an average of 3.9 training hours per employee. Training courses and seminars attended by UMB employees include:

In-house	External
• Presentation on Sharing a Personal Experience on Attaining High Yields, High Productivity • Seminar for Industrial and Commuting Accident Prevention • Chemicals - Scheduled Waste Control and Handling for Waste Handlers • Mechanisation Implementation for Plantation Managers	• 24th Malaysia Palm Oil Board Transfer of Technology Seminar & Exhibition • Incorporated Society of Planters' National Seminar 2018 • MSPO Internal Lead Auditor Training • Certified Sustainable Palm Oil (CSPO) Forum 2019 - Moving Forward to Time Line 2019 • MSPO-SCCS Auditor Training

Table 8 : UMB's Key Trainings for Employees

Twice a year, management conducts a performance review and appraisal to monitor employees professional development through constructive feedback and rewarding employees accordingly. A KPI system is used to track their work progress, reviewed twice a year, the KPI are passed down from the CEO. This is followed by one-on-one appraisals and performance evaluation by the employee's immediate superior.

Employees' Benefits And Amenities

UMB aims to provide employees with competitive benefits and amenities that will enhance their welfare. Going beyond compliance, UMB offers remuneration packages above the required minimum wage under the Malaysian Minimum Wages Order 2018 to attract and retain valued employees.

UMB also provides interest-free motorcycle loans to all confirmed employees to facilitate travel from estates located far from towns. UMB also provides Long Service Award to employees who have served the Group for 10, 15, 20 and 25 years as a token of appreciation for their loyalty.

Basic amenities provided include housing for workers and their families. In Kalimantan PT LAK provides both permanent and non-permanent housing for its employees, equipped with the necessary facilities.

Healthcare consultation by the AMO

Feedback from workers is obtained through social impact assessments. Last year, UMB workers at Pahang estates raised their concern about the lack of healthcare facility within the two estates. In response, UMB immediately built an Estate Healthcare Centre equipped with adequate medical supplies. This Estate Healthcare Centre became fully operational on August 2018, managed by an Assistant Medical Officer (AMO) and a clerk, this medical centre provides medical care for employees at Bukit Senorang Estate, South East Pahang Estate and Bukit Senorang Palm Oil Mill.

All workers, staff and executives who need treatment will consult with the AMO before being referred to a hospital if necessary.

At PT LAK, UMB has signed a Memorandum of Understanding with UPT Puskesmas Palingkau, the local health district office, which provides services such as First-Aid posts and midwives. PT LAK also collaborated with an external organisation to carry out medical check-ups for employees.

Employee Engagement Activities

In addition to providing opportunities for employees to develop their careers and ensuing their welfare, UMB also encourages employees to actively participate in social and recreational activities. This is aimed at inculcating harmony and building a strong bond among employees, both within Malaysia and between Sabah and Peninsula Malaysia. Some of the event highlights for FY2019 are presented below:

Annual Dinner

UMB's Annual Dinner is one of the most anticipated events of the year. This dinner marks UMB's appreciation of our employees' hard work and contributions throughout the year. This event enables employees to bond with colleagues from different estates and departments including their colleagues from PT LAK. At the dinner, staff showcase their skills in dancing and singing. During this event, scholarships are handed out to eligible students who have gained entry to universities in Malaysia as part of UMB's corporate social responsibility (CSR) programmes.

Performance by representatives from PT LAK estates

Award for long serving employees

Sports Carnival

UMB's 6th Annual Sports Carnival took place on the 14th and 15th July 2018 at Multimedia University, Malacca. This event aims to promote healthy competition and sportsmanship among UMB employees, and also to strengthen the bonds between staff from different estates in Peninsular Malaysia and Sabah.

Tug of war during Sports Carnival

Sustainability Statement (cont'd)

PT LAK Sports Carnival

In conjunction with Indonesia's Independence Day, this event was held on 17th August 2018 at the Belida Estate. Employees and their families took part in the various competitions organised, such as marbles race for children, a cracker-eating contest, as well as sports like volleyball, table tennis, badminton, tug-of-war and tree-climbing.

Tree-climbing competition

Fun activities participated by employees' families

Team Building for Staff and Executives

This year, UMB collaborated with the Outward-Bound Trust of Malaysia to hold the Leadership and Team Building Programme in Lumut, Perak. The aim of this programme is to encourage team work and cooperation among staff and executives. This year's programme included challenging activities such as ice breakers, night walking, jungle trekking and kayaking.

Staff enjoying the jungle trekking activities

MECHANISATION

Labour shortage is a crucial issue faced by the plantation industry due to labour-intensive planting and harvesting. UMB is introducing mechanisation to mitigate the risk of labour shortages and ensuring sustainable operations.

Mechanisation is expected to enhance the efficiency and productivity of estate operations. Since FY2015, mechanisation has been rolled out in phases across all UMB estates in Malaysia. All field workers have been trained to use machines for collecting FFB, watering and spraying pesticides and fertilizers. Despite the potential for mechanisation, UMB faces several difficulties in implementation due to the challenging terrain at some estates making it hard for the machines to access the oil palms.

UMB's current land to labour ratio is 1:10ha. With mechanisation, we intend to improve on this.

MTG is used to load FFB

Power Sprayer is used to replace manual pesticide spraying

A summary of the functions and benefits of the machineries in UMB estates is highlighted below.

Machinery	Benefits
Fertiliser Spreader	Mechanised fertiliser application, one unit replaces the work of 10 workers
Mini Tractor Grabber (MTG)	In-field loading of FFB that doubles the collection capacity per worker
Power Sprayer	Mechanised pesticide spraying reduces a five-person to one person and results in 12% cost saving
Rotoslasher	Grass cutter that maintains the softness of the grass
Superbull	Loading FFB for use at narrow and elevated terraces

Table 9 : Machineries used by UMB to enhance productivity

Mechanisation Initiatives during FY2019:

- **MTG for composting**

  As at April 2019, using the MTG, Bukit Senorang Estate and South Pahang Estate achieved full mechanisation for in-field collection of FFBs. Additionally, three units of MTG were specifically allocated to transport and spread compost in Bukit Senorang Estate.

- **Tractor garages**

  In Bukit Senorang Estate, a 12-bay tractor garage was built in May 2018 to address the issue of insufficient parking bays in the estate.

LOCAL COMMUNITIES

UMB strives to maintain mutually beneficial relations with local communities. UMB adopts an inclusive approach in engaging with local communities through its corporate social responsibility (CSR) initiatives.

Engagement With Local Communities

Annual meetings with local communities are held in all UMB estates and mills in Malaysia and Indonesia. These meetings address issues raised either by management or by the local communities. Apart from employees, attendees at these meeting also include contractors, suppliers, government agencies and members of the local community. One example of a stakeholder engagement at PT LAK was a public consultation session with the Kapuas District Environmental Office as well as local community members including the village head and community leaders regarding the estate's ISPO certification.

Social Impact Assessment

UMB conducts annual Social Impact Assessment ("SIA") to better understand the concerns of the community regarding their livelihood. In 2018, three (3) SIAs were conducted by an independent party involving estates in Melaka and Sabah as well as the Meridian mill. Stakeholders involved in these assessments include workers, government agencies, community leaders, contractors, suppliers and school representatives. The key findings and UMB's responses are summarised below:

No.	Areas of concerns	Concerns raised by stakeholders	UMB's response and action plans
1	Housing Condition/ Living Improvement	• Housing complaints not attended to in a timely manner.	• Management will monitor repairs done in response to each complaint received from workers. Repetitive complaints must be handled promptly.
		• Upgrading existing quarters and constructing new quarters	• Plans to upgrade and construct new quarters are in place and necessary approvals have been obtained.
		• Housing conditions – inconsistent water supply, inadequate fencing, infrequent grass cutting	• Management to review the water supply system and address the problem. Other requests will be raised in upcoming management meetings
		• Request for improved childcare learning centre (CLC) and an additional CLC	• Management agreed to improve CLC facilities and will consider providing an additional CLC in other estates
		• Transport to surau for Friday prayers, to nearby town for grocery shopping and to nearby school for children	• Groceries - Provision for a lorry was included in the budget for next financial year. Other transportation requests will be considered
		• Amenities – construction of surau	• Management plans to construct a Surau in Machap Estate.
		• Living condition – pricey goods at sundry shop	• Management to review the sundry contract and monitor prices regularly
2	Women and Reproductive Rights	Policy to prevent sexual harassment is in place. However, it needs to be communicated to all employees at all levels.	Management will communicate the Sexual Harassment Policy to employees and workers throughout the Group
3	Benefits and salaries	Payment system to harvesters was not clear	• Management follows guidelines from MAPA even though UMB is not a MAPA member. The harvesters are paid a high rate on a per tonne basis. • The harvesters will be briefed on their pay and rate per tonne.
4	Job opportunities	Limited job opportunities for locals due to many foreign workers hired by UMB	• UMB will prioritise recruiting locals where possible

Table 10 : Concerns Raised from Social Impact Assessment and the Respective Management Responses

Our new semi-detached labour quarters

Complaints And Grievances Procedure

In addition to the SIA, there are various channels for stakeholders to express their opinions and concerns. In 2017, an SOP for Handling Complaints and Grievances was established. This involves filing out a form, available on UMB's website, to initiate action followed by an investigation and other relevant measures.

Time taken to resolve a complaint or grievance depends on the criticality of the issue. PT LAK also adopts a similar SOP for complaints and grievances management.

In cases requiring further discussions with UMB management, face-to-face meetings will be held. Complainants will be notified when management decides on a course of action.

SOCIAL COMPLIANCE

UMB has established a Procedure to Track Changes in New Law to ensure compliance. UMB frequently review its processes and policies to ensure compliance with laws and regulations for all UMB estates.

In FY2019, UMB didn't receive any fine for breaches of social-related laws and regulations.

More information on our grievances procedure including the complaints and grievances form is available on our website at www.unitedmalacca.com.my

ENVIRONMENTAL MANAGEMENT

Mindful of the considerable environmental footprint of its operations, UMB continually strives to maintain a cleaner and pollution-free environment. Guided by UMB's Environmental Policy, the company is committed to prevent pollution, reduce waste and conserve natural resources throughout its operations.

Commitments under UMB's Environmental Policy

Create cleaner environment though continuous improvement—reduction of wastes, prevention of air pollution, water pollution and land contamination arising from daily operations

Comply with all environmental legislation, regulations and other requirements to meet or exceed good environmental practices

Practise conservation of natural resources including energy and water use and promote recycling reuse and reduce.

Promote environmental awareness among all employees and third parties.

Diagram 8 : UMB's Environment Policy

AGRICULTURAL PRACTICE

To ensure better yields and higher productivity, Good Agricultural Practice ("GAP") is one of the key principles that UMB has adopted as part of its Sustainability Policy. All estates are certified in accordance with the Code of Good Agriculture Practice to ensure oil palms are grown with minimal adverse, environmental and social impact. GAP practices are adopted in the following areas:

- Zero Burning
- Integrated Pest Management
- In-house Composting
- Water Management
- Wastewater Recycling

Zero Burning

UMB practices a strict Zero Burning Policy because the company is aware of the adverse environmental impact of burning. No burning is allowed in all estates in Malaysia and Indonesia for all processes including replanting and all other agronomy-related projects. Felled palms are chipped and exposed to direct sunlight. This practice adds nutrients to the soil and inhibits spread of ganoderma infection.

Integrated Pest Management

Pest control can be carried out chemically or biologically. Using chemical pesticides to eradicate pests is potentially harmful to the environment and may pose health risks to workers. UMB's Integrated Pest Management aims to reduce reliance on chemicals to eradicate pests.

Barn owls reared in UMB Estates

One initiatives is using beneficial insects that feed on pests like bagworms and leaf-eating insects. A conducive environment is created through planting beneficial plants like Cassia cobanensis, Euphobia eterophylla, Antigonan leptopus, and Turnera subulate that provide habitats for these beneficial insects. More than 1,500 polybags of these beneficial plants were densely planted along field roads.

Barn owls (Tyto alba) are reared in all estates to control rats. PT LAK estates uses six of Phopodilus badius owls and 19 Tyto alba breed of owls. Barn owl nesting boxes were built to provide shelter and a breeding area for these owls. Census of barn owl population and eggs are being carried out monthly to evaluate if the number of nesting boxes needs to be increased.

Other initiatives include using pheromone traps to attract pests such as the Oryctes rhinocerous bettle which attacks palm oil shoots. At PT LAK, only pesticides that are approved by the Ministry of Agriculture are used to minimise negative impact on the environment.

In-House Composting

Composting converts organic wastes into a soil conditioner that can be used to supplement chemical fertilisers. In the plantation industry, empty fruit bunches ("EFB") and palm oil mill effluent ("POME") are waste products available and used for composting. This waste management method is expected to generate 34,200 MT of compost each year, reduce UMB's dependency on chemical fertilisers and enhance soil fertility, a move towards methane avoidance thus enhancing sustainable development of UMB estates and mills.

In FY2018, in-house composting plants were constructed at the Bukit Senorang Palm Oil Mill and the Meridian Palm Oil Mill. The compost plant at the Bukit Senorang Palm Oil Mill became fully operational at the end of October 2018. The plant utilises whole and pressed EFB as well as POME in the ratio of one part EFB to three parts POME from the designated pond, decanter cake and boiler ash.

Between December 2018 and April 2019, compost totalling 9,114MT was generated and used for land application at certain fields in the Bukit Senorang Estate. In addition, compost is scheduled to be applied in the Replanting field 2018 and South East Pahang Estate by the next financial year ending 30 April 2020.

9,114 MT
of compost produced

EFB before mixing with POME and fertiliser containing beneficial microorganisms

UMB's target is to apply 100MT of compost daily. Up to February 2019, three units of New Holland Tractor from Sime Darby Industrial Sdn. Bhd. were purchased to maximise field application.

Another compost plant is currently under construction at Paitan Estate targeted to be completed by end September 2019.

WATER MANAGEMENT

Water is a crucial resource required for planting oil palms during the dry season and for processing palm fruits. Water is also needed in the houses of estate workers.

An integral part of GAP, good water management ensures the effective utilisation of water resources at UMB estates and mills. One method of water management is constructing water gates, which mitigate flood risks. At PT LAK, more than 214 units of High-Density Polyethylene ("HDPE") culverts were installed by April 2019.

In addition, a drip irrigation system has been implemented at Batu Anam and Leong Hin San estates in Peninsular Malaysia. Pipelines are buried below the ground to allow water to drip slowly into the roots of plants. This fertigation system minimises evaporation and allows maximise use of water.

In addition, Batu Anam estate has started using fertigation to apply liquid fertilisers through the drip irrigation system. This increases the palms nutrient absorption and accurate placement of fertilisers. Fertigation trials cover 100ha for each estate; the Batu Anam estate has implemented 50% of the trial area with fertigation system.

UMB has also installed rainwater harvesting systems in all estates to maintain and boost water reserves. Another way to ensure continuity of water supply is to protect the quality of water at UMB estates and mills.

Water quality of PT LAK canals is maintained by banning any form of chemical spraying in these areas. Water usage used in mills for processing FFB is as follows:

Water usage (m3/year) by mills	FY2019
BSPOM	142,851
MPOM	133,524
Total	276,375

Table 11 :Water Usage by UMB's Mills

ENERGY EFFICIENCY

UMB uses diesel to operate mechanised equipment and as fuel to start-up FFB processing in the mills, for vehicles transporting FFB from the estates to the oil mills and crude palm oil ("CPO") from the mills to the ports or customers, as well as for employees in their houses. UMB estates use electricity generated from the grid.

While use of non-renewable energy sources cannot be avoided altogether, serious effort must be made to ensure these resources are used efficiently. Where possible,

Water gate to mitigate flood risks.

UMB prefers to use renewable energy alternatives. One example is recycling oil palm by-products to be used as biomass fuel.

At UMB oil mills, empty bunch pressed fibre is being used as an alternative renewable fuel source to replace palm kernel shells for power generation. Using empty bunch pressed fibre as a green energy source helps reduce consumption of fossil fuels and at the same time, frees up palm kernel shells, another renewable energy source, to be sold for additional revenue.

UMB uses fossil and biomass fuels in its mills. Diesel is used to run heavy equipment, to power vehicles as well as to operate gensets. Small quantities of diesel are also used to ignite boilers before the feed is switched to biomass fuels. Waste material from processing FFB, fibres and shells, are recycled and reused as biomass fuel to power the mills' boilers.

In FY2019, UMB operations used 2,632,684 litres of diesel while 1,100,475 kWh of electricity was sourced from the grid.

To reduce greenhouse gases (GHG) emissions from UMB estates operations, used renewable energy prioritised in UMB estates. In FY2019, solar energy was introduced to power street lights and solar panels were installed in some facilities.

Besides, UMB also constantly monitor its energy usage throughout its operations to better optimise energy efficiency which eventually will reduce GHG emissions.

WASTE AND EFFLUENT

Growing oil palms is known to produce large amount of organic wastes. UMB has set a dedicated waste management plan to manage the waste generated from all estates and mills in an effective manner. The plan includes control measures, actions and monitoring personnel for all types of wastes ranging from scheduled waste to organic wastes generated from UMB operations. Ultimately, UMB strives to minimise waste generation through reducing, reusing and recycling of materials whenever possible.

Throughout the processing of palm oil, the typical wastes generated include EFB, palm kernel shell ("PKS"), palm pressed fibres ("PPF") and POME. At UMB mills, EFB are mostly sent to an in-house composting plant to be composted for use as fertilisers at UMB estates while PKS and PPF are mainly utilised as fuel for the mill's boiler plant. In the year under review, BSPOM generated

Solar panel installed at Millian Labau Plantation 1's guard post

UMB's representatives attending the Scheduled Waste Control and Handling Management for Waste Handler training at the Environmental Preservation and Innovation Centre ("EPIC") by Kualiti Alam.

25,244.6MT of EFB; 8,078.3MT of PKS and 18,176.1MT of PPF.

Similarly, UMB manages and monitors closely the quality of POME discharge to comply with the Department of Environment (DOE)'s requirement.

In FY2019, total volume of POME generated by MPOM and BSPOM was 117,135 m3 and 73,209 m3 respectively which were then pumped to the estates near the mills for land application.

In FY2019, representatives selected by UMB's EHS Department attended the Scheduled Waste Control and Handling Management for Waste Handler training designed by Kualiti Alam Sdn Bhd to enhance the knowledge and skill of managers and assistants handling schedule wastes effectively, in a safe and sound manner in compliance with environmental laws and regulations.

ENVIRONMENTAL COMPLIANCE

UMB takes compliance with environmental requirements seriously and implements all relevant measures in its estates and oil mills. In FY2019, the Group did not receive any environmental-related fines or complaints.

Scheduled waste is stored in the designated area throughout UMB's estates and mills

HIGH CONSERVATION VALUE (HCV) ASSESSMENTS IN UMB ESTATES AND MILLS

Background

As part of MSPO's requirement and based on previously conducted HCV assesessments in two estates and one mill UMB has conducted similar exercises in other estates in FY2019. This round, the assessments cover 13 estates and one mill:

- Batu Anam Estate
- Machap Estate
- Melaka Pinda Estate
- Leong Hin San Estate
- Marmahat Estate
- Tanjung Nipis Estate
- Paitan Estate
- Tengkarasan Estate
- Millian Labau Plantation 1
- Millian Labau Plantation 2
- Millian Labau Plantation 3
- Millian Labau Plantation 4
- Millian Labau Plantation 5
- Meridian Palm Oil Mill

Oriental Garden Lizard spotted within our estate vicinity during the HCV assessment

Findings and Action Plans

The total area covered in the assessment is 20,310.4ha, with HCV areas totaling 1459.8ha, within Marmahat Estate, Tanjung Nipis Estate, Paitan Estate, Tengkarasan Estate and MLP Estates, all located in Sabah. The identified HCV areas are classified as HCV 4 – this refers to the water catchment area which serve the functions below:

- Holds conservation value for daily basic needs or emergency water use, by providing water for domestic use for worker houses.
- Acts as river reserve where the areas comply with DID reserves aimed at protecting the soil and preventing river bank erosion. Also, the > 25^0 slope and isolated remnant forests are protected by natural vegetation to prevent slope erosion.

Potential threats towards the HCV areas were identified. In response, UMB has carried out action plans as summarised below:

No	Area	Possible threats	UMB's action plans
1	Pond / water bodies	• Vegetation clearing • Riverbank erosion • Sedimentation • Eutrophication of aquatic environments and vegetation overgrowth due to fertiliser application • Interruption of aquatic biological health • Degraded of catchment areas	• Marking of water catchment (erosion of prone areas) on the map and in the fields. • Conduct regular observation/patrolling/ monitoring of area • Demarcation of area to prevent unintended spraying • Mark slopes on the map and in the fields. • Avoid constructing skid trails in steep areas. • Monitor by drone photos (with date) terracing in the fields.
2	Forest border/ isolated remnant forest	• Forest encroachment • Illegal poaching / wildlife hunting • Illegal logging • Forest product exploitation • Human—wildlife conflict	• Maintain signboards to create awareness such as "No trespassing", "No hunting", "No open burning" etc. • Maintain boundary stones along the borders • To include forest officer/ranger in the stakeholder list • Competency training on how to manage biodiversity and HCV at all estates • Muster briefing to include biodiversity to discourage illegal poaching/logging.

Table 12 : UMB's Action Plans to protect the High Conservation Value Areas within its vicinty

This Statement is made in accordance with the resolution of the Board of Directors passed on 23 July 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the "Board") of United Malacca Berhad ("UMB") presents this Corporate Governance Overview Statement, which outlines the corporate governance approach, summary of corporate governance practices, focus areas and future priorities of UMB and its subsidiaries (collectively referred to as the "Group"). UMB recognises the important of meaningful disclosures to provide stakeholders with an informed view of UMB's corporate governance practices.

The Corporate Governance Overview Statement and Corporate Governance Report are in accordance with paragraph 15.25 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("MMLR") and the guidance provided in Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad.

Supplementing this Corporate Governance Overview Statement is the Corporate Governance Reports, which sets out UMB's corporate governance practices in line with the Malaysian Code on Corporate Governance ("MCCG") for the financial year ended 30 April 2019 based on a prescribed format. The Corporate Governance Report is accessible via UMB's corporate website, www.unitedmalacca.com.my and an announcement on the website of Bursa Malaysia Berhad.

This Corporate Governance Overview Statement should also be read in tandem with other statements in the Annual Report (e.g. Statement on Risk Management and Internal Control, Audit Committee Report) to obtain a granular understanding of corporate governance principles and practices.

UMB'S CORPORATE GOVERNANCE APPROACH

UMB is committed to excellence, in line with its vision to pursue sustainable growth and to nurture a sense of belonging for stakeholders, thereby, ensuring success is shared. The Board of UMB is vigilant in strengthening the governance framework to support long-term sustainability of the Group.

The Board recognises the architecture and implementation of the governance framework is paramount in developing a strategic business plan, monitoring of Group's performance and prudently managing risks.

The Group's overarching approach to corporate governance is aligned to UMB's objectives and strategy including:

- upholding the highest standard of ethical conduct with a honed focus on integrity throughout the Group;
- incorporating economic, environmental and social considerations into its business operations to promote long-term sustainability; and
- nurturing the right individuals at all leadership levels to manage the Group's strategic direction; and
- inculcating a critical review process before establishing corporate governance systems, policies and procedures.

In line with the belief that improving corporate governance is a continuous and relentless process, the Board regularly reviews and updates the Group's corporate governance framework to ensure it reflects current market dynamics whilst simultaneously addressing the Group's needs.

SUMMARY OF UMB'S CORPORATE GOVERNANCE PRACTICES

Benchmarking UMB's practices against relevant authoritative directive and best corporate practices, UMB has applied all the Practices outlined in MCCG for the financial year ended 30 April 2019, save for:

- Practice 4.2 (tenure of an Independent Director does not exceed a cumulative term of 9 years);
- Practice 4.6 (use of independent sources to identify potential directors);
- Practice 6.1 (policies and procedures to determine the remuneration of directors and senior management)
- Practice 7.2 (disclosure of top five Senior Management personnel's remuneration);
- Practice 11.2 (adoption of Integrated Reporting);
- Practice 12.1 (notice of Annual General Meeting is circulated at least 28 days prior to meeting; and
- Practice 12.3 (leveraging on technology to facilitate voting in absentia and remote shareholders' participation at General Meetings).

UMB has provided clear and detailed explanations for the non-application of the above-mentioned Practices in the Corporate Governance Report. Nevertheless, UMB will continuously attempt to adopt these Practices.

Corporate Governance Overview Statement (cont'd)

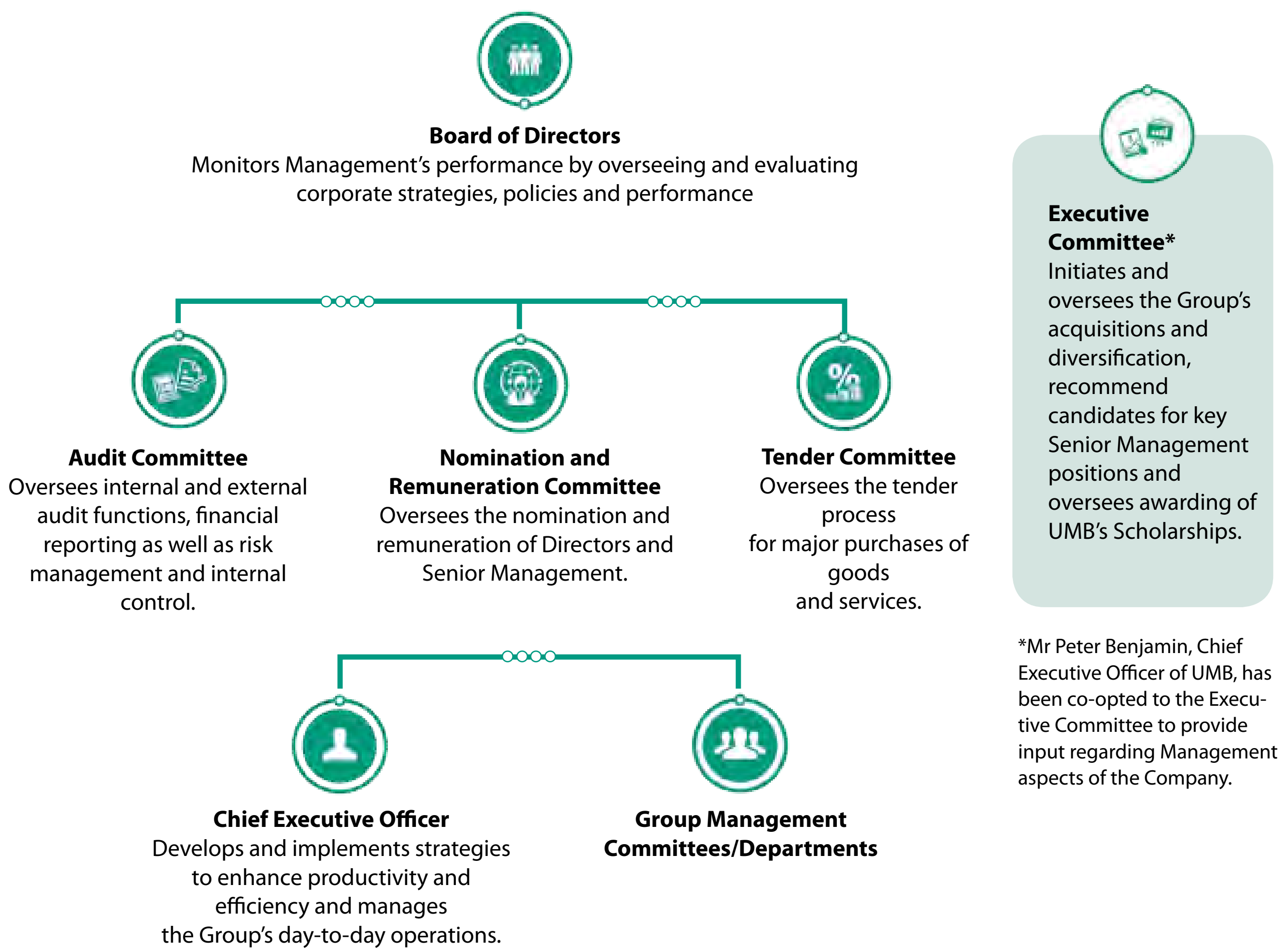
PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and responsibilities of the Board

The Board recognises that it is ultimately accountable for the Group's performance and it is the nucleus of UMB's corporate governance system. The Board oversees and evaluates corporate strategies, policies and performance and simultaneously monitors management's performance in building sustainable value for stakeholders.

To assist its oversight function, the Board has constituted four Board Committees, namely, Audit Committee, Nomination and Remuneration Committee, Tender Committee and Executive Committee. UMB Directors are informed of the activities of the Board Committees by receiving Committee meeting minutes and reports from the Chairmen of the respective Committees. Guided by the dictum "delegate but not abdicate", the Board retains collective oversight over the Committees. In undertaking their responsibilities, the Board Committees are guided by their Terms of Reference and delegated authority from the Board.

The Board has formalised a Board Charter which outlines the responsibilities of the Board, Board Committees, individual Directors and the Chief Executive Officer and includes a schedule of matters reserved for the Board. The Board Charter is publicly available on UMB's website www.unitedmalacca.com.my and is reviewed periodically to reflect the changing corporate and business environment. The Board is regularly apprised of the deliberations of these Committees whose recommendations would be highlighted directly to the Board for its subsequent approval.



*Mr Peter Benjamin, Chief Executive Officer of UMB, has been co-opted to the Executive Committee to provide input regarding Management aspects of the Company.

To ensure an effective devolution of power and authority, there is a clear delineation of roles between the Chairperson of the Board and the Chief Executive Officer, as outlined in the Board Charter. The Chairperson oversees the conduct, governance and effectiveness of the Board while the Chief Executive Officer develops and implements strategy and manages the Group's day-to-day operations.

The Board and its Committees meet regularly to deliberate on matters under their purview. Directors have devoted sufficient time to prepare, attend and actively participate during the Board and Board Committee meetings. During the financial year under review, the Board has met six times to discuss pertinent issues.

Individual Director's attendance for meetings of the Board and Board committees are outlined in the ensuing page:

Director	Board	Audit Committee	Nomination and Remuneration Committee	Tender Committee	Executive Committee
Datin Paduka Tan Siok Choo	6/6			4/4	3/3
Tan Sri Dato' Ahmad Bin Mohd Don*	6/6	5/5	2/2	4/4	
Mr Tan Jiew Hoe*	5/6	4/5	1/2		
Mr Teo Leng	6/6			4/4	3/3
Dato Dr. Nik Ramlah Binti Nik Mahmood	6/6	5/5	2/2		
Mr. Ong Keng Siew	6/6	5/5	2/2		

Legend: Chairperson of Board/Chairman of Board Committee; Member

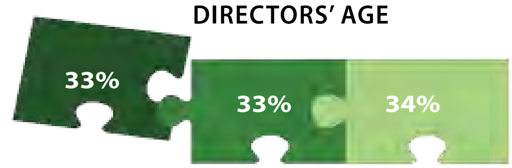
* The Board obtained shareholders' approval at the Annual General Meeting held on 24 August 2018 for Tan Sri Dato' Ahmad bin Mohd Don and Mr. Tan Jiew Hoe to continue in office as Independent Non- Executive Directors beyond their nine years tenure.

The Board and Board Committees are supported by qualified and competent joint Company Secretaries, who provide the Board with periodic updates on the latest regulatory developments. The Company Secretaries also advise and support the Board in upholding high standards of corporate governance. Both Company Secretaries facilitate the flow of information from Management to the Board and ensure Directors receive the meeting materials in a timely manner.

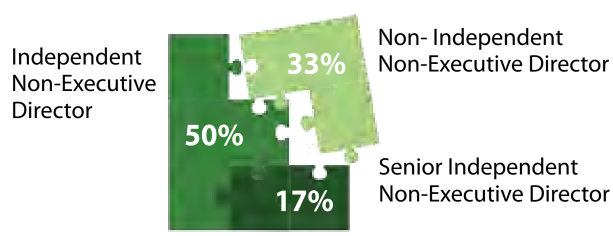
Board composition

Aware that a diverse Board broadens the Board's skills and enhances decision-making, UMB's Board is diverse in terms of cultural background, skill sets, experiences, ethnicity, gender and age. In fact, UMB is one of the few listed issuers that have appointed a female Non-Executive Director as the Board Chairperson (i.e only six out of the top 150 listed issuers by market capitalisation have female Non-Executive Chairperson). A breakdown of the composition of UMB's Board is shown below:

DIRECTORS' AGE

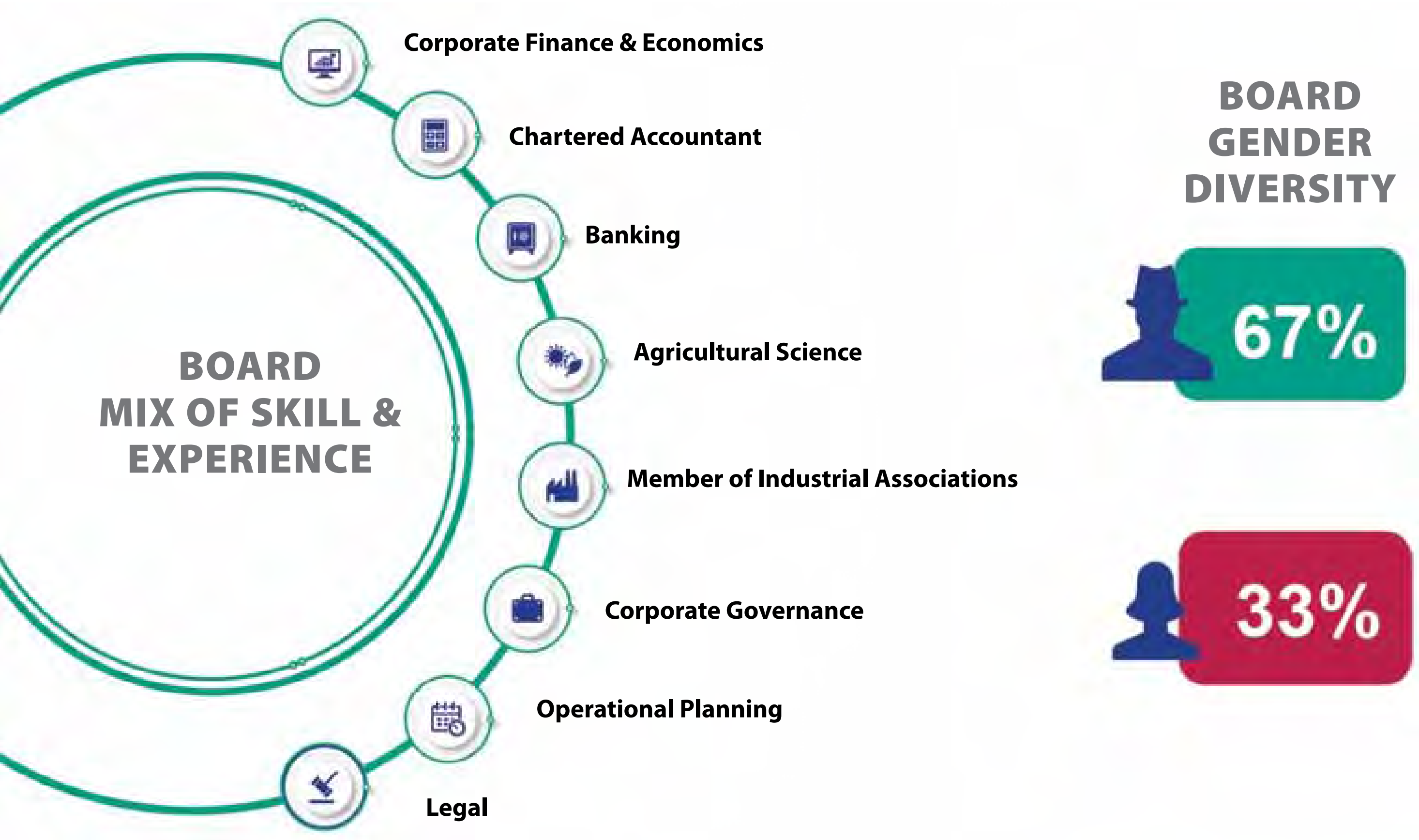


TYPES OF DIRECTORSHIP



[1] Based on latest available annual reports as at 1 October 2018 (Source: Data analytics from KPMG Management & Risk Consulting Sdn Bhd).

Corporate Governance Overview Statement (cont'd)



Four out of six Directors of UMB are independent in line with paragraph 15.02(1) of the Listing Requirements, which requires at least one third of Board members to be independent. The appointment of a Senior Independent Non-Executive Director provides an additional outlet for Independent Directors to voice any issues of concern. Supported by the Nomination and Remuneration Committee ("NRC"), the Board conducts a periodic review of the composition of the Board to ensure its diversity and multiplicity of skills and experience.

During the financial year under review, a Board Performance Evaluation was conducted in-house, facilitated by the Company Secretaries with the Nomination and Remuneration Committee providing oversight and guidance. The exercise was carried out through questionnaires given to the Directors using a self and peer rating model. The Board Performance Evaluation assessments were divided into three sections, namely: Board Performance Assessment; Board Committee Assessment; and Board of Directors Self-Assessment. Based on the findings of the evaluation exercise, the Board is satisfied with the overall performance of the Board, Board Committees and individual Directors as the average rating of the Board Performance Evaluation was high in almost all fronts. Areas in which UMB Board fared well include high participation and value-added involvement in the Company's affairs. Areas of improvement include the need to appoint new Directors (outside palm oil), given UMB's new diversified business ventures.

During the year, the NRC assessed and determined the training needs for individual Directors as prescribed under paragraph 15.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Directors are kept abreast of changes in the constantly evolving plantation industry, regulatory and sustainability developments through training and workshops.

Corporate Governance Overview Statement (cont'd)

The list of training programmes in the course of continuing professional education that were attended by UMB Directors is outlined below:

Attended by	List of training programmes attended	Date
Datin Paduka Tan Siok Choo	i National Seminar on Palm Oil Milling, Refining, Environment & Quality (POMREQ) 2018.	27 Nov 2018
	ii Institute of Strategic and International Studies (ISIS) Malaysia: Fourth Malaysia-China Seminar.	30 Nov 2018
	iii UBS Lunch Talk – The changing face of wealth	12 Dec 2018
	iv 30% Club Business Leaders Roundtable Meeting organised by Securities Commission Malaysia and 30% Club.	18 Dec 2018
	v Tan Sri Andrew Sheng's presentation: Investment Outlook for 2019: China-US and Regional	30 Jan 2019
	vi POC2019 Palm & Lauric Oils Price Outlook Conference & Exhibition by Bursa Malaysia Berhad	4 Mar 2019
	vii CARI Briefings –Dialogue with Deputy Minister, MITI of Malaysia: ASEAN Integration Outlook 2019	11 Mar 2019
	viii Ring the Bell for the Gender Equality 2019 by Bursa Malaysia Berhad	14 Mar 2019
	ix NST Insight Forum: The Malaysian Economy: Issue & Challenges	25 Apr 2019
Tan Sri Dato' Ahmad Bin Mohd Don	i Anti-Money Laundering	25 Jun 2018
	ii Preparing for Malaysia's New Sales and Service Tax 2.0	28 Aug 2018
	iii Sunway Leaders Conference 2018	5 Dec 2018
Mr Tan Jiew Hoe	i Launch of KPMG's Board Evaluation Report and Board Effectiveness Evaluation (BEE) Digital Tool by KPMG	26 Mar 2019
Mr. Teo Leng	i Palm Oil Economic Review & Outlook (R&O) Seminar 2019	17 Jan 2019
	ii POC2019 Palm & Lauric Oils Price Outlook Conference & Exhibition by Bursa Malaysia Berhad	4-6 Mar 2019
	iii Case Study Workshop for Independent Directors (Towards Boardroom Excellence)	18 Apr 2019
Dato Dr Nik Ramlah binti Nik Mahmood	i Harnessing Islamic Finance for a green future by Securities Commission Malaysia and World Bank	14-15 May 2018
	ii FIDE Forum – Blockchain for Finance Services	15 Jul 2018
	iii Business Foresight Forum 2018: Disruptions and Collaborations – The rise of capital market 4.0 by SIDC	8 Aug 2018
	iv Khazanah Megatrends Forum 2018 – On Balance: Recalibrating Markets, Firms, Society and People	8-9 Oct 2018
	v Meetup Asia 2018 by Tower Xchange, Marina Bay Sands Singapore	4-5 Dec 2018
	vi Mentoring for Directors by 30% Club, Securities Commission Malaysia	18 Dec 2018
	vii Perdana Leadership Foundation CEO Forum 2019 by Ernst & Young	4 Apr 2019
Mr. Ong Keng Siew	i Malaysian Financial Reporting Standards (MFRS) Made Simple for Directors and Senior Management by Bursatra Sdn. Bhd	29 Apr 2018
	ii SIDC Workshop Series: Business Valuation by Securities Industry Development Corporation	30 Jul 2018
	iii PwC Budget 2019 Seminar – Fiscal discipline indriving sustainable growth	13 Nov 2018
	iv Sustainability: Governance 2019 Towards Long-Term Value Creation	27 Feb 2019
	v MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30 Apr 2019

Remuneration

A fair remuneration package is pivotal to attract, retain and motivate talented and high calibre individuals to manage UMB. In line with this objective, the Board has adopted a formal remuneration policy and framework for the remunerations of the Chief Executive Officer and Senior Management linking overall pay to performance and meeting the Group's strategic and long-term objectives. Through the NRC, the Board periodically reviews Senior Management's remuneration to ensure it is competitive and within industry norms.

Remuneration packages for Non-Executive Directors reflect their duties and responsibilities, membership of Board and Board Committee as well as attendance at Board and Board Committee meetings. No agreed severance payments and ex-gratia payments are awarded to Directors or Senior Management staff.

Detailed disclosure of the remuneration of individual Directors are disclosed in the Financial Statements within the Annual Report.

PRINCIPLE B:
EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee ("AC")

UMB's Audit Committee comprises solely of Independent Directors to provide a robust and impartial oversight on financial reporting, audit and risk management processes. The AC is currently chaired by the Senior Independent Non-Executive Director, Tan Sri Dato' Ahmad bin Mohd Don.

AC members possess the requisite financial literacy and grasp of the business. In discharging their duties, AC members are given full access to both internal and external auditors, who in turn, report directly to the AC. The AC has put in place policies and procedures to assess the suitability and independence of the external auditor. The AC has instituted the External Auditor Independence Policy which governs the selection, appointment and assessment of the external auditor and the provision of non-audit services. During the year under review, the external auditor provided assurance its personnel were independent throughout the conduct of the audit.

The AC's Terms of Reference is published on UMB's corporate website. Details of the AC's role and activities are provided in the AC Report of the Annual Report.

Risk management and internal control framework

To ensure a robust risk management and internal controls, the Group has instituted an Enterprise Risk Management framework that includes formalised risk management policies and procedure encompassing the structure, policies, processes and resources to identify, evaluate and monitor material risks from internal and external sources.

The Group has an in-house Internal Audit department to regularly review the Group's risk management and internal control systems. The Internal Audit department reports directly to the AC and is independent of the business activities and operation of the Group's other operating units. In undertaking its duties, the Internal Audit Department is accorded an appropriate standing and authority, supported by an adequate budget and manpower approved by the AC.

Further information on the Group's risk management and internal framework is available in the Statement on Risk Management and Internal Controls of the Annual Report.

PRINCIPLE C:
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with stakeholders

As custodians of UMB, the Board aims to keep all stakeholders apprised in a timely manner of all material business events. The Board ensures there is an open line of communication with stakeholders through announcements to the Exchange and on UMB's website which contains recent announcements, quarterly financial reports, analysts' reports as well as summaries of minutes of general meetings.

The Annual Report is made on available on UMB's website which provides a balanced, comparable and meaningful assessment of the Company's position and prospects as well as comprehensive details about business activities and financial performance for the financial year. Concurrently, the Company also conducts periodic briefing sessions for institutional investors and analysts.

To facilitate regular stakeholder communication, the Board has identified the Senior Independent Non-Executive Director, Tan Sri Dato' Ahmad bin Mohd Don to act as a conduit for enquiries or concerns from stakeholders.

Conduct of general meetings

Held in Melaka, the Annual General Meeting ("AGM") enables engagement with shareholders in a two-way dialogue. All Directors, including the Chairperson of respective Board Committees, the Chief Executive Officer, Chief Financial Officer and the external audit Engagement Partner are customarily present during AGM to present its annual financial results, operational performance and business outlook. Shareholders are encouraged to ask questions, clarify facts and provide critical feedback to the UMB Board and Management.

Notice for the forthcoming AGM is issued 21 days before the AGM to enable shareholders to make adequate preparation.

FOCUS AREA DURING THE YEAR

The financial year ended 30 April 2019 was a period of growth, expansion and diversification for UMB.

Expansion and Diversification

The disposal of small estates helped finance the new joint venture in Sulawesi.

Alteration of Constitution

During the year under review, the Board amended the Company's Constitution and will seek shareholders' approval at the forthcoming AGM. The changes were driven by the need to streamline the Company's governance document against changes introduced by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Companies Act 2016.

The proposed changes offer better clarity on share capital, shareholder rights and proceedings at General Meetings.

Demarcation of responsibilities between Board and Management

During the financial year under review, reflecting regulatory changes and corporate governance reforms coupled with UMB's changing business activities, the Board and Management reviewed the authority limits in authorising and opening of new accounts and instituted key personnel changes. The review exercise also ensured the demarcation of power in subsidiaries, associates or joint ventures are aligned and standardised.

Labour sustainability

The new minimum wages and rules relating to hiring of foreign labour have made mechanisation imperative. UMB has stepped up mechanising its estate operations. UMB has engaged in a Group-wide process of mechanisation of applying fertilisers and fruits collection. In Peninsular Malaysia, UMB has implemented mechanisation for infield ffb collection and fertilizer application over 80% at the area. By introducing of ULV sprayers, it would reduce the usage of water for spraying.

Corporate Governance Overview Statement (cont'd)

Corporate culture and establishment of Code of Conduct and Ethics

Ethical culture

To strengthen UMB as a value-based ethical organisation, UMB has continued to reinforce the values and principles contained in the Code of Ethics and the current policies in place. The focus on this area is timely given the new Corporate Liability Provision via section 17A of the Malaysian Anti-Corruption Commission Act 2009. Given the "vicarious liability on directors and management" outlined in section 17A, the Board has emphasised the strengthening of adequate procedures to prevent the commission of corrupt acts by Directors, Management and employees. The whistleblowing Policy System has been established to eliminate such level of occurance.

CORPORATE GOVERNANCE PRIORITIES (2019 AND BEYOND)

To improve corporate governance, the Board will continuously implement improvement measures to enhance corporate governance:

Directors' independence

There are two Indepe ndent Directors, namely Tan Sri Dato' Ahmad Bin Mohd Don and Mr. Tan Jiew Hoe, who have served the Board for more than 12 years. Despite the long tenure of the two independent directors, UMB Board believes this arrangement is appropriate, given UMB's core business in planting oil palms that take four years to mature and seven years to reach prime yielding age. For this reason, UMB Board strongly believes long-serving directors are appropriate for plantation companies where a long-term perspective is paramount.

In the long run, the Board, together with the Nomination and Remuneration Committee are committed to enhancing directors' independence. In nominating future Independent Non-Executive Directors, the Nomination and Remuneration Committee will leverage on external sources such as appropriate directors' registries and industry-specific or professional associations and services like professional search firms to broaden the pool of candidates.

Human capital and succession planning

To enhance UMB's long-term sustainability, the Board intends to further strengthen UMB's human capital and succession planning. With a new Head of Human Resources, a comprehensive succession planning programme is in the pipeline involving key senior positions in all departments to identity potential candidates. The Board and Management recognise future leaders of the Company should be nurtured through mentoring and cross-training opportunities.

In the long-run, the Company aims to complete its transformation of mechanisation programme and reduce its dependency an labour. Management is also reviewing its training programmes to incorporate agro-technology, smart farming and modern estate management practices to improve labour productivity, enhance cost efficiency and improve yields.

Risk oversight and management

UMB Board is aware of the manifold benefits of technological developments. For harvesting, the Plantation Micro Macro Programme system which integrates Artificial Intelligence in data on harvesting improves management decision-making process. Increased usage of technology exposes employees to a multitude of risks including improper use the social media to circulate price-sensitive documents or information. Formulating governance procedures for cyber-security oversight and investing in capacity building programmes covering social media usage and confidentiality of sensitive data. Acknowledging the growing complexity of cyber-security, the Board will be vigilant in incorporating the policies as a Group-wide imperative.

To this end, the Board will put in place and implement periodic reporting mechanism board as well as cyber-security training, staffing and programmes in addition to delegating cyber-security oversight under the remit of the Audit Committee. This includes a thorough review of risk and security assessments, penetration testing reports and cyber-security audit. In addition, to ensure adequate resources are deployed, a comprehensive risk assessment to determine the weakness and capabilities of UMB's data protection policies will be undertaken.

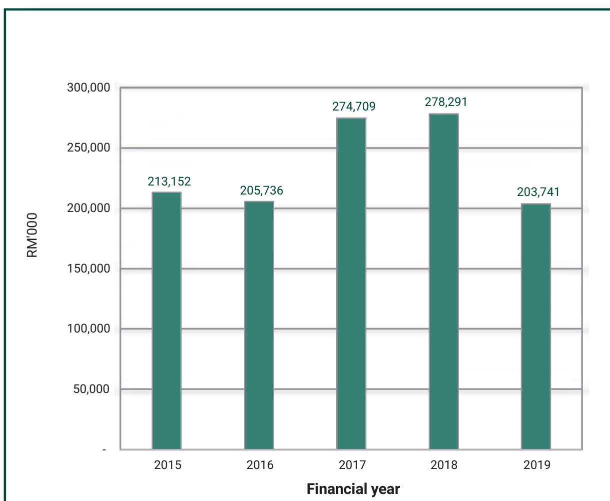
The Board will heighten its risk oversight over UMB's venture into planting new large-scale commercial crops such as coconut, cocoa, coffee and stevia in Sulawesi. Given the significant capital expenditure needed for the new cash crops over the next decade, the Board will put in place suitable policies and procedures to enhance its development.

This statement is made accordance with the resolution of the Board of Directors passed on 26 June 2019.

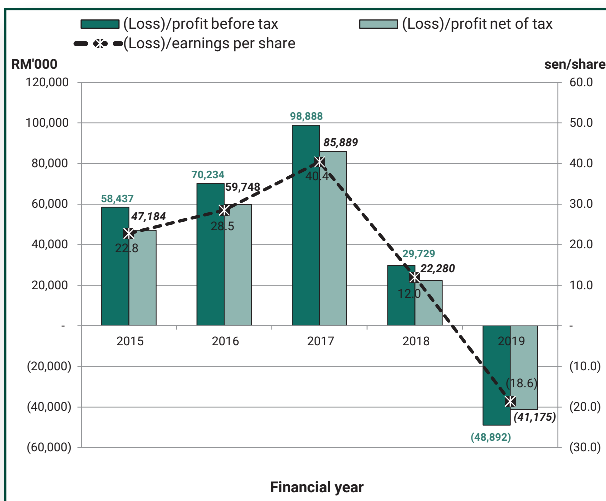
FIVE YEARS' **FINANCIAL STATISTICS**

	2019 RM'000	2018* RM'000	2017 RM'000	2016 RM'000	2015 RM'000
REVENUE					
Plantation	**203,741**	**278,291**	274,709	205,736	213,152
GROUP (LOSS)/PROFIT					
Oil palm products	**(38,532)**	**26,457**	91,577	50,276	53,144
Replanting expenses	**–**	**–**	(1,696)	(1,830)	(2,596)
(Loss)/profit from plantation activities	**(38,532)**	**26,457**	89,881	48,446	50,548
Investment (expense)/income	**(3,195)**	**8,491**	12,893	23,014	7,889
Interest expenses	**(7,165)**	**(5,219)**	(3,886)	(1,226)	–
(Loss)/profit before tax	**(48,892)**	**29,729**	98,888	70,234	58,437
Income tax credit/(expense)	**7,717**	**(7,449)**	(12,999)	(10,486)	(11,253)
(Loss)/profit net of tax	**(41,175)**	**22,280**	85,889	59,748	47,184
(Loss)/profit net of tax attributable to:					
Owners of the Company	**(39,027)**	**25,173**	84,554	59,572	47,184
Non-controlling interests	**(2,148)**	**(2,893)**	1,335	176	–
	(41,175)	**22,280**	85,889	59,748	47,184
(Loss)/earnings per share attributable to owners of the Company (sen)	**(18.6)**	**12.0**	40.4	28.5	22.8

Revenue



(Loss)/Profit and (Loss)/Earnings Per Share



* Financial information of the Group for FY 2018 has been adjusted in accordance with First-time Adoption of Malaysian Financial Reporting Standards.

Five Years' Financial Statistics (cont'd)

	2019 RM'000	2018* RM'000	2017 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Property, plant and equipment	**1,375,402**	1,404,204	693,912	683,930	681,453
Biological assets	**–**	–	991,901	954,671	846,483
Prepaid land lease payments	**130,934**	120,973	132,527	133,047	11,355
Investment property	**–**	–	–	1,147	1,054
Goodwill on consolidation	**82,474**	82,474	82,474	82,474	18,628
Intangible asset	**29,674**	–	–	–	–
Other asset	**2,702**	–	–	–	–
Available-for-sale investments	**–**	–	–	21,272	25,002
Non-current assets held for sale	**69,509**	–	–	–	–
Current assets	**164,547**	208,557	238,420	190,239	230,323
Total assets	**1,855,242**	1,816,208	2,139,234	2,066,780	1,814,298
EQUITY AND LIABILITIES					
Equity					
Issued and paid-up share capital	**254,935**	212,084	209,494	209,221	207,719
Capital reserves	**(10,894)**	26,997	882,963	893,844	897,275
Revenue reserves	**1,074,485**	1,129,323	660,958	605,586	575,175
Equity attributable to owners of the Company	**1,318,526**	1,368,404	1,753,415	1,708,651	1,680,169
Non-controlling interests	**38,064**	38,105	46,414	42,412	–
Total equity	**1,356,590**	1,406,509	1,799,829	1,751,063	1,680,169
Liabilities					
Bank borrowings	**209,263**	137,218	151,900	136,623	–
Retirement benefit obligation	**654**	469	365	–	–
Deferred tax liabilities	**226,709**	236,078	147,190	152,568	111,605
Current liabilities	**62,026**	35,934	39,950	26,526	22,524
Total liabilities	**498,652**	409,699	339,405	315,717	134,129
Total equity and liabilities	**1,855,242**	1,816,208	2,139,234	2,066,780	1,814,298
FINANCIAL STATISTICS					
(Loss)/earnings per share (sen)	**(18.6)**	12.0	40.4	28.5	22.8
Gross/Net dividend per share (sen)	**8.0**	12.0	23.0	16.0	16.0
Net dividend yield per share (%)	**1.5**	2.0	3.7	2.7	2.5
Return on average total assets (%)	**(2.2)**	1.2	4.1	3.1	2.6
Return on average equity (%)	**(3.0)**	1.6	4.8	3.5	2.8
Price earnings ratio (times)	**(28.8)**	50.8	15.3	20.9	28.0
Net assets per share (RM)	**6.3**	6.5	8.4	8.2	8.1
Share price as at financial year end (RM)	**5.36**	6.10	6.18	5.96	6.38
Debt/Equity (%)	**15.4**	9.8	8.4	7.8	N/A

* Financial information of the Group for FY 2018 has been adjusted in accordance with First-time Adoption of Malaysian Financial Reporting Standards.

GROUP TITLED **AREA STATEMENT**

AS AT 30 APRIL 2019

In Hectares	2019			2018			2017			2016			2015
	Malaysia	Indonesia	Total	Malaysia	Indonesia	Total	Malaysia	Indonesia	Total	Malaysia	Indonesia	Total	Malaysia
Oil Palm													
Mature	**20,992**	**5,176**	**26,168**	20,277	4,752	25,029	18,407	1,792	20,199	17,827	124	17,951	16,698
Immature	**802**	**1,424**	**2,226**	1,490	1,489	2,979	3,390	4,076	7,466	4,351	5,205	9,556	5,713
	21,794	**6,600**	**28,394**	21,767	6,241	28,008	21,797	5,868	27,665	22,178	5,329	27,507	22,411
Oil Palm (Plasma)													
Mature	**–**	**5,097**	**5,097**	–	5,032	5,032	–	2,894	2,894	–	102	102	–
Immature	**–**	**78**	**78**	–	143	143	–	2,280	2,280	–	5,072	5,072	–
	–	**5,175**	**5,175**	–	5,175	5,175	–	5,174	5,174	–	5,174	5,174	–
Total Planted Area	**21,794**	**11,775**	**33,569**	21,767	11,416	33,183	21,797	11,042	32,839	22,178	10,503	32,681	22,411
Development in progress	**–**	**964**	**964**	–	621	621	–	–	–	–	–	–	–
Plantable area	**85**	**4,344**	**4,429**	115	4,720	4,835	85	5,710	5,795	–	6,497	6,497	40
Unplantable area	**2,759**	**7,854**	**10,613**	2,756	7,828	10,584	2,759	7,833	10,592	2,463	7,585	10,048	2,190
	2,844	**13,162**	**16,006**	2,871	13,169	16,040	2,844	13,543	16,387	2,463	14,082	16,545	2,230
Total Group Titled Area	**24,638**	**24,937**	**49,575**	24,638	24,585	49,223	24,641	24,585	49,226	24,641	24,585	49,226	24,641

FIVE YEARS' PLANTATION STATISTICS

	2019	2018	2017	2016	2015
ESTATES					
FFB production (tonne)					
- Malaysian operations	**314,865**	354,089	321,887	314,696	345,631
- Indonesian operations	**38,748**	28,467	19,198	377 *	–
Yield per mature hectare (tonne/ha)					
- Malaysian operations	**15.00**	17.46	17.49	17.65	20.70
- Indonesian operations	**7.49**	5.99	10.72	3.03 *	–

* 3 months production.

	2019	2018	2017	2016	2015
MILLS					
FFB processed (tonne)	**271,152**	333,704	311,496	334,528	353,398
Production					
- Crude palm oil (tonne)	**52,693**	63,244	60,025	66,525	70,850
- Palm kernel (tonne)	**13,195**	15,237	14,586	16,566	17,270
Oil extraction rate (OER) (%)	**19.43**	18.95	19.27	19.89	20.05
Kernel extraction rate (KER) (%)	**4.87**	4.57	4.68	4.95	4.89
AVERAGE SELLING PRICE					
Crude palm oil (RM/tonne)	**2,071**	2,621	2,832	2,207	2,265
Palm kernel (RM/tonne)	**1,481**	2,306	2,825	1,690	1,639
FFB (RM/tonne)					
- Malaysian operations	**376**	518	585	429	433
- Indonesian operations	**330**	511	567	364	–

AUDIT COMMITTEE REPORT
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

1.0 INTRODUCTION

Pursuant to Paragraph 15.15 of the Bursa Malaysia Securities Berhad's Listing Requirement, the Board of Directors of United Malacca Berhad is pleased to present the Audit Committee Report for the financial year ended 30 April 2019.

2.0 COMPOSITION

The Audit Committee was established in January 1991 to report to the Board of Directors the independence of External Auditors, compliance with financial reporting, obligations in line with Listing Requirements, Accounting Conventions and Reporting Standards including adequacy of disclosures to stockholders.

Audit Committee oversees risk management and internal control issues in the Group and also serves as a conduit between Directors, External and Internal Auditors, Senior Management on all matters related to its scope of work. It comprises the following members:

Chairman	:	Tan Sri Dato' Ahmad bin Mohd Don (Senior Independent Non - Executive Director)
Members	:	Mr Tan Jiew Hoe (Independent Non - Executive Director)
	:	Dato Dr Nik Ramlah binti Nik Mahmood (Independent Non - Executive Director)
	:	Mr Ong Keng Siew (Independent Non - Executive Director)

(i) The Audit Committee shall be appointed by the Board of Directors from among the Directors and comprise not less than three (3) members. All the Audit Committee members must be Non - Executive Directors, with a majority of them being Independent Directors.

(ii) Members of the Audit Committee shall elect the Chairman, who is an Independent Director from among the members.

(iii) If the number of Audit Committee members for any reason falls below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members required to fulfil the minimum requirement.

(iv) At least one (1) member of the Audit Committee:

a. Must be a member of The Malaysian Institute of Accountants (MIA); or

b. If he or she is not a member of MIA, he or she must have at least three (3) years' working experience and;

i. must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

ii. must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

c. Fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

2.0 COMPOSITION (CONT'D)

(v) The term of office and performance of the Audit Committee are reviewed by the Board of Directors periodically to determine whether members of the Audit Committee have carried out their duties in accordance with the terms of reference.

3.0 AUTHORITY

The Audit Committee shall have the following authority as empowered by the Board of Directors:

(i) Investigate any matter within its terms of reference.

(ii) Full and unrestricted access to any information pertaining to the Company including access to external resources.

(iii) Obtain external legal or other independent professional advice.

(iv) Granted resources required to perform its duties.

(v) Communicate directly with the External Auditors and person(s) carrying out the internal audit function or activity, and the Senior Management of the Group.

(vi) Convene meetings with the External Auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The key functions of the Audit Committee are stated in the AC's Terms of Reference which can be viewed at UMB website.

4.0 MEETINGS

The Audit Committee met on five (5) occasions during FY 2019 and the attendance of each member of the Audit Committee is as follows:

Directors	No of Meetings Attended During Director's Tenure in Office
Tan Sri Dato' Ahmad bin Mohd Don	5 out of 5
Mr Tan Jiew Hoe	4 out of 5
Dato Dr Nik Ramlah binti Nik Mahmood	5 out of 5
Mr Ong Keng Siew	5 out of 5

The Company Secretary acts as Secretary to the Audit Committee. Minutes of each meeting are kept and circulated to the Audit Committee members and to all other Directors. The Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board of Directors.

4.0 MEETINGS (CONT'D)

(i) Meeting

Meetings shall be held not less than four (4) times a year. The Chairman may call for additional meetings at any time at his discretion. Upon request by the External Auditors, the Chairman shall convene a meeting of the Audit Committee to consider any matter the External Auditors believe should be brought to the attention of the Board of Directors or Stockholders.

(ii) Quorum

The quorum for a meeting shall be two (2) members and the majority of members present must be Independent Directors.

(iii) Attendance At Meeting

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, External Auditors and the person(s) carrying out the internal audit function or activity shall attend meetings by invitation of the Audit Committee.

5.0 OVERVIEW ON WORK OF THE COMMITTEE

The Audit Committee reports to the Board of Directors and uses a comprehensive work plan, which identifies four (4) areas of work: reporting compliance with Listing Requirements, effectiveness of the Internal Audit functions, Risk and Internal Control issues and Special Areas.

During the FY 2019, the Committee had reviewed and assessed the following:

5.1 Reporting Compliance with Listing Requirements

5.1.1 Ensure quarterly financial results to be announced to Bursa Malaysia Securities Berhad comply with the Listing Requirements for Revamped Quarterly Reports on changes in or implementation of major accounting policies, significant and unusual events.

5.1.2 Ensure the annual audited financial statements are in line with the spirit of the new framework for corporate governance aimed at promoting greater transparency and disclosure.

5.1.3 Audit reports and observations made by External Auditors on the audited financial statements and the appropriate Management response.

5.1.4 Annual Audit Plan for FY 2019 comprising the audit scope, programme, functions, resource requirements, audit reports and recommended actions to be taken by Management, and its implementation.

5.1.5 Recommend to the Board proposed fees of the External Auditors for FY 2019.

5.1.6 Report related party transactions, if any, and conflict of interest situations.

5.1.7 Oversee draft Audit Committee Report for disclosure in the Group’s Annual Report.

5.0 OVERVIEW ON WORK OF THE COMMITTEE (CONT'D)

5.2 Effectiveness of The Internal Audit Function

5.2.1 The primary role of internal audit is to review the adequacy and effectiveness of the Group's systems of internal control. Governed by the Internal Audit Charter and internal auditing standard practices, Audit Committee ensures the Internal Auditor discharges his duties impartially, proficiently and with due professional care.

5.2.2 Internal Audit Department adopts a risk-based auditing approach by focusing on identified high risk areas for compliance with control policies and procedures, identifying business risks that have not been appropriately addressed and evaluating the adequacy and integrity of internal controls.

5.2.3 For the Sabah and Indonesian operations, two (2) separate internal audit teams have been established in Millian Labau Plantations, Keningau since September 2012 and in Kalimantan, Indonesia in 2017.

5.2.4 In compliance with Paragraph 30, Appendix 9C of the Bursa Malaysia Securities Berhad's Listing Requirement, the Group has an Internal Audit Department headed by a Senior Manager and supported by nine (9) Executives. The Senior Manager is a registered member of The Institute of Internal Auditors Malaysia.

5.2.5 The total cost incurred in managing the internal audit function during the financial year ended 30 April 2019 was RM 786,332 [2018: RM 773,076]. Higher cost incurred this financial year was due to additional staff and more frequent audit visits carried out by the Internal Audit Department to Sabah and Indonesia.

5.2.6 Summary of work done by the Internal Audit Department in accordance with the approved Annual Audit Plan covers:

(i) auditing the Group's operating units, including its subsidiaries, to ensure compliance with internal control procedures, highlighting control weaknesses and offering advice to ensure more effective and efficient use of resources within the Company.

(ii) facilitating improved business processes within the Group and its subsidiaries.

(iii) establishing follow up processes to address issues reported in previous audit visits.

(iv) drafting the Audit Committee Report and Statement on Internal Controls for disclosure in the Group's Annual Report.

(v) reviewing and verifying the allocation of share options under the Employee Share Option Scheme.

(vi) conducting investigation audits or ad-hoc reviews of specific areas that affect financial reporting or threaten the security of the Company's assets.

5.0 OVERVIEW ON WORK OF THE COMMITTEE (CONT'D)

5.2 Effectiveness of The Internal Audit Function

5.2.7 In total, Internal Audit Department issued 39 audit reports covering operations in the Head Office, estates and palm oil mills in Peninsular Malaysia, Sabah and Indonesia. It included 2 special investigation audits carried out at the request of Management.

5.2.8 Follow up audit reviews were also carried out to monitor and ensure audit recommendations were implemented. Internal Audit focused on high risk areas such as stores and manuring, FFB collection and despatch, estate payroll, vehicle operating cost, FFB quality and mill operations.

5.3 Risk and Internal Control Matters

5.3.1 Adopt the Group Risk Management Committee quarterly report on the risk profiles and Management Action Taken.

5.4 Special Item

2 private sessions were held with the External Auditors on 26 June 2018 and 17 December 2018 respectively without the presence of Management to discuss issues or significant matters that the External Auditors wished to raise.

The External Auditors also provided written assurance of their independence as stated in their 2019 Audit Plan dated 17 December 2018 to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

This report is made in accordance with a resolution of the Board of Directors dated 26 June 2019.

OTHER INFORMATION

PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITES BERHAD

1. Utilisation of Proceeds

There were no rights issue or issuance of bonds carried out during the financial year ended 30 April 2019 to raise any cash proceeds. However, the Company has issued 10,000 ordinary shares under the Employee Share Option Scheme ("ESOS") for a cash consideration of RM51,000 during the financial year. The Proceeds arising from the exercise of the share options pursuant to the ESOS were utilised for working capital purposes.

2. Non-Audit Fees

During the financial year under review, the Group's non-audit fees paid or payable to the external auditors amounted to RM82,000 (please refer to page 150 of the audited financial statements).

3. Material Contracts Involving Directors and Major Shareholders

There is no material contract involving the Company and its subsidiaries with directors, Chief Executive Officer who is not a director or major shareholders of the Company either still subsisting at the end of the financial year ended 30 April 2019 or entered into since the end of that financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (the “Board”) of United Malacca Berhad (“UMB” or the “Company”) is committed to maintaining a robust system of internal controls and risk management in the Company and its subsidiaries (collectively referred to as the “Group”). The Board is pleased to present its Statement on Risk Management and Internal Controls (the “Statement”), which outlines the nature and scope of risk management and internal controls of the Group for the financial year ended 30 April 2019.

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Practice 9.2 of the Malaysian Code on Corporate Governance (“MCCG”), this Statement is based on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers (the “Guidelines”), a publication endorsed by Bursa Malaysia Securities Berhad pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This Statement does not cover joint ventures where risk management and internal controls are overseen by the respective governing bodies.

BOARD’S RESPONSIBILITY

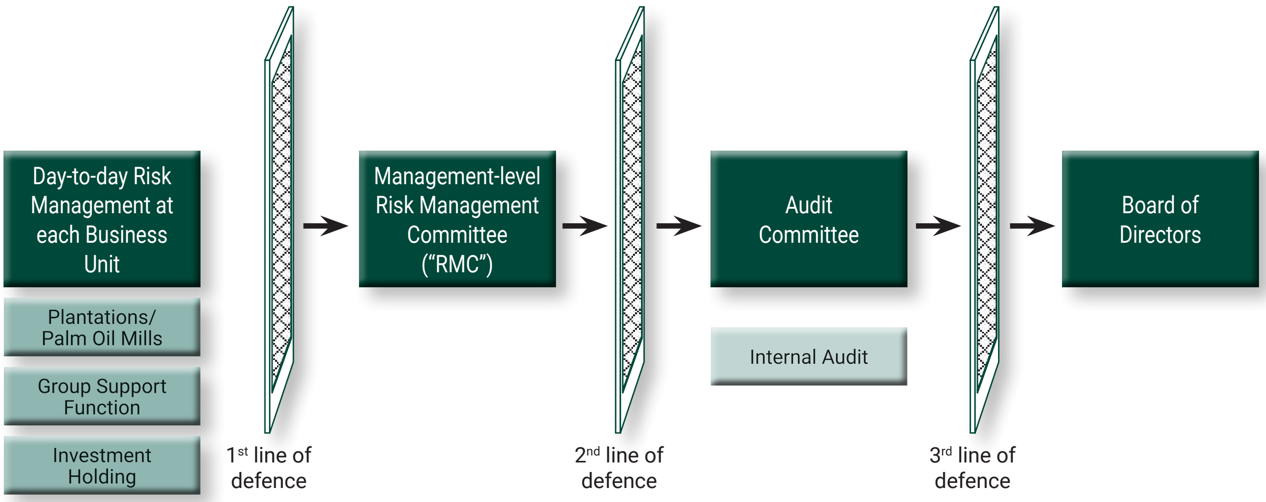
To safeguard shareholders’ investments and other stakeholders’ interests, the Board places priority in maintaining a sound system of internal controls as well as properly identifying and managing risks affecting the Group’s operations.

Accordingly, the Board affirms its overall responsibility for the Group’s system of risk management and internal controls which covers financial, operational and compliance risks along with the relevant controls designed to manage the said risks. Comprising solely of Independent Non-Executive Directors, the Audit Committee (“AC”) has been entrusted to assist the Board in evaluating the adequacy and effectiveness of the Group’s system of risk management and internal controls.

Given the nature of any internal controls and risk management systems where limitations are inherent, rather than eliminating the risk of failure, the system is designed to manage financial and non-financial risks within tolerable limits to achieve the Group’s business objectives. Therefore, the system can only provide reasonable, but not absolute, assurance against any material misstatements, financial losses, defalcations or fraud.

RISK MANAGEMENT

Recognising the importance of a robust risk management system to sustain the Group's operations and performance, the Board has formalised an Enterprise Risk Management ("ERM") Framework as a guide to attain a delicate balance of risks and rewards in decision making. This institutes a triple line defence to filter and address risks.



➢ **1st Line of Defence: To monitor day-to-day risks in Group operations.**

Each business unit is alert to internal and external risk factors in its daily business activities. All Heads of Business Units are responsible for:

- Identifying risk exposures;
- Reporting risk exposures to the Risk Officer;
- Developing and implementing an action plan to manage risks;
- Reporting status of action plans and their implementation; and
- Ensuring significant risks are addressed by management.

Working closely with the Head of Business Units, the Risk Officer acts as a liaison between Management-level Risk Management Committee ("RMC") and Business Units. The parties meet on a quarterly basis to assess and evaluate risks and to determine which significant risks should be escalated to the RMC.

➢ **2nd Line of Defence: Risk Management Committee anticipates risk**

Meeting once every quarter, the RMC reviews changes in the Group's risk profile. The RMC develops action plans and high-level risk strategies to mitigate risks in line with UMB's business objectives.

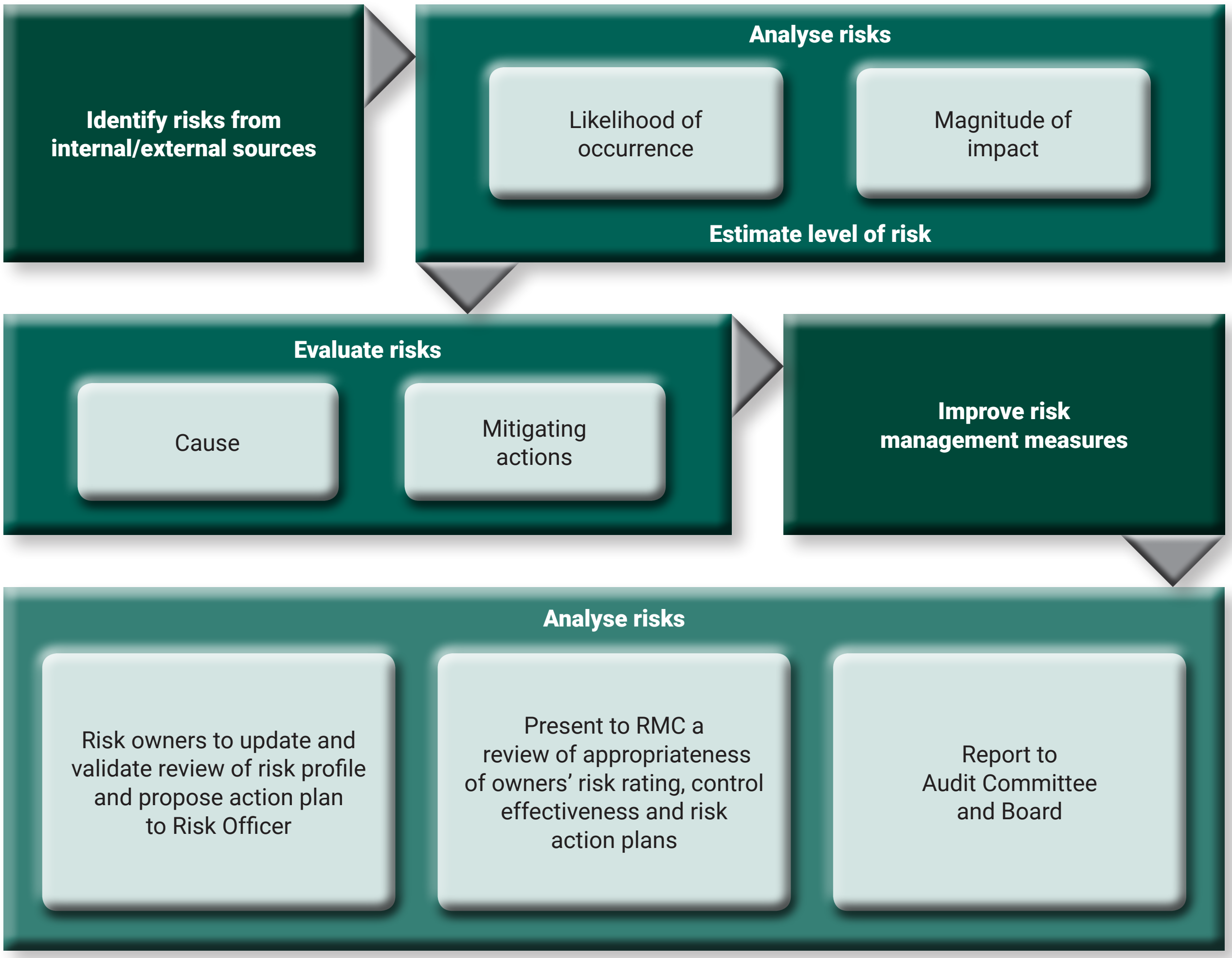
Note: the RMC is a Management-level Committee led by the Chief Executive Officer ("CEO") and supported by the Chief Financial Officer ("CFO"), Plantation Controllers as well as Senior Managers of various units (Administration and Corporate Affair, Sales and Purchasing, Sustainability and Mechanisation, Human Resources), Head of Internal Audit and Risk Officer.

➢ **3rd Line of defence: Audit Committee ensures the adequacy and integrity of Risk Management and Internal Control Systems.**

During the financial year under review, the results of updated risks were discussed at RMC meetings. Significant risk issues were further deliberated at the Audit Committee level prior to escalation to the Board. A risk-based internal audit plan was developed and based on identifiable internal controls to address key risks.

RISK ASSESSMENT PROCESS

The Group's ERM framework process comprises the following procedures:



- Business units provide information on the likelihood of significant business risks occurring and the likely magnitude of its impact. Risk owners will then update the Risk Officer about their quarterly review and propose an action plan;
- Facilitate assessing risks and develop action plans to ensure the likelihood and impact of an adverse event is within manageable and acceptable levels;
- The RMC will review and assess the appropriateness of risk rating as well as the adequacy of effective controls and risk action plan presented each quarter;
- Report to the Audit Committee each quarter; and
- During the quarterly review, the internal audit department focuses on high-risk areas, the effectiveness of governance procedures, risk management and internal control processes. Furthermore, the internal audit department provides an independent view on specific risks, control issues, the state of internal controls, trends and events.

Risks identified are assessed according to their likelihood and impact and compiled into a risk rating matrix. Based on the risk rating matrix, Management will decide on the priority of risks and the attendant risk treatment.

SIGNIFICANT RISK FACTORS

For the financial year under review, UMB's significant risks were identified and risk management approaches adopted are outlined below:

Type of Risk	Risk theme	Risk description	Risk management approach
Human capital	Inadequate labour supply	A shortage of harvesters and field workers due to high dependency on foreign workers.	Measures undertaken by the Group to mitigate this risk include: • Implementing incentive scheme to retain existing workers and to attract new workers; • Enhancing housing benefits and other related amenities; and • Mechanising operations, particularly in collecting fresh fruit bunches, spraying fertiliser and insecticide.
Operational risk	Adverse weather	Prolonged dry weather will lower production of fresh fruit bunches.	Implement good water management systems, including constructing water conservation pits or ponds, deepening water reservoirs in each estate to mitigate the impact of a drought, and build fertigation systems. During site accidents and crisis, the knowledge and experience of senior plantation controllers will facilitate an appropriate response.
Business risk	Impropriate estate selection	Non-strategic location of estates and size will result in high production cost per hectare and logistics issues.	Management actions: - • Undertake feasibility studies to assess the suitability of new land to be acquired; and • Conduct due diligence review before embarking on any new acquisition.

SIGNIFICANT RISK FACTORS (CONT'D)

Type of Risk	Risk theme	Risk description	Risk management approach
Market Risk	Volatile prices of crude palm oil ("CPO") and palm kernel ("PK")	Fluctuating CPO & PK prices could substantially impact cash flow and profits.	To cushion the impact of volatile CPO and PK prices, the Group sells its CPO on long-term contracts while part of its CPO is sold forward. Marketing personnel are encouraged to keep abreast of the outlook for CPO and PK prices via online business platforms. An externally commissioned market study on the plantation sector on the prospects for CPO and PK was undertaken. Diversifying into new large-scale cash crops such as stevia, coconut, cocoa and coffee in Sulawesi was implemented in the current financial year ending 30 April 2020.
Financial risk	Foreign exchange risk	The Group has foreign exchange exposure through its bank loans in United State Dollars and Indonesia Rupiah. A weaker Ringgit and Rupiah will increase the cost of servicing foreign currency loans.	The Group's risk management objectives and hypothetical sensitivity analysis is set out in Note 42(d) to the Financial Statements of the Annual Report on page 213.
Financial risk	Liquidity risk	Liquidity risk is the risk the Group will encounter difficulties in meeting financial obligations due to the shortage of funds. The Group's liquidity risk arises primarily from a mismatch of the tenures of financial assets and liabilities.	To meet working capital requirements, it ensures the Group maintains a sufficient level of cash and liquid investments, its debt maturity profile, operating cash flow and availability of funds to ensure repayment and funding needs are met.

INTERNAL CONTROL FRAMEWORK

Mindful that a sound system of internal controls reduces the risks that could impede achieving the Group's goals and strategic objectives, the Audit Committee ("AC") and the Board regularly reviews the adequacy and operating effectiveness of the Group's internal controls. Salient elements of the Group's internal control framework are listed below:

1. Organisational Structure

The Group's organisational structure includes clearly demarcated lines of responsibility and segregated reporting to its Committees and the Board to ensure operational efficiency and independent stewardship.

2. Integrity and ethical values

The Board acknowledges an ethical corporate culture aligned with the Group's values forms the foundation for sustainable growth.

o **Directors' Code of Ethics and Employees' Handbook**

Available on the Company's website, the Directors' Code of Ethics governs the conduct of the company's Directors while the Employees' Handbook sets the standards of behaviour expected from all employees.

o **Whistleblowing Policy**

In line with Practice 3.2 of MCCG, UMB's Whistleblowing Policy has been in place since 29 March 2016. The Whistleblowing Policy enables employees and stakeholders to escalate concern regarding unethical, unlawful or undesirable conduct via a reporting channel within the Group without fear of retaliation.

Available on the Company's website, the Whistleblowing Policy details available channels to make a complaint.

3. Guidelines on Misconduct and Discipline

Guidelines are in place to ensure proper handling of disciplinary issues by the Corporate Resources Department during investigations and disciplinary proceedings involving Directors and employees' breaching the Code of Ethics or the Employees' Handbook respectively.

4. Limits of Authority

Limits of authority, responsibility and accountability have been established to govern business operations, including matters requiring the Board's approval. Establishing limits of authority provides a framework of authority, responsibility and segregation of duties within the Company.

5. Board Committees

The Board has four (4) Board Committees that collectively involve all six Directors:

o **Audit Committee ("AC")**

The AC serves as a focal point for communication between Directors, External Auditors, Internal Auditors and Senior Management on issues relating to financial accounting, reporting and controls. Further details of the AC are outlined in the Terms of Reference available on the Company's website.

INTERNAL CONTROL FRAMEWORK (CONT'D)

5. **Board Committees (Cont'd)**

   o **Nomination and Remuneration Committee ("NRC")**

   Txhe NRC assists in proposing Directors and the hiring of Senior Managers. NRC's duties include evaluating the size and balance of the Board, undertaking annual evaluation and assessment of the Directors as well as establishing and reviewing policies on remuneration. Further details of the NRC are outlined in the Terms of Reference available on the Company's website.

   o **Tender Committee ("TC")**

   A Management-level Tender Committee comprising Senior Management is responsible for carrying out the tender exercise and submitting recommendations to the CEO or the Board Tender Committee based on the tender limits:

Tender limit	Authorised by
Tender up to RM300,000	CEO
Tender above RM300,000	Board Tender Committee

   o **Executive Committee ("EC")**

   Responsibilities of the EC include establishing and managing strategic initiatives, recommending potential candidates for Key Senior Management positions and overseeing the process of interviewing and awarding UMB's Scholarships.

6. **Establishing an annual Internal Audit Plan**

   An annual Internal Audit Plan determines the Operating Centres and their auditable areas, desired frequency as well as budgetary and manpower resources required.

7. **Documented Policies and Procedures**

   The Group's internal policies and procedures are listed in operating manuals available to all employees and regularly updated or revised when necessary. Implementation of these policies and procedures ensures conformity with internal controls as well as Malaysian laws and regulations.

8. **Occupational Safety and Health ("OSHA") Committee**

   The OSHA Committee meets regularly to consider safety issues to ensure a safe working environment. An infographic safety guideline was shown to all staff in the estates and palm oil mills. During the financial year ended 30 April 2019, the Safety Officer visited all estates and palm oil mills to ensure safety and health requirements were fulfilled.

9. **Estate and Palm Oil Mill Visits**

   The Chairperson, Directors, CEO, Senior Management, Sustainability Team, Internal Auditors, Risk Officer and the Group Finance Team visit estates and palm oil mills regularly. An in-house agriculture policy facilitates better estate engagement to ensure consistent standards of agronomy are applied across the Group. Additionally, an independent oil mill advisor has been contracted to evaluate the operations and management of the mills and to recommend appropriate corrective measures.

INTERNAL CONTROL FRAMEWORK (CONT'D)

10. Business strategies

The Group's strategic business plans are prepared annually in line with the Group's budget. Throughout the year, the Group's performance is monitored by the Management Team.

11. Integrated Management System

The Group's Plantation Micro Macro Program ("PMMP") system is a plantation management software used in all Malaysian estates. In real time, the PMMP system collects harvesting data and volume of fresh fruit bunches sent to the ramp and to the mill. Data collected is monitored to improve yields, and enhance decision-making. Artificial intelligence within the PMMP system predicts likely output.

UMB's 19 estates and 2 mills within Malaysia have been certified by the Malaysian Palm Oil Board in compliance with the Code of Good Agriculture and Milling Practices and are MSPO certified.

12. Security

- **Business Continuity Management Framework**

  The Group's Business Continuity Management Framework is designed to identify possible responses to disasters, emergencies or catastrophic incidents to ensure business operations can recover quickly and enhance resilience.

- **Insurance and safeguards**

  Insurance policies are reviewed annually by Senior Management to ensure its adequacy in compensating for any losses while safeguards are enacted to prevent any material losses from any untoward incidents.

13. Financial Performance Review and Reporting

Comprising Senior Managers, the Group's Management team monitors and reviews the monthly financial and operational results, as well as forecasts for the Group's business units. The team also assesses performance against annual budgets, monitor marketing operations and formulates plans to address areas of concern.

Monthly reports on financial results and performance are submitted to the Board. Results are assessed against budgets, with major variances explained. Monthly marketing reports are also submitted to the Board detailing crude palm oil and palm kernel price movement as well as committed and forward sales.

Financial statements are prepared quarterly and annually together with detailed analysis. These reports are reviewed by the Audit Committee ("AC") and recommended to the Board for approval prior to submission to Bursa Malaysia Securities Berhad. Reports on the performance of the estates and palm oil mills, the Group's financial position as well as treasury holdings are also presented at Board meetings.

Statement on Risk Management and Internal Control (cont'd)

INTERNAL AUDIT FUNCTION

UMB's in-house Internal Audit Department provides regular and an independent review of the Operating Units, conducts speedy investigative audits requested by the CEO or Audit Committee and implements follow-up audits.

Internal Audit provides assurance that UMB's governance, risk and control systems are functioning effectively and that significant risks are identified while risk mitigation plans are proposed. These are reported to the Audit Committee and Board on a quarterly basis.

During the financial year under review, a summary of focus areas on internal audit including reports submitted to Audit Committee, are set out in the Audit Committee Report of this Annual Report.

REVIEW BY THE EXTERNAL AUDITORS

In line with paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, external auditor, Ernst and Young, has reviewed this Statement for inclusion in the Annual Report for the financial year ended 30 April 2019.

Reviewing this Statement by the external auditor is in accordance with the Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3"), issued by the Malaysian Institute of Accountants.

The external auditor reported nothing has come to their attention to cause them to believe the Statement intended to be included in the Annual Report of the Company wasn't prepared in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

For the financial under review and up to the date of this Statement, the Board believes the Group's risk management and internal controls system is adequate and effective to safeguard the interests of shareholders, customers, employees as well as the Group's assets. There were no material weaknesses or deficiencies in the Group's internal controls that have directly resulted in material loss to the Group.

The CEO and CFO have also provided documented assurances to the Board that the Group's risk management and internal controls system, in all material aspects, are operating adequately and effectively based on the risk management and internal controls framework of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 23 July 2019.

Financial **Statements**

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of cultivation of oil palm and investment holding.

The principal activities of the subsidiaries are investment holding, cultivation of oil palm, palm oil milling and forest plantations.

Other information relating to the subsidiaries are disclosed in Note 19 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss net of tax	(41,175)	(18,714)
Loss net of tax attributable to:		
Owners of the Company	(39,027)	(18,714)
Non-controlling interests	(2,148)	–
	(41,175)	(18,714)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amounts of dividends paid by the Company since 30 April 2018 were as follows:

	RM'000
In respect of the financial year ended 30 April 2018 as reported in the directors' report of that year:	
Second interim single-tier dividend of 6 sen, on 209,681,201 ordinary shares, declared on 28 June 2018 and paid on 20 August 2018	12,581
In respect of the financial year ended 30 April 2019:	
First interim single-tier dividend of 2 sen, on 209,681,201 ordinary shares, declared on 17 December 2018 and paid on 31 January 2019	4,193
	16,774

DIVIDENDS (CONT'D)

On 26 June 2019, the directors declared a second interim single-tier dividend of 6 sen per ordinary share in respect of the financial year ended 30 April 2019 on 209,691,201 ordinary shares, amounting to approximately RM12,581,000 which is payable on 21 August 2019. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 April 2020.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Datin Paduka Tan Siok Choo
Tan Sri Dato' Ahmad bin Mohd Don
Tan Jiew Hoe
Teo Leng
Dato Dr. Nik Ramlah binti Nik Mahmood
Ong Keng Siew

The above directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Peter A/L Benjamin
Winston Chua Eng Meng
Kiswanto
Aziz Putera
Dr Kartika Dianningsih Antono
Ieneke Santoso

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that 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 in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Option Scheme ("ESOS") and the ordinary shares granted under the Executive Share Incentive Plan ("ESIP"), both under the Employee Share Scheme ("ESS") of the Company.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 37 to the financial statements.

DIRECTORS' BENEFITS (CONT'D)

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Fees	595	400
Salaries and other emoluments	409	409
Estimated money value of benefits-in-kind	26	26
	1,030	835

The Company maintained a Directors' and Officers' liability insurance for the directors and officers of the Company. During the financial year, the amount of Directors and Officers liability insurance coverage totalled RM20,000,000 and the premium paid for this insurance was RM25,000.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

		Number of ordinary shares			
Name of director		**1.5.2018**	**Acquired**	**Sold**	**30.4.2019**
Direct Interest: *Ordinary shares of the Company*					
Datin Paduka Tan Siok Choo		4,527,197	–	–	4,527,197
Tan Sri Dato' Ahmad bin Mohd Don		110,500	–	–	110,500
Tan Jiew Hoe		356,625	–	–	356,625
Teo Leng		70,000	–	–	70,000
Indirect Interest: *Ordinary shares of the Company*					
Tan Jiew Hoe	i	2,525,021	–	–	2,525,021
Teo Leng	ii	7,000	–	–	7,000

i Interest by virtue of shares held by the companies in which he is a director.
ii Interest by virtue of shares held by his spouse.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM212,084,031 to RM254,935,499 by way of:

(a) issuance of 10,000 ordinary shares for cash pursuant to the ESOS at a weighted average exercise price of RM5.13 per ordinary share; and

(b) transfer the share premium of RM42,795,168 to share capital pursuant to Section 618(2) of the Companies Act 2016.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE SCHEME

The Company's Employee Share Scheme ("ESS") is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 29 August 2009. The ESS was implemented on 18 June 2010 and is in force for a period of 10 years from the date of implementation.

The ESS comprises Employee Share Option Scheme ("ESOS") and Executive Share Incentive Plan ("ESIP") for the directors and eligible employees of the Company and its subsidiaries.

The maximum number of new or existing shares of the Company to be made available under the ESS during the duration of the ESS shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time. Not more than fifty percent (50%) of the total shares of the Company available under the ESS shall be allocated, in aggregate, to directors and senior management of the Group.

The Scheme is administered by the Remuneration Committee.

The salient features of the By-Laws are disclosed in Note 36 to the financial statements.

Employee Share Option Scheme ("ESOS")

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 30 April 2019 are as follows:

Grant date	Expiry date	Exercise price	Number of options
13 May 2015	12 May 2020	RM5.77	1,260,000
27 October 2015	17 June 2020	RM5.26	450,000
7 November 2016	17 June 2020	RM5.13	641,000
24 October 2017	17 June 2020	RM5.79	515,000

EMPLOYEE SHARE SCHEME (CONT'D)

Employee Share Option Scheme ("ESOS") (cont'd)

As at 30 April 2019, the cumulative options granted to senior management of the Group amounted to 23% of total options granted to eligible employees.

No share options under ESOS have been granted to directors and employees of the Company and its subsidiaries during the current financial year.

Executive Share Incentive Plan ("ESIP")

No ESIP shares have been granted to the directors and executives of the Company and its subsidiaries during the current financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were finalised, 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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision 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 the amount of the provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

 (ii) the values attributed to the 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 or 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 of the Group or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

(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 or 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 or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS AND EVENT OCCURRING AFTER THE REPORTING DATE

Details of the significant events during the financial year and event occurring after the reporting date are disclosed in Note 44 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young	313	164
Member firm of Ernst & Young Global	143	–
Other auditors	32	–
	488	164

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young for the financial year ended 30 April 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 July 2019.

Datin Paduka Tan Siok Choo

Ahmad bin Mohd Don

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Datin Paduka Tan Siok Choo and Ahmad bin Mohd Don, being two of the directors of United Malacca Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 94 to 218 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 30 April 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 July 2019.

Datin Paduka Tan Siok Choo

Ahmad bin Mohd Don

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Young Lee Chern, being the Officer primarily responsible for the financial management of United Malacca Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 94 to 218 are to the best of my knowledge and belief, 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 Young Lee Chern)
at Melaka in the State of Melaka)
on 23 July 2019)

Young Lee Chern
(CA 25087)

Before me,

Chan Chiew Yen
Commissioner for Oaths
Melaka, Malaysia

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UNITED MALACCA BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of United Malacca Berhad, which comprise statements of financial position as at 30 April 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 94 to 218.

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 30 April 2019, and of their financial performance and their 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 audit 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("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 year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company 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. 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.

Impairment assessment of non-financial assets

MFRS 136: Impairment of Assets ("MFRS 136") requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

In addition, irrespective of whether there is any indication of impairment, an entity shall also test goodwill acquired in a business combination for impairment annually. MFRS 136 requires a cash-generating unit ("CGU") or group of CGUs to which goodwill has been allocated to be tested for impairment annually by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with its recoverable amount.

Key audit matters (cont'd)

Impairment assessment of non-financial assets (cont'd)

MFRS 136 defines recoverable amount as the higher of an asset's or CGU's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). VIU is the present value of future cash flows expected to be derived from an asset or a CGU. The discount factor to be applied to the future cash flows should reflect current market assessments of the time value of money and the risks specific to the asset.

(a) Impairment assessment of goodwill

As at 30 April 2019, the Group's carrying amount of the goodwill is RM82.5 million as disclosed in Note 18 to the financial statements. The Group is required to perform an impairment test annually by comparing the carrying amount of cash-generating units ("CGU") or group of CGUs, including goodwill, with their recoverable amount.

(b) Impairment assessment of property, plant and equipment, prepaid land lease payments and intangible assets

As at 30 April 2019, the carrying amount of the property, plant and equipment, prepaid land lease payments and intangible assets of the Group are RM1,375.4 million, RM130.9 million and RM29.7 million respectively. These are disclosed in Note 16, 17 and 20 to the financial statements. The Group is required to assess at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

(c) Impairment assessment of investment in subsidiaries

As at 30 April 2019, the Company's carrying amount of the investment in subsidiaries is RM459.6 million as disclosed in Note 19 to the financial statements.

The Company is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

The Company has performed impairment assessments by comparing the carrying amounts of the investment in subsidiaries against its recoverable amount.

We considered this as an area of audit focus due to the magnitude of the carrying values of these assets. Estimating the VIU involves significant judgement and substantial audit effort is required in the assessment of possible variations in the assumptions used by management in deriving the recoverable amounts of the respective CGUs or groups of CGUs.

<u>How our audit addressed the matter</u>

In addressing the matters above, we have amongst others performed the following audit procedures:

- Obtained an understanding of the relevant processes and internal controls over estimating the recoverable amount of the CGUs or groups of CGUs.
- Evaluated the key assumptions used by management in the cash flow projections on whether they are reasonable by comparing to past actual outcomes.
- Corroborated the key assumptions with industry analysts' views, management's plan and existing contracts, where applicable.
- Evaluated the discount rates, long-term growth rates and the methodology used in deriving the present value of the cash flows, with the support of our valuation specialists.
- Assessed the adequacy of the disclosures made in 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 directors' 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 financial statements of the Group and of the Company that give a true and fair view in 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 intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but 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 with 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 judgement and maintain professional scepticism throughout the audit. We also:

- 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.

- 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.

Independent auditors' report

to the members of United Malacca Berhad (Incorporated in Malaysia)

(cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 of the Group and of the Company 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 or the Company to cease to continue as a going concern.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. 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 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 19 to the financial statements.

OTHER MATTERS

(a) As stated in Note 3 to the financial statements, United Malacca Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 May 2018 with a transition date of 1 May 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 30 April 2018 and 1 May 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 30 April 2018 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 April 2019, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 May 2018 do not contain misstatements that materially affect the financial position as at 30 April 2019 and financial performance and cash flows for the year then ended.

(b) 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
AF 0039
Chartered Accountants

Edwin Joseph Francis
03370/05/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia

Date: 23 July 2019

STATEMENTS OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue	7	203,741	278,291	64,528	99,514
Cost of sales		(227,316)	(234,472)	(61,991)	(63,670)
Gross (loss)/profit		(23,575)	43,819	2,537	35,844
Other income	8	8,791	22,488	3,825	20,494
Administrative expenses		(16,751)	(17,269)	(8,448)	(8,606)
Other expenses		(10,192)	(14,090)	(11,328)	(6,379)
Operating (loss)/profit		(41,727)	34,948	(13,414)	41,353
Interest expense	9	(7,165)	(5,219)	(7,187)	(5,240)
(Loss)/profit before tax	10	(48,892)	29,729	(20,601)	36,113
Income tax credit/(expense)	13	7,717	(7,449)	1,887	(4,105)
(Loss)/profit net of tax		(41,175)	22,280	(18,714)	32,008
(Loss)/profit net of tax attributable to:					
Owners of the Company		(39,027)	25,173	(18,714)	32,008
Non-controlling interests		(2,148)	(2,893)	–	–
		(41,175)	22,280	(18,714)	32,008
(Loss)/earnings per share attributable to owners of the Company (sen per share):					
Basic	14(a)	(18.61)	12.02		
Diluted	14(b)	(18.61)	12.02		

Statements of Comprehensive Income
for the financial year ended 30 April 2019
(cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/profit net of tax	(41,175)	22,280	(18,714)	32,008
Other comprehensive income/(loss):				
Item that will be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	6,690	(31,878)	–	–
	6,690	(31,878)	–	–
Items that will not be subsequently reclassified to profit or loss:				
Actuarial gain on retirement benefit obligation	103	95	–	–
Less: Deferred tax effect	(26)	(24)	–	–
	77	71	–	–
Total comprehensive (loss)/income for the year	(34,408)	(9,527)	(18,714)	32,008
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(33,376)	(1,532)	(18,714)	32,008
Non-controlling interests	(1,032)	(7,995)	–	–
	(34,408)	(9,527)	(18,714)	32,008

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**
AS AT 30 APRIL 2019

	Note	2019 RM'000	2018 RM'000	1.5.2017 RM'000
Assets				
Non-current assets				
Property, plant and equipment	16	1,375,402	1,404,204	1,435,179
Prepaid land lease payments	17	130,934	120,973	132,527
Goodwill on consolidation	18	82,474	82,474	82,474
Intangible asset	20	29,674	–	–
Other asset	21	2,702	–	–
		1,621,186	1,607,651	1,650,180
Current assets				
Inventories	22	24,038	29,760	20,735
Biological assets	23	3,937	4,857	8,258
Trade and other receivables	24	80,334	49,324	115,907
Income tax recoverable		3,762	–	–
Other investments	25	19	43	23,104
Financial assets at fair value through profit or loss	26	5,603	25,016	48,375
Cash and bank balances	27	46,854	99,557	30,299
		164,547	208,557	246,678
Non-current assets held for sale	28	69,509	–	–
		234,056	208,557	246,678
Total assets		1,855,242	1,816,208	1,896,858
Equity and liabilities				
Equity				
Share capital	29	254,935	212,084	209,494
Share premium	29	–	42,795	42,795
Other reserves	30	(10,894)	(15,798)	11,107
Retained earnings	31	1,074,485	1,129,323	1,147,619
Equity attributable to owners of the Company		1,318,526	1,368,404	1,411,015
Non-controlling interests		38,064	38,105	46,100
Total equity		1,356,590	1,406,509	1,457,115

Consolidated Statement of Financial Position
as at 30 April 2019
(cont'd)

	Note	2019 RM'000	2018 RM'000	1.5.2017 RM'000
Non-current liabilities				
Bank borrowings	32	67,322	78,410	151,900
Retirement benefit obligation	33	654	469	365
Deferred tax liabilities	34	226,709	236,078	247,528
		294,685	314,957	399,793
Current liabilities				
Bank borrowings	32	141,941	58,808	–
Trade and other payables	35	62,026	33,802	35,446
Income tax payable		–	2,132	4,504
		203,967	94,742	39,950
Total liabilities		498,652	409,699	439,743
Total equity and liabilities		1,855,242	1,816,208	1,896,858

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF **FINANCIAL POSITION**

AS AT 30 APRIL 2019

	Note	2019 RM'000	2018 RM'000	1.5.2017 RM'000
Assets				
Non-current assets				
Property, plant and equipment	16	640,923	724,476	734,298
Investment in subsidiaries	19	459,568	428,293	428,293
		1,100,491	1,152,769	1,162,591
Current assets				
Inventories	22	3,310	3,345	3,119
Biological assets	23	1,326	1,736	3,224
Trade and other receivables	24	88,498	85,163	51,514
Income tax recoverable		1,658	–	–
Other investments	25	–	–	22,851
Financial assets at fair value through profit or loss	26	5,603	25,016	48,339
Cash and bank balances	27	14,683	14,642	16,225
		115,078	129,902	145,272
Non-current assets held for sale	28	69,509	–	–
		184,587	129,902	145,272
Total assets		1,285,078	1,282,671	1,307,863
Equity and liabilities				
Equity				
Share capital	29	254,935	212,084	209,494
Share premium	29	–	42,795	42,795
Other reserves	30	1,400	2,083	2,224
Retained earnings	31	743,757	778,346	789,866
Total equity attributable to owners of the Company		1,000,092	1,035,308	1,044,379
Non-current liabilities				
Bank borrowings	32	20,683	78,410	151,900
Deferred tax liabilities	34	95,128	97,470	98,408
		115,811	175,880	250,308
Current liabilities				
Bank borrowings	32	141,941	58,808	–
Trade and other payables	35	27,234	12,229	12,797
Income tax payable		–	446	379
		169,175	71,483	13,176
Total liabilities		284,986	247,363	263,484
Total equity and liabilities		1,285,078	1,282,671	1,307,863

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

2019	Attributable to owners of the Company	Non-distributable						Distributable			
	Share capital (Note 29) RM'000	Share premium (Note 29) RM'000	Asset revaluation reserve (Note 30) RM'000	Foreign currency translation reserve (Note 30) RM'000	Employee share option reserve (Note 30) RM'000	Employee share incentive reserve (Note 30) RM'000	Total other reserves (Note 30) RM'000	Retained earnings (Note 31) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Opening balance at 1 May 2018											
Reported under FRS	212,084	42,795	762,839	(17,881)	2,083	–	747,041	669,672	1,671,592	39,100	1,710,692
Impact of adopting MFRS (Note 3.1)	–	–	(762,839)	–	–	–	(762,839)	459,651	(303,188)	(995)	(304,183)
Presented under MFRS	212,084	42,795	–	(17,881)	2,083	–	(15,798)	1,129,323	1,368,404	38,105	1,406,509
Total comprehensive income/(loss):											
Loss for the financial year	–	–	–	–	–	–	–	(39,027)	(39,027)	(2,148)	(41,175)
Actuarial gain on retirement benefit obligation, net of tax	–	–	–	–	–	–	–	64	64	13	77
Exchange differences on translation of foreign operations	–	–	–	5,587	–	–	5,587	–	5,587	1,103	6,690
	–	–	–	5,587	–	–	5,587	(38,963)	(33,376)	(1,032)	(34,408)
Transactions with owners:											
Acquisition of subsidiaries (Note 19(a))	–	–	–	–	–	–	–	–	–	991	991
Transfer share premium to share capital *	42,795	(42,795)	–	–	–	–	–	–	–	–	–
Fair value of share options granted to eligible employees	–	–	–	–	221	–	221	–	221	–	221
Shares issued pursuant to ESOS	56	–	–	–	(5)	–	(5)	–	51	–	51
Employee share options forfeited	–	–	–	–	(121)	–	(121)	121	–	–	–
Employee share options expired	–	–	–	–	(778)	–	(778)	778	–	–	–
Dividends (Note 15)	–	–	–	–	–	–	–	(16,774)	(16,774)	–	(16,774)
	42,851	(42,795)	–	–	(683)	–	(683)	(15,875)	(16,502)	991	(15,511)
Closing balance at 30 April 2019	254,935	–	–	(12,294)	1,400	–	(10,894)	1,074,485	1,318,526	38,064	1,356,590

** Transfer the share premium to share capital pursuant to Section 618(2) of the Companies Act 2016.*

Consolidated Statement of Changes in Equity
for the financial year ended 30 April 2019
(cont'd)

2018	Share capital (Note 29) RM'000	Share premium (Note 29) RM'000	Asset revaluation reserve (Note 30) RM'000	Foreign currency translation reserve (Note 30) RM'000	Employee share option reserve (Note 30) RM'000	Employee share incentive reserve (Note 30) RM'000	Total other reserves (Note 30) RM'000	Retained earnings (Note 31) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to owners of the Company										
		Non-distributable						Distributable			
Opening balance at 1 May 2017											
Reported under FRS	209,494	42,795	829,061	8,883	2,224	–	840,168	660,958	1,753,415	46,414	1,799,829
Impact of adopting MFRS (Note 3.1)	–	–	(829,061)	–	–	–	(829,061)	486,661	(342,400)	(314)	(342,714)
Presented under MFRS	209,494	42,795	–	8,883	2,224	–	11,107	1,147,619	1,411,015	46,100	1,457,115
Total comprehensive income/(loss):											
Profit/(loss) for the financial year (adjusted)	–	–	–	–	–	–	–	25,173	25,173	(2,893)	22,280
Actuarial gain on retirement benefit obligation, net of tax	–	–	–	–	–	–	–	59	59	12	71
Exchange differences on translation of foreign operations	–	–	–	(26,764)	–	–	(26,764)	–	(26,764)	(5,114)	(31,878)
	–	–	–	(26,764)	–	–	(26,764)	25,232	(1,532)	(7,995)	(9,527)
Transactions with owners:											
Fair value of share options granted to eligible employees	–	–	–	–	550	–	550	–	550	–	550
Shares issued pursuant to ESOS	1,877	–	–	–	(242)	–	(242)	–	1,635	–	1,635
Employee share options forfeited	–	–	–	–	(78)	–	(78)	78	–	–	–
Employee share options expired	–	–	–	–	(371)	–	(371)	371	–	–	–
ESIP expense	–	–	–	–	–	713	713	–	713	–	713
Shares issued pursuant to ESIP	713	–	–	–	–	(713)	(713)	–	–	–	–
Dividend (Note 15)	–	–	–	–	–	–	–	(43,977)	(43,977)	–	(43,977)
	2,590	–	–	–	(141)	–	(141)	(43,528)	(41,079)	–	(41,079)
Closing balance at 30 April 2018 (adjusted)	212,084	42,795	–	(17,881)	2,083	–	(15,798)	1,129,323	1,368,404	38,105	1,406,509

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

	Attributable to owners of the Company							
		Non-distributable					Distributable	
2019	**Share capital (Note 29) RM'000**	**Share premium (Note 29) RM'000**	**Asset revaluation reserve (Note 30) RM'000**	**Employee share option reserve (Note 30) RM'000**	**Employee share incentive reserve (Note 30) RM'000**	**Total other reserves (Note 30) RM'000**	**Retained earnings (Note 31) RM'000**	**Total equity RM'000**
Opening balance at 1 May 2018								
Reported under FRS	212,084	42,795	349,926	2,083	–	352,009	545,841	1,152,729
Impact of adopting MFRS (Note 3.1)	–	–	(349,926)	–	–	(349,926)	232,505	(117,421)
Presented under MFRS	212,084	42,795	–	2,083	–	2,083	778,346	1,035,308
Total comprehensive loss:								
Loss for the financial year	–	–	–	–	–	–	(18,714)	(18,714)
	–	–	–	–	–	–	(18,714)	(18,714)
Transactions with owners:								
Transfer share premium to share capital *	42,795	(42,795)	–	–	–	–	–	–
Fair value of share options granted to eligible employees	–	–	–	221	–	221	–	221
Shares issued pursuant to ESOS	56	–	–	(5)	–	(5)	–	51
Employee share options forfeited	–	–	–	(121)	–	(121)	121	–
Employee share options expired	–	–	–	(778)	–	(778)	778	–
Dividends (Note 15)	–	–	–	–	–	–	(16,774)	(16,774)
	42,851	(42,795)	–	(683)	–	(683)	(15,875)	(16,502)
Closing balance at 30 April 2019	254,935	–	–	1,400	–	1,400	743,757	1,000,092

** Transfer the share premium to share capital pursuant to Section 618(2) of the Companies Act 2016.*

Company Statement of Changes in Equity
for the financial year ended 30 April 2019
(cont'd)

	Attributable to owners of the Company							
		Non-distributable					Distributable	
2018	Share capital (Note 29) RM'000	Share premium (Note 29) RM'000	Asset revaluation reserve (Note 30) RM'000	Employee share option reserve (Note 30) RM'000	Employee share incentive reserve (Note 30) RM'000	Total other reserves (Note 30) RM'000	Retained earnings (Note 31) RM'000	Total equity RM'000
Opening balance at 1 May 2017								
Reported under FRS	209,494	42,795	356,834	2,224	–	359,058	543,646	1,154,993
Impact of adopting MFRS (Note 3.1)	–	–	(356,834)	–	–	(356,834)	246,220	(110,614)
Presented under MFRS	209,494	42,795	–	2,224	–	2,224	789,866	1,044,379
Total comprehensive income:								
Profit for the financial year (adjusted)	–	–	–	–	–	–	32,008	32,008
	–	–	–	–	–	–	32,008	32,008
Transactions with owners:								
Fair value of share options granted to eligible employees	–	–	–	550	–	550	–	550
Shares issued pursuant to ESOS	1,877	–	–	(242)	–	(242)	–	1,635
Employee share options forfeited	–	–	–	(78)	–	(78)	78	–
Employee share options expired	–	–	–	(371)	–	(371)	371	–
ESIP expense	–	–	–	–	713	713	–	713
Shares issued pursuant to ESIP	713	–	–	–	(713)	(713)	–	–
Dividends (Note 15)	–	–	–	–	–	–	(43,977)	(43,977)
	2,590	–	–	(141)	–	(141)	(43,528)	(41,079)
Closing balance at 30 April 2018 (adjusted)	212,084	42,795	–	2,083	–	2,083	778,346	1,035,308

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating activities					
(Loss)/profit before tax		(48,892)	29,729	(20,601)	36,113
Adjustments for:					
Amortisation of intangible asset	10	357	–	–	–
Amortisation of prepaid land lease payments	10	3,148	3,000	–	–
Depreciation of property, plant and equipment	10	54,502	56,389	25,258	25,677
Dividend income	8	–	(319)	–	–
Fair value changes on biological assets (net)	10	920	3,401	410	1,488
Fair value of share options granted to eligible employees expensed off	11	221	550	136	311
Gain on disposal of property, plant and equipment	8	(307)	(1,276)	(129)	(1,276)
Interest expense	9	7,165	5,219	7,187	5,240
Interest income	8	(2,661)	(2,406)	–	–
Net fair value (gains)/losses on financial assets at fair value through profit or loss:					
- realised	7,8	(587)	(1,341)	(587)	(1,339)
- unrealised	10	–	344	–	343
Net fair value (gains)/losses on other investments:					
- realised	8	–	(3,639)	–	(3,639)
- unrealised	10	–	2,722	–	2,722
Net unrealised foreign exchange loss/(gain)	8,10	8,601	(11,363)	10,490	(14,910)
Property, plant and equipment written off	10	95	215	10	108
Operating cash flows before changes in working capital		22,562	81,225	22,174	50,838
Changes in working capital:					
Decrease/(increase) in inventories		5,934	(10,282)	35	(226)
(Increase)/decrease in trade and other receivables		(28,939)	59,959	(3,088)	(5,869)
Increase/(decrease) in trade and other payables		28,452	(1,001)	14,867	(670)
Increase in retirement benefit obligation		272	262	–	–
Cash flows from operations carried forward		28,281	130,163	33,988	44,073

Statements of Cash Flows
for the financial year ended 30 April 2019
(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating activities (Cont'd)					
Cash flows from operations brought forward		28,281	130,163	33,988	44,073
Interest received		2,802	2,189	–	–
Interest paid		(8,256)	(5,117)	(7,048)	(5,137)
Income taxes refunded		329	1,805	–	1,663
Income taxes paid		(8,741)	(20,130)	(2,559)	(6,639)
Net cash flows from operating activities		14,415	108,910	24,381	33,960
Investing activities					
Dividend received from other investments		–	336	–	–
Purchase of:					
- financial assets at fair value through profit or loss		–	(20,000)	–	(20,000)
- other investments		–	(12,060)	–	(12,060)
- property, plant and equipment	16(e)	(90,512)	(45,638)	(11,469)	(16,873)
Proceeds from disposal of:					
- financial assets at fair value through profit or loss		20,000	44,356	20,000	44,319
- other investments		–	35,620	–	35,620
- property, plant and equipment		636	2,234	374	2,186
Additions of:					
- other asset	21	(274)	–	–	–
- prepaid land lease payments	17	(10,831)	(3,267)	–	–
Loan to a subsidiary		–	–	–	(89,739)
Repayment of loan from a subsidiary		–	–	–	62,346
Net withdrawal of other investments		24	258	–	48
Net cash outflow on acquisition of subsidiaries	19	(31,266)	–	(31,275)	–
Net cash flows (used in)/from investing activities		(112,223)	1,839	(22,370)	5,847

Statements of Cash Flows
for the financial year ended 30 April 2019
(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Financing activities					
Dividends paid	15	(16,774)	(43,977)	(16,774)	(43,977)
Payment of fair value of share options granted to eligible employees by subsidiaries		–	–	85	239
Proceeds from exercise of:					
- employee share options under ESOS		51	1,635	51	1,635
- ESIP shares		–	713	–	713
Drawdown of revolving credits		79,161	–	79,161	–
Drawdown of term loan		45,762	–	–	–
Repayment of term loan		(64,493)	–	(64,493)	–
Net cash flows from/(used in) financing activities		43,707	(41,629)	(1,970)	(41,390)
Net change in cash and cash equivalents		(54,101)	69,120	41	(1,583)
Effect of foreign exchange rate changes		1,398	138	–	–
Cash and cash equivalents at beginning of financial year		99,557	30,299	14,642	16,225
Cash and cash equivalents at end of financial year	27	46,854	99,557	14,683	14,642

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019

1. CORPORATE INFORMATION

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 of the Company is located at 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka.

The principal activities of the Company consist of cultivation of oil palm and investment holding.

The principal activities of the subsidiaries are described in Note 19.

2. BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016.

For all periods up to and including the year ended 30 April 2018, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). These financial statements for the year ended 30 April 2019 are the first the Group and the Company have prepared in accordance with MFRS, including MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 9 *Financial Instruments*, MFRS 15 *Revenue from Contracts with Customers* and MFRS 141 *Agriculture*. Please refer to Note 3.1 for the information on the Group's and the Company's adoption of MFRS and the impact of transition to MFRS.

The financial statements have been prepared on a historical basis, unless otherwise indicated 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.

3. CHANGES IN ACCOUNTING POLICIES

3.1 First-time adoption of Malaysian Financial Reporting Standards

These financial statements for the year ended 30 April 2019 are the first the Group and the Company have prepared in accordance with MFRS, including MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 9 *Financial Instruments*, MFRS 15 *Revenue from Contracts with Customers* and MFRS 141 *Agriculture*. For periods up to and including the year ended 30 April 2018, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

Accordingly, the Group and the Company have prepared financial statements that comply with MFRS applicable as at 30 April 2019, together with the comparative period data for the year ended 30 April 2018, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's and the Company’s opening statements of financial position was prepared as at 1 May 2017, the Group's and the Company’s date of transition to MFRS. This note explains the principal adjustments made by the Group and the Company in restating its FRS financial statements, including the statements of financial position as at 1 May 2017 and the financial statements for the year ended 30 April 2018.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

The significant accounting policies adopted in preparing the financial statements are consistent with those of the audited financial statements for the year ended 30 April 2018, except as discussed below:

(a) Business combinations

MFRS 1 provides the option to apply MFRS 3 prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition, the following applies:

(i) The classification of previous business combinations under FRS is maintained;

(ii) There is no re-measurement of original fair values determined at the date of acquisition; and

(iii) The carrying amount of goodwill recognised under FRS is not restated.

(b) Property, plant and equipment

(i) Land and buildings

As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRS. The Group and the Company have elected to apply the optional exemption to use the revaluation of land and buildings as at 1 May 2017 (date of transition to the MFRS) as deemed cost. Any surplus arising from revaluation at the date of transition are transferred to retained earnings.

(ii) Bearer plants

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Bearer Plants introduce a new category of biological assets, i.e. bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Bearer plants are accounted for under the amendments to MFRS 116 as an item of property, plant and equipment.

Prior to the change in accounting policy, the Group adopted the capital maintenance model on its bearer plants (i.e. oil palm trees) where all new planting expenditure (also termed as biological assets) which consist of cost of land clearing, upkeep of trees to maturity and attributable amortisation and depreciation charges capitalised and not depreciated. Valuations were performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the bearer plants at the reporting date.

Replanting expenditure consists of expenses incurred from land clearing to the point of harvesting and was recognised in the statements of comprehensive income in the period that it is incurred.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(b) Property, plant and equipment (Cont'd)

(ii) Bearer plants (Cont'd)

Upon adoption of the amendments to MFRS 116 and MFRS 141, bearer plants are classified as an item of property, plant and equipment and are accounted for in the same way as self-constructed items of property, plant and equipment. New planting and replanting expenditure is capitalised at cost and depreciated on a straight-line basis over its useful lives from the date of maturity. The bearer plants are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, if any.

The change in accounting policy has been applied retrospectively and comparatives were restated. These changes have resulted in additional depreciation charged to statements of comprehensive income in the current and previous financial years. The replanting expenditure that was charged to statements of comprehensive income in the previous financial years is reversed and capitalised under property, plant and equipment. Any surplus arising from revaluation and the deferred tax provided for revaluation surplus at the date of transition are reversed accordingly. The corresponding tax impacts have been accounted for.

The effects on the financial statements arising from the elected exemptions and the adoption of Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Bearer Plants are as follows:

	Group		Company	
	2018 RM'000	1 May 2017 RM'000	2018 RM'000	1 May 2017 RM'000
Statements of comprehensive income				
Revenue	563	Not applicable	563	Not applicable
Other income	(49)	Not applicable	(49)	Not applicable
Operating expenses	(25,987)	Not applicable	(12,084)	Not applicable
Income tax expense	4,121	Not applicable	872	Not applicable
Non-controlling interests	(684)	Not applicable	–	Not applicable
Statements of financial position				
Non-current Assets				
Property, plant and equipment	365,191	741,267	203,651	385,684
Biological assets	(654,721)	(991,901)	(303,000)	(443,122)
Equity				
Other reserves	(762,839)	(829,061)	(349,926)	(356,834)
Retained earnings	456,019	480,441	231,185	243,770
Non-controlling interests	(1,050)	(366)	–	–
Non-current Liabilities				
Deferred tax liabilities	18,340	98,352	19,392	55,626

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(c) Biological assets

Prior to the adoption of the Amendments to MFRS 116 Property Plant and Equipment and MFRS 141 Agriculture: Bearer Plants, biological assets growing on bearer plants (i.e. fresh fruit bunches prior to harvest) were not recognised. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell, with fair value changes recognised in statements of comprehensive income.

The effects of the adoption of MFRS 141 on the financial statements are as follows:

	Group		Company	
	2018 RM'000	**1 May 2017 RM'000**	**2018 RM'000**	**1 May 2017 RM'000**
Statements of comprehensive income				
Operating expenses	(3,401)	Not applicable	(1,488)	Not applicable
Income tax expense	816	Not applicable	358	Not applicable
Non-controlling interests	3	Not applicable	–	Not applicable
Statements of financial position				
Current Asset				
Biological assets	4,857	8,258	1,736	3,224
Equity				
Retained earnings	3,632	6,220	1,320	2,450
Non-controlling interests	55	52	–	–
Non-current Liabilities				
Deferred tax liabilities	1,170	1,986	416	774

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(d) Reconciliations of statements of comprehensive income

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Group			
For the year ended 30 April 2018			
Revenue	277,728	563	278,291
Cost of sales	(198,916)	(35,556)	(234,472)
Gross profit	78,812	(34,993)	43,819
Other income	22,537	(49)	22,488
Selling and distribution expenses	(7,217)	7,217	–
Administrative expenses	(17,253)	(16)	(17,269)
Other expenses	(10,689)	(3,401)	(14,090)
Replanting expenses	(2,368)	2,368	–
Operating profit	63,822	(28,874)	34,948
Interest expense	(5,219)	–	(5,219)
Profit before tax	58,603	(28,874)	29,729
Income tax expense	(12,386)	4,937	(7,449)
Profit net of tax	46,217	(23,937)	22,280
Profit/(loss) net of tax attributable to:			
Owners of the Company	48,429	(23,256)	25,173
Non-controlling interests	(2,212)	(681)	(2,893)
	46,217	(23,937)	22,280
Earnings per share attributable to owners of the Company:			
Basic (sen)	23.12	(11.10)	12.02
Diluted (sen)	23.12	(11.10)	12.02

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(d) Reconciliations of statements of comprehensive income (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Group (Cont'd)			
For the year ended 30 April 2018 (Cont'd)			
Other comprehensive (loss)/income:			
Item that will be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations	(31,878)	–	(31,878)
	(31,878)	–	(31,878)
Items that will not be subsequently reclassified to profit or loss:			
Reversal of deferred tax on revaluation surplus of freehold land upon disposal	5	(5)	–
Revaluation surplus of land and buildings	347,838	(347,838)	–
Less: Deferred tax effect	(76,563)	76,563	–
Reversal of revaluation surplus of biological assets	(334,416)	334,416	–
Less: Deferred tax effect	668	(668)	–
Actuarial gain on retirement benefit obligation	95	–	95
Less: Deferred tax effect	(24)	–	(24)
	(62,397)	62,468	71
Total comprehensive loss for the year	(48,058)	38,531	(9,527)
Total comprehensive loss for the year attributable to:			
Owners of the Company	(40,744)	39,212	(1,532)
Non-controlling interests	(7,314)	(681)	(7,995)
	(48,058)	38,531	(9,527)

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(d) Reconciliations of statements of comprehensive income (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Company			
For the year ended 30 April 2018			
Revenue	98,951	563	99,514
Cost of sales	(45,810)	(17,860)	(63,670)
Gross profit	53,141	(17,297)	35,844
Other income	20,543	(49)	20,494
Selling and distribution expenses	(3,453)	3,453	–
Administrative expenses	(8,561)	(45)	(8,606)
Other expenses	(4,891)	(1,488)	(6,379)
Replanting expenses	(2,368)	2,368	–
Operating profit	54,411	(13,058)	41,353
Interest expense	(5,240)	–	(5,240)
Profit before tax	49,171	(13,058)	36,113
Income tax expense	(5,335)	1,230	(4,105)
Profit net of tax	43,836	(11,828)	32,008
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss:			
Reversal of deferred tax on revaluation surplus of freehold land upon disposal	5	(5)	–
Revaluation surplus of land and buildings	174,097	(174,097)	–
Less: Deferred tax effect	(35,920)	35,920	–
Reversal of revaluation surplus of biological assets	(143,756)	143,756	–
Less: Deferred tax effect	553	(553)	–
	(5,021)	5,021	–
Total comprehensive income for the year	38,815	(6,807)	32,008

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Group			
As at 30 April 2018			
Assets			
Non-current Assets			
Property, plant and equipment	1,039,013	365,191	1,404,204
Biological assets	654,721	(654,721)	–
Prepaid land lease payments	120,973	–	120,973
Goodwill on consolidation	82,474	–	82,474
	1,897,181	(289,530)	1,607,651
Current Assets			
Inventories	29,760	–	29,760
Biological assets	–	4,857	4,857
Trade and other receivables	49,324	–	49,324
Other investments	43	–	43
Financial assets at fair value through profit or loss	25,016	–	25,016
Cash and bank balances	99,557	–	99,557
	203,700	4,857	208,557
Total assets	2,100,881	(284,673)	1,816,208

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Group (Cont'd)			
As at 30 April 2018 (Cont'd)			
Equity and Liabilities			
Equity			
Share capital	212,084	–	212,084
Share premium	42,795	–	42,795
Other reserves	747,041	(762,839)	(15,798)
Retained earnings	669,672	459,651	1,129,323
Equity attributable to owners of the Company	1,671,592	(303,188)	1,368,404
Non-controlling interests	39,100	(995)	38,105
	1,710,692	(304,183)	1,406,509
Non-current Liabilities			
Bank borrowings	78,410	–	78,410
Retirement benefit obligation	469	–	469
Deferred tax liabilities	216,568	19,510	236,078
	295,447	19,510	314,957
Current Liabilities			
Bank borrowings	58,808	–	58,808
Trade and other payables	33,802	–	33,802
Income tax payable	2,132	–	2,132
	94,742	–	94,742
Total liabilities	390,189	19,510	409,699
Total equity and liabilities	2,100,881	(284,673)	1,816,208
Net assets per share attributable to owners of the Company (RM)	7.97	(1.44)	6.53

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Group (Cont'd)			
As at 1 May 2017 (date of transition to MFRS)			
Assets			
Non-current Assets			
Property, plant and equipment	693,912	741,267	1,435,179
Biological assets	991,901	(991,901)	–
Prepaid land lease payments	132,527	–	132,527
Goodwill on consolidation	82,474	–	82,474
	1,900,814	(250,634)	1,650,180
Current Assets			
Inventories	20,735	–	20,735
Biological assets	–	8,258	8,258
Trade and other receivables	115,907	–	115,907
Other investments	23,104	–	23,104
Financial assets at fair value through profit or loss	48,375	–	48,375
Cash and bank balances	30,299	–	30,299
	238,420	8,258	246,678
Total assets	2,139,234	(242,376)	1,896,858

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Group (Cont'd)			
As at 1 May 2017 (Cont'd) (date of transition to MFRS)			
Equity and Liabilities			
Equity			
Share capital	209,494	–	209,494
Share premium	42,795	–	42,795
Other reserves	840,168	(829,061)	11,107
Retained earnings	660,958	486,661	1,147,619
Equity attributable to owners of the Company	1,753,415	(342,400)	1,411,015
Non-controlling interests	46,414	(314)	46,100
	1,799,829	(342,714)	1,457,115
Non-current Liabilities			
Bank borrowings	151,900	–	151,900
Retirement benefit obligation	365	–	365
Deferred tax liabilities	147,190	100,338	247,528
	299,455	100,338	399,793
Current Liabilities			
Trade and other payables	35,446	–	35,446
Income tax payable	4,504	–	4,504
	39,950	–	39,950
Total liabilities	339,405	100,338	439,743
Total equity and liabilities	2,139,234	(242,376)	1,896,858
Net assets per share attributable to owners of the Company (RM)	8.38	(1.64)	6.74

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
<u>Company</u>			
<u>As at 30 April 2018</u>			
Assets			
Non-current Assets			
Property, plant and equipment	520,825	203,651	724,476
Biological assets	303,000	(303,000)	–
Investment in subsidiaries	428,293	–	428,293
	1,252,118	(99,349)	1,152,769
Current Assets			
Inventories	3,345	–	3,345
Biological assets	–	1,736	1,736
Trade and other receivables	85,163	–	85,163
Financial assets at fair value through profit or loss	25,016	–	25,016
Cash and bank balances	14,642	–	14,642
	128,166	1,736	129,902
Total assets	1,380,284	(97,613)	1,282,671

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
<u>Company (Cont'd)</u>			
<u>As at 30 April 2018 (Cont'd)</u>			
Equity and Liabilities			
Equity			
Share capital	212,084	–	212,084
Share premium	42,795	–	42,795
Other reserves	352,009	(349,926)	2,083
Retained earnings	545,841	232,505	778,346
	1,152,729	(117,421)	1,035,308
Non-current Liabilities			
Bank borrowings	78,410	–	78,410
Deferred tax liabilities	77,662	19,808	97,470
	156,072	19,808	175,880
Current Liabilities			
Bank borrowings	58,808	–	58,808
Trade and other payables	12,229	–	12,229
Income tax payable	446	–	446
	71,483	–	71,483
Total liabilities	227,555	19,808	247,363
Total equity and liabilities	1,380,284	(97,613)	1,282,671
Net assets per share attributable to owners of the Company (RM)	5.50	(0.56)	4.94

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Company (Cont'd)			
As at 1 May 2017 (date of transition to MFRS)			
Assets			
Non-current Assets			
Property, plant and equipment	348,614	385,684	734,298
Biological assets	443,122	(443,122)	–
Investment in subsidiaries	428,293	–	428,293
	1,220,029	(57,438)	1,162,591
Current Assets			
Inventories	3,119	–	3,119
Biological assets	–	3,224	3,224
Trade and other receivables	51,514	–	51,514
Other investments	22,851	–	22,851
Financial assets at fair value through profit or loss	48,339	–	48,339
Cash and bank balances	16,225	–	16,225
	142,048	3,224	145,272
Total assets	1,362,077	(54,214)	1,307,863

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(e) Reconciliations of statements of financial position (Cont'd)

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Company (Cont'd)			
As at 1 May 2017 (Cont'd) (date of transition to MFRS)			
Equity and Liabilities			
Equity			
Share capital	209,494	–	209,494
Share premium	42,795	–	42,795
Other reserves	359,058	(356,834)	2,224
Retained earnings	543,646	246,220	789,866
	1,154,993	(110,614)	1,044,379
Non-current Liabilities			
Bank borrowings	151,900	–	151,900
Deferred tax liabilities	42,008	56,400	98,408
	193,908	56,400	250,308
Current Liabilities			
Trade and other payables	12,797	–	12,797
Income tax payable	379	–	379
	13,176	–	13,176
Total liabilities	207,084	56,400	263,484
Total equity and liabilities	1,362,077	(54,214)	1,307,863
Net assets per share attributable to owners of the Company (RM)	5.52	(0.53)	4.99

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.1 First-time adoption of Malaysian Financial Reporting Standards (Cont'd)

(f) Reconciliations of statements of cash flows

	Reported under FRS RM'000	Impact of adopting MFRS RM'000	Presented under MFRS RM'000
Group			
For the year ended 30 April 2018			
Operating Activities			
Profit before tax	58,603	(28,874)	29,729
Adjustments for:			
Depreciation of property, plant and equipment	27,976	28,413	56,389
Fair value adjustment on biological assets	–	3,401	3,401
Gain on disposal of property, plant and equipment	(1,325)	49	(1,276)
Investing Activities			
Addition of:			
- Biological assets	(8,413)	8,413	–
Purchase of:			
- Property, plant and equipment	(34,236)	(11,402)	(45,638)
Company			
For the year ended 30 April 2018			
Operating Activities			
Profit before tax	49,171	(13,058)	36,113
Adjustments for:			
Depreciation of property, plant and equipment	11,367	14,310	25,677
Fair value adjustment on biological assets	–	1,488	1,488
Gain on disposal of property, plant and equipment	(1,325)	49	(1,276)
Investing Activities			
Addition of:			
- Biological assets	(2,231)	2,231	–
Purchase of:			
- Property, plant and equipment	(11,853)	(5,020)	(16,873)

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.2 Adoption of new standards effective 1 January 2018

MFRS 9 *Financial instruments*

MFRS 9 *Financial Instruments* replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

MFRS 1 allows for the exemption from the requirements to restate comparative information for MFRS 9. Accordingly, the Group and the Company have applied the requirements of FRS in place of the requirements of MFRS 9 to comparative information about items within the scope of MFRS 9.

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income (OCI). The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group and the Company's business model was made as of the date of initial application, 1 May 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets

Trade receivables, other receivables (excluding prepayments) and cash and bank balances previously classified as "loans and receivables" are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as "debt instruments at amortised cost".

Financial liabilities

The Group and the Company have not designated any financial liabilities as at fair value through statement of comprehensive income. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

(b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

The application of ECL approach on the Group's and the Company's financial assets did not result in any adjustments to the retained profits as at 1 May 2018.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.2 Adoption of new standards effective 1 January 2018 (Cont'd)

MFRS 15 *Revenue from contracts with customers*

MFRS 15 supersedes MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In applying MFRS 15 retrospectively, the Group and the Company applied the following practical expedients:

(i) for completed contracts, contracts that begin and end within the same annual reporting period were not restated;

(ii) for completed contracts that have variable consideration, rather than estimating variable consideration amounts in the comparative reporting periods, transaction price at the date the contract was completed was used;

(iii) for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations; determining the transaction price; and allocating the transaction price to the satisfied and unsatisfied performance obligations; and

(iv) for all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised are not disclosed.

The adoption of MFRS 15 has no material impact on the financial results of the Group and the Company.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.3 Early adoption of Amendments to MFRS 3 Definition of a Business

The Group and the Company have early adopted the amendments to MFRS 3 on the definition of a business and applied its asset acquisitions that occur on or after the beginning 1 May 2018. The amendments clarify the following:

- Minimum requirements to be a business;
- Market participants' ability to replace missing elements;
- Assessing whether an acquired process is substantive;
- Narrowed the definitions of outputs; and
- Introduced an optional concentration test.

Amendments to MFRS 3 sets out an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

4. 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 interpretations, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 16 *Leases*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2019
Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 128 Long-term interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 101 Presentation of Financial Statements (Definition of Material)	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)	1 January 2020
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture	Deferred

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

The directors expect that the adoption of the above standards and interpretation will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16 *Leases*

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The new requirements to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group’s and the Company's financial statements. The Group and the Company are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Group and the Company complete the review.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 April 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:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its involvement with the investee;

(iii) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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:

(i) the contractual arrangement(s) with the other vote holders of the investee;

(ii) the Group's voting rights and potential voting rights;

(iii) rights arising from other contractual arrangements.

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 off during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Statements of comprehensive income and each component of other comprehensive income 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 in 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in statements of comprehensive income. Any investment retained is recognised at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 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, 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. Transaction costs incurred are expensed and included in administrative 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 recognised 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 recognised in the statement of comprehensive income 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 recognised in statements of comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests 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 recognised 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 recognised in statements of comprehensive income.

After initial recognition, goodwill is measured at cost less 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 forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

5.3 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 Foreign currency

(a) 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.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in statements of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rate. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the statements of comprehensive income.

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 follow:

	2019 RM	2018 RM
1 United States Dollar ("USD")	4.1365	3.9205
100 Indonesian Rupiah ("IDR")	0.0290	0.0282

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land is depreciated on a straight-line basis over the period of the respective leases.

Bearer plants represent new and replanting expenditure on oil palms, which consist of cost of land clearing, upkeep of trees to maturity and attributable amortisation and depreciation charges capitalised. Upon maturity, maintenance and upkeep of oil palms are recognised in statements of comprehensive income. Bearer plants are depreciated on a straight-line basis over the estimated productive period of 20 years, commerce when the oil palms reach maturity.

Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Buildings	2% to 5%
Plant and machinery	5% to 10%
Office equipment, furniture and fittings	5% to 25%
Motor vehicles, tractors, trailers and boats	10% to 25%

Capital work-in-progress is not depreciated as this asset is not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statements of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

5.6 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation (where applicable, if there is any) and accumulated impairment losses. Prepaid land lease payments are amortised on a straight line basis over their lease terms.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in statements of comprehensive income.

5.8 Intangible asset

Intangible asset acquired separately is measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statements of comprehensive income in the period in which the expenditure is incurred.

Intangible asset is amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite lives is recognised in the statements of comprehensive income in the expense category that is consistent with the function of the intangible asset.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income.

5.9 Other asset

Other asset represents the expenses incurred in connection with the development of industrial timber plantation on licenced planted forest. When the industrial timber plantation area become commercially productive, the accumulated expenses incurred will be amortised using straight-line basis over the economic of live of industrial timber plantation.

5.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 Impairment of non-financial assets (Cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally covered a period of five years. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of comprehensive income.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

5.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables of the Group do not contain a significant financing component and therefore are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures 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 statements of comprehensive income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Subsequent measurement (Cont'd)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statements of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no financial assets at fair value through OCI (debt instruments) at the reporting date.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statements of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has no financial assets at fair value through OCI (equity instruments) at the reporting date.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Subsequent measurement (Cont'd)

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include other investments, 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 statements of financial position at fair value with net changes in fair value recognised in statements of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statements of comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statements of comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets

The Group 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 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).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Financial instruments (Cont'd)

(b) Impairment of financial assets (Cont'd)

For trade receivables and contract assets, 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 consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and bank borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Financial instruments (Cont'd)

(c) Financial liabilities (Cont'd)

(ii) Subsequent measurement (Cont'd)

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statements of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statements of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.12 Inventories

Inventories comprise produce stocks, nursery stocks, estate and palm oil mill stores.

Produce stocks are valued at the lower of cost and net realisable value. Cost is determined on the weighted average ex-estate/mill production costs and includes transport charges, where appropriate. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Nursery stocks are valued at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of nursery stocks includes where appropriate the cost of direct materials and direct labour.

Estate and palm oil mill stores are valued at the lower of cost (determined on the weighted average basis) and net realisable value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.13 Biological assets

Biological assets comprise the produce growing on oil palms. Biological assets are measured at fair value less cost to sell. Changes in fair value less cost to sell are recognised in statements of comprehensive income. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output (FFB harvest) and market price at reporting date of crude palm oil and palm kernel adjusted for extraction rates less processing, harvesting and transportation costs.

5.14 Plasma receivables

Plasma receivables represent the accumulated cost to develop plasma plantation, which are currently being self-financed by a subsidiary. Upon obtaining financing from the designated bank, the said advances will be offset against the corresponding funds received. For certain plasma plantations, the loan obtained from the bank are guaranteed by the subsidiary (acting as nucleus company). When the development of plasma plantation is substantially completed and ready to be transferred or handed-over to plasma farmers, the corresponding investment credit from the bank is also transferred to plasma farmers. Excess or shortfall resulting from the difference between the carrying value of the plasma receivables and the corresponding bank loan is regarded as payable or recoverable from the plasma farmers.

5.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, short-term deposits with a maturity of three months or less and highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

5.16 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.17 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

5.18 Dividend distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in the statement of comprehensive income.

5.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

5.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.21 Revenue and other income recognition

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

The Group and the Company assess their revenue arrangements against specific criteria in order to determine if the Group and the Company are acting as principal or agent. The Group and the Company have concluded that they are acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of fresh fruit bunches, crude palm oil and palm kernel

Revenue from sale of fresh fruit bunches, crude palm oil and palm kernel is recognised upon the control of assets is transferred to the customers.

(b) Rendering of services

Revenue from rendering of services is recognised as and when the services are performed.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group’s right to receive payment is established.

(e) Rental income

Rental income arising from operating leases on leased assets is accounted for on a straight-line basis over the lease terms.

(f) Road toll collection

Road toll collection is recognised when the Group’s right to receive payment is established.

5.22 Employee benefits

(a) 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. 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) 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 statements of comprehensive income as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.22 Employee benefits (Cont'd)

(c) Defined benefit plans

The Group operates defined benefit plans for eligible employees of a foreign subsidiary. The amount recognised as a liability in respect of the defined benefit plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets.

The Group determines the present value of the defined benefit obligations and the fair value of the plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The present value of the defined obligations and the related current service cost and past service cost are determined using the projected unit credit method by an actuary. The rate used to discount the obligations is based on market yields at the reporting period for high quality corporate bond or government bonds.

Remeasurement of the net defined obligation which comprise of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets are recognised directly within equity in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

In measuring its defined benefit liability, the Group recognises past service cost as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the defined benefit plan, the Group recognises past service cost immediately in statements of comprehensive income.

Net interest is recognised in statements of comprehensive income, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of contributions and benefit payment during the reporting period. Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in statements of comprehensive income.

(d) Employee share option plan

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in statements of comprehensive income, with a corresponding increase in the employee share option reserve over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to statements of comprehensive income for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for options that do not ultimately vest.

When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

The employee share option reserve is transferred to retained earnings upon forfeiture or expiry of the share options.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.22 Employee benefits (Cont'd)

(e) Employee share incentive plan ("ESIP")

The Company's ESIP, an equity-settled, share-based compensation plan, allows the selected executives of the Group to be entitled for ordinary shares of the Company as consideration for services rendered. The fair value of ordinary shares granted to selected executives is recognised in statements of comprehensive income, with a corresponding increase in the employee share incentive reserve within equity over the vesting period.

The fair value of ordinary shares is measured at grant date, taking into account, if any, the market vesting conditions.

When the ordinary shares are exercised, the employee share incentive reserve is transferred to share capital if new shares are issued.

5.23 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) Group as lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in statements of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in statements of comprehensive income on a straight-line basis over the lease term.

(b) Group as lessor

Leases in which the Group do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5.24 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.25 Taxes

(a) 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, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in statements 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.

(b) 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 temporary differences, except:

(i) where 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 or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates 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 unused tax losses, 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:

(i) where 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 or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries and associates 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 it 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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.25 Taxes (Cont'd)

(b) Deferred tax (Cont'd)

Deferred tax relating to items recognised outside statements of comprehensive income is recognised outside statements of comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in statements of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Value-added Tax (“VAT”) and Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of VAT and GST except:

- Where the amount of VAT and GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT and GST are recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT and GST included.

The net amount of VAT and GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

5.26 Segment reporting

For management purposes, the Group is organised into operating segments based on the activities which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.27 Current versus non-current classification

The Group presents assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- 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:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date, if any. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

6.1. Judgment made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Classification between investment property and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgment as to whether or not a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

The Group owns office buildings which comprise a portion that is held to earn rentals and another portion that is held for own use. Since the office buildings cannot be sold separately and the portion of the office buildings that is held for own use is not insignificant, the Group has classified the whole office buildings as property, plant and equipment.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

6.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements are prepared. Existing circumstances and assumptions about future developments, however may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of property, plant and equipment, prepaid land lease payments and intangible assets

The Group and the Company review the carrying amounts of the property, plant and equipment, prepaid land lease payments and intangible assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company shall estimate the recoverable amount of CGU or groups of CGU. The recoverable amount is measured at the higher of fair value less costs of disposal (FVLCD) or value in use (VIU).

Where the recoverable amounts of CGU or groups of CGU is determined on the basis of FVLCD, the fair values are based on valuations by independent professional valuers which were derived from comparisons with recent transactions involving other similar estates in the vicinity in terms of age profile, assessibility and title tenure, and from the income capitalisation method derived using assumptions on yields, long term average market prices, cost of production and an appropriate rate of return over the cropping life. Changes to any of these assumptions would affect the amount of impairment losses.

Determining the VIU of CGU or groups of CGU requires the determination of future cash flows expected to be derived from continuing use of the asset and from the ultimate disposal of such assets, which thus require the Group and the Company to make estimates and assumptions that can materially affect the financial statements.

The estimation of the recoverable amount involves significant judgement and estimations. While the Group and the Company believe that the assumptions are appropriate and reasonable, changes in the assumptions may materially affect the assessment of recoverable amounts.

(b) 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 cash-generating units (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. Further details of the carrying value and the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 18.

(c) Impairment of investment in subsidiaries

The Company reviews its investment in subsidiaries when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant estimation is required in determining the recoverable amount.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

6.2. Estimates and assumptions (Cont'd)

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital and agricultural allowances and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, allowances and deductible temporary differences can be utilised. The recognition of deferred tax assets is based upon the likely timing and level of future taxable profits together with tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions.

Judgment is also required about application of income tax legislation. These judgments and assumptions are subject to risks and uncertainty; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

(e) Income tax

Judgment is involved in determining the provision for income taxes. There may be certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Employee share options

The Group measures the cost of equity-settled transactions with eligible directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 36.

(g) Employee share incentive

The Group measures the cost of equity-settled transactions with selected executives by reference to the fair value of the equity instruments at the date at which they are granted, taking into account, if any, the market vesting conditions.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

6.2. Estimates and assumptions (Cont'd)

(h) Fair value of biological assets

Biological assets comprise of fresh fruit bunch ("FFB") prior to harvest. The fair value of biological assets are measured at the present value of the net cash flows expected to be generated from the sale of FFB.

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 83% for FFB that are 1 to 2 weeks prior to harvest and 49% for FFB that are 3 to 4 weeks prior to harvest and, 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.

7. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers ^:				
- Sale of oil palm products	196,015	271,074	49,420	74,314
- Rendering of services	7,726	7,217	3,864	3,453
	203,741	278,291	53,284	77,767
Revenue from other sources:				
Interest income from:				
- loan to a subsidiary *	–	–	4,093	3,376
- other investments and short term deposits	–	–	391	763
Net realised fair value gains on financial assets at fair value through profit or loss	–	–	587	1,339
Dividend income from:				
- subsidiaries	–	–	6,173	15,950
- other investments				
- quoted in Malaysia	–	–	–	245
- quoted outside Malaysia	–	–	–	74
	–	–	11,244	21,747
	203,741	278,291	64,528	99,514

^ The timing of revenue recognition is at a point in time.

* This represents the interest income from loan to a subsidiary, bearing interest at the rate of 6.7% (2018: 6.7%) per annum (Note 24(c)).

8. OTHER INCOME

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Dividend income from other investments:				
- quoted in Malaysia	–	245	–	–
- quoted outside Malaysia	–	74	–	–
Gain on disposal of property, plant and equipment	307	1,276	129	1,276
Insurance claim received	39	90	–	4
Insurance commission received	218	204	218	204
Interest income	2,661	2,406	–	–
Management fee received	1,061	1,135	–	–
Miscellaneous income	454	279	64	33
Net foreign exchange gain:				
- realised	2,843	–	2,851	–
- unrealised	–	11,363	–	14,910
Net realised fair value gains on financial assets at fair value through profit or loss	587	1,341	–	–
Net realised fair value gains on other investments	–	3,639	–	3,639
Net rental income	371	166	314	161
Road toll collection	250	270	249	267
	8,791	22,488	3,825	20,494

9. INTEREST EXPENSE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Interest expense on:				
- loan from a subsidiary *	–	–	22	21
- revolving credits	1,418	–	1,418	–
- term loans	6,977	5,219	5,747	5,219
	8,395	5,219	7,187	5,240
Less: interest expense on term loan capitalised in property, plant and equipment (Note 16(d))	(1,230)	–	–	–
	7,165	5,219	7,187	5,240

* This represents the interest expense paid for loan from a subsidiary, bearing interest at the rate of one percent (1%) above Malayan Banking Berhad's 12 months fixed deposit interest rate per annum (Note 35(d)).

10. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Amortisation of intangible asset (Note 20)	357	–	–	–
Amortisation of prepaid land lease payments (Note 17)	3,148	3,000	–	–
Auditors' remuneration:				
- Statutory audits				
- Ernst & Young	236	229	123	122
- member firm of Ernst & Young Global	143	138	–	–
- other auditors	27	15	–	–
- Other services				
- Ernst & Young	77	116	41	81
- other auditors	5	6	–	–
Depreciation of property, plant and equipment (Note 16)	54,502	56,389	25,258	25,677
Employee benefits expense (Note 11)	65,296	65,639	22,597	22,772
Fair value changes on biological assets (net)	920	3,401	410	1,488
Net foreign exchange loss:				
- realised	–	6,694	–	1,109
- unrealised	8,601	–	10,490	–
Net unrealised fair value losses on financial assets at fair value through profit or loss	–	344	–	343
Net unrealised fair value losses on other investments	–	2,722	–	2,722
Non-executive directors' remuneration (Note 12)	1,112	1,007	809	797
Property, plant and equipment written off	95	215	10	108

11. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Wages and salaries	55,021	55,239	19,093	18,400
Contributions to defined contribution plan	3,189	3,299	1,350	1,360
Social security contributions	747	637	119	110
Retirement benefit obligation (Note 33)	272	266	–	–
ESIP expense	–	713	–	327
Fair value of share options granted under ESOS	221	550	136	311
Other staff related expenses	5,846	4,935	1,899	2,264
	65,296	65,639	22,597	22,772

12. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-executive				
Directors of the Company:				
Fees	595	502	400	400
Other emoluments	409	397	409	397
Total excluding benefits-in-kind	1,004	899	809	797
Estimated money value of benefits-in-kind	26	21	26	21
Total including benefits-in-kind	1,030	920	835	818
Directors of subsidiaries:				
Fees	108	108	–	–
Total excluding benefits-in-kind	108	108	–	–
Total directors' remuneration	1,138	1,028	835	818
Analysis of directors' remuneration:				
Total non-executive directors' remuneration excluding benefits-in-kind (Note 10 and 37(c))	1,112	1,007	809	797
Estimated money value of benefits-in-kind	26	21	26	21
	1,138	1,028	835	818

12. DIRECTORS' REMUNERATION (CONT'D)

The details of remuneration received or receivable by each director of the Company during the financial year are as follows:

	Fees RM'000	Other emoluments RM'000	Estimated money value of benefits-in-kind RM'000	Total RM'000
Group				
2019				
Non-executive directors:				
Datin Paduka Tan Siok Choo	148	53	26	227
Tan Sri Dato' Ahmad bin Mohd Don	85	96	–	181
Tan Jiew Hoe	96	71	–	167
Teo Leng	96	63	–	159
Dato Dr. Nik Ramlah binti Nik Mahmood	85	63	–	148
Ong Keng Siew	85	63	–	148
	595	409	26	1,030
2018				
Non-executive directors:				
Datin Paduka Tan Siok Choo	148	54	21	223
Tan Sri Dato' Ahmad bin Mohd Don	60	96	–	156
Tan Jiew Hoe	78	69	–	147
Teo Leng	96	66	–	162
Dato Dr. Nik Ramlah binti Nik Mahmood	60	56	–	116
Ong Keng Siew	60	56	–	116
	502	397	21	920
Company				
2019				
Non-executive directors:				
Datin Paduka Tan Siok Choo	100	53	26	179
Tan Sri Dato' Ahmad bin Mohd Don	60	96	–	156
Tan Jiew Hoe	60	71	–	131
Teo Leng	60	63	–	123
Dato Dr. Nik Ramlah binti Nik Mahmood	60	63	–	123
Ong Keng Siew	60	63	–	123
	400	409	26	835

12. DIRECTORS' REMUNERATION (CONT'D)

	Fees RM'000	Other emoluments RM'000	Estimated money value of benefits-in-kind RM'000	Total RM'000
Company (Cont'd)				
2018				
Non-executive directors:				
Datin Paduka Tan Siok Choo	100	54	21	175
Tan Sri Dato' Ahmad bin Mohd Don	60	96	–	156
Tan Jiew Hoe	60	69	–	129
Teo Leng	60	66	–	126
Dato Dr. Nik Ramlah binti Nik Mahmood	60	56	–	116
Ong Keng Siew	60	56	–	116
	400	397	21	818

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors 2019	2018
Non-executive directors:		
RM100,001 - RM150,000	2	3
RM150,001 - RM200,000	3	2
RM200,001 - RM250,000	1	1

13. INCOME TAX (CREDIT)/EXPENSE

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the financial years ended 30 April 2019 and 2018 are:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current income tax:				
Malaysian income tax				
- Current year	2,335	16,433	255	4,984
- Underprovision in prior years	195	186	200	59
Foreign tax				
- Current year	–	(567)	–	–
	2,530	16,052	455	5,043
Deferred tax (Note 34):				
Reversal of temporary differences	(10,029)	(8,573)	(2,082)	(951)
(Over)/underprovision in prior years	(218)	(30)	(260)	13
	(10,247)	(8,603)	(2,342)	(938)
Income tax (credit)/expense recognised in statements of comprehensive income	(7,717)	7,449	(1,887)	4,105

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

The corporate tax rates applicable to the Singapore subsidiary and Indonesia subsidiary of the Group are 17% (2018: 17%) and 25% (2018: 25%) respectively.

13. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

Reconciliation between income tax (credit)/expense and accounting (loss)/profit

The reconciliation between income tax (credit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 30 April 2019 and 2018 are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Accounting (loss)/profit before tax	(48,892)	29,729	(20,601)	36,113
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	(11,734)	7,135	(4,944)	8,667
Different tax rates in other countries	(122)	(158)	–	–
Adjustments:				
Effect of reduction in tax rate	–	(72)	–	–
Effect of income not subject to tax	(3,855)	(6,015)	(3,353)	(9,208)
Effect of non-deductible expenses	8,017	6,403	6,470	4,574
Underprovision of income tax expense in prior years	195	186	200	59
(Over)/underprovision of deferred tax in prior years	(218)	(30)	(260)	13
Income tax (credit)/expense recognised in statements of comprehensive income	(7,717)	7,449	(1,887)	4,105

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing (loss)/profit net of tax for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019	**2018**
(Loss)/profit net of tax for the year attributable to owners of the Company (RM'000)	(39,027)	25,173
Weighted average number of ordinary shares in issue ('000 unit)	209,684	209,486
Basic (loss)/earnings per share (sen)	(18.61)	12.02

14. (LOSS)/EARNINGS PER SHARE (CONT'D)

(b) Diluted (loss)/earnings per share

The share options granted under the Company's ESOS could potentially dilute basic (loss)/earnings per share but have not been included in the calculation of diluted (loss)/earnings per share because they are antidilutive. Therefore, both of the basic (loss)/earnings per share and diluted (loss)/earnings per share of the Group are the same.

15. DIVIDENDS

	Group and Company	
	2019 RM'000	2018 RM'000
Recognised during the financial year:		
Second interim dividend for 2017:		
- single-tier dividend of 12 sen on 209,318,701 ordinary shares	–	25,118
Special dividend for 2017:		
- single-tier dividend of 3 sen on 209,318,701 ordinary shares	–	6,280
First interim dividend for 2018:		
- single-tier dividend of 6 sen on 209,660,001 ordinary shares	–	12,579
Second interim dividend for 2018:		
- single-tier dividend of 6 sen on 209,681,201 ordinary shares	12,581	–
First interim dividend for 2019:		
- single-tier dividend of 2 sen on 209,681,201 ordinary shares	4,193	–
	16,774	43,977

On 26 June 2019, the directors declared a second interim single-tier dividend of 6 sen per ordinary share in respect of the financial year ended 30 April 2019 on 209,691,201 ordinary shares, amounting to approximately RM12,581,000 which is payable on 21 August 2019. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 April 2020.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Group									
2019									
At cost:									
At 1 May 2018									
Reported under FRS	172,793	706,074	–	87,268	73,163	9,645	50,141	17,666	1,116,750
Impact of adopting MFRS (Note 3.1)	(5,129)	4,960	531,230	9,394	–	–	–	–	540,455
Presented under MFRS	167,664	711,034	531,230	96,662	73,163	9,645	50,141	17,666	1,657,205
Acquisition of subsidiaries (Note 19(a))	–	–	–	–	–	5	–	–	5
Additions	–	–	12,935	8,067	4,456	1,679	1,977	64,156	93,270
Disposals	–	–	–	–	(24)	(13)	(3,123)	–	(3,160)
Written off	–	–	(1,551)	(10)	(172)	(158)	(2,317)	–	(4,208)
Reclassifications	–	–	–	13,344	(453)	34	1,683	(14,608)	–
Reclassified as held for sale (Note 28)	(58,789)	(702)	(14,846)	(691)	(867)	(43)	–	–	(75,938)
Exchange differences	–	–	3,293	580	261	47	114	1,233	5,528
At 30 April 2019	108,875	710,332	531,061	117,952	76,364	11,196	48,475	68,447	1,672,702

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Group (Cont'd)									
2019 (Cont'd)									
Accumulated depreciation:									
At 1 May 2018									
Reported under FRS	–	–	–	–	36,205	5,781	35,751	–	77,737
Impact of adopting MFRS (Note 3.1)	–	11,196	154,347	9,721	–	–	–	–	175,264
Presented under MFRS	–	11,196	154,347	9,721	36,205	5,781	35,751	–	253,001
Acquisition of subsidiaries (Note 19(a))	–	–	–	–	–	2	–	–	2
Depreciation charge for the year:	–	11,168	24,719	10,022	5,641	1,143	4,357	–	57,050
- Recognised in statements of comprehensive income (Note 10)	–	10,699	24,719	8,930	5,055	1,056	4,043	–	54,502
- Capitalised in bearer plants (Note 16(c))	–	469	–	676	241	57	217	–	1,660
- Charged to Plasma receivables (Note 38(a))	–	–	–	416	345	30	97	–	888
Disposals	–	–	–	–	(15)	(8)	(2,808)	–	(2,831)
Written off	–	–	(1,551)	(10)	(165)	(151)	(2,236)	–	(4,113)
Reclassifications	–	–	–	–	(7)	7	–	–	–
Reclassified as held for sale (Note 28)	–	(139)	(5,635)	(116)	(506)	(33)	–	–	(6,429)
Exchange differences	–	–	314	102	126	28	50	–	620
At 30 April 2019	–	22,225	172,194	19,719	41,279	6,769	35,114	–	297,300
Net carrying amount:									
At 30 April 2019	108,875	688,107	358,867	98,233	35,085	4,427	13,361	68,447	1,375,402

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
<u>Group (Cont'd)</u>									
2018									
At cost:									
At 1 May 2017									
Reported under FRS	136,512	429,526	–	99,665	61,339	8,955	59,288	17,667	812,952
Impact of adopting MFRS (Note 3.1)	31,331	281,508	532,744	(22,531)	–	–	–	–	823,052
Presented under MFRS	167,843	711,034	532,744	77,134	61,339	8,955	59,288	17,667	1,636,004
Additions	–	–	15,024	7,354	2,428	1,778	5,330	17,346	49,260
Disposals (adjusted)	(179)	–	–	–	(63)	(46)	(2,136)	–	(2,424)
Written off (adjusted)	–	–	(1,185)	(179)	(235)	(252)	(2,942)	–	(4,793)
Reclassifications (adjusted)	–	–	–	14,392	10,555	(609)	(8,457)	(15,881)	–
Exchange differences	–	–	(15,353)	(2,039)	(861)	(181)	(942)	(1,466)	(20,842)
At 30 April 2018 (adjusted)	167,664	711,034	531,230	96,662	73,163	9,645	50,141	17,666	1,657,205

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Group (Cont'd)									
2018 (Cont'd)									
Accumulated depreciation:									
At 1 May 2017									
Reported under FRS	–	26,777	–	23,637	28,609	4,891	35,126	–	119,040
Impact of adopting MFRS (Note 3.1)	–	(26,777)	132,199	(23,637)	–	–	–	–	81,785
Presented under MFRS	–	–	132,199	–	28,609	4,891	35,126	–	200,825
Depreciation charge for the year:	–	11,196	24,150	10,184	5,190	1,292	8,243	–	60,255
- Recognised in statements of comprehensive income (Note 10) (adjusted)	–	10,637	24,150	8,642	4,708	1,156	7,096	–	56,389
- Capitalised in bearer plants (Note 16(c)) (adjusted)	–	559	–	889	143	79	639	–	2,309
- Charged to Plasma receivables (Note 38(a))	–	–	–	653	339	57	508	–	1,557
Disposals	–	–	–	–	(54)	(13)	(1,399)	–	(1,466)
Written off (adjusted)	–	–	(1,185)	(120)	(214)	(213)	(2,846)	–	(4,578)
Reclassifications (adjusted)	–	–	–	–	3,019	(32)	(2,987)	–	–
Exchange differences	–	–	(817)	(343)	(345)	(144)	(386)	–	(2,035)
At 30 April 2018 (adjusted)	–	11,196	154,347	9,721	36,205	5,781	35,751	–	253,001
Net carrying amount:									
At 30 April 2018 (adjusted)	167,664	699,838	376,883	86,941	36,958	3,864	14,390	17,666	1,404,204
At 30 April 2017 (adjusted)	167,843	711,034	400,545	77,134	32,730	4,064	24,162	17,667	1,435,179

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
Company									
2019									
At cost:									
At 1 May 2018									
Reported under FRS	127,723	344,279	–	34,275	10,488	5,070	21,584	1,536	544,955
Impact of adopting MFRS (Note 3.1)	(709)	6,225	280,068	3,568	–	–	–	–	289,152
Presented under MFRS	127,014	350,504	280,068	37,843	10,488	5,070	21,584	1,536	834,107
Additions	–	–	4,205	400	169	290	1,077	6,205	12,346
Disposals	–	–	–	–	(24)	(12)	(1,032)	–	(1,068)
Written off	–	–	–	(3)	(14)	(38)	(763)	–	(818)
Reclassifications	–	–	–	6,220	171	34	37	(6,462)	–
Reclassified as held for sale (Note 28)	(58,789)	(702)	(14,846)	(691)	(867)	(43)	–	–	(75,938)
At 30 April 2019	68,225	349,802	269,427	43,769	9,923	5,301	20,903	1,279	768,629

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
<u>Company (Cont'd)</u>									
2019 (Cont'd)									
Accumulated depreciation:									
At 1 May 2018									
Reported under FRS	–	–	–	–	4,507	3,196	16,427	–	24,130
Impact of adopting MFRS (Note 3.1)	–	6,165	75,469	3,867	–	–	–	–	85,501
Presented under MFRS	–	6,165	75,469	3,867	4,507	3,196	16,427	–	109,631
Depreciation charge for the year:	–	6,138	12,764	4,021	902	553	1,757	–	26,135
- Recognised in statements of comprehensive income (Note 10)	–	5,799	12,764	3,722	835	512	1,626	–	25,258
- Capitalised in bearer plants (Note 16(c))	–	339	–	299	67	41	131	–	877
Disposals	–	–	–	–	(15)	(8)	(800)	–	(823)
Written off	–	–	–	(3)	(12)	(37)	(756)	–	(808)
Reclassified as held for sale (Note 28)	–	(139)	(5,635)	(116)	(506)	(33)	–	–	(6,429)
At 30 April 2019	–	12,164	82,598	7,769	4,876	3,671	16,628	–	127,706
Net carrying amount:									
At 30 April 2019	68,225	337,638	186,829	36,000	5,047	1,630	4,275	1,279	640,923

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
Company (Cont'd)									
2018									
At cost:									
At 1 May 2017									
Reported under FRS	96,997	221,942	–	33,815	8,821	4,826	22,223	5,442	394,066
Impact of adopting MFRS (Note 3.1)	30,196	128,562	273,381	(7,377)	–	–	–	–	424,762
Presented under MFRS	127,193	350,504	273,381	26,438	8,821	4,826	22,223	5,442	818,828
Additions	–	–	6,687	889	432	378	2,050	8,104	18,540
Disposals (adjusted)	(179)	–	–	–	(8)	(43)	(2,077)	–	(2,307)
Written off (adjusted)	–	–	–	(120)	(88)	(92)	(654)	–	(954)
Reclassifications	–	–	–	10,636	1,331	1	42	(12,010)	–
At 30 April 2018 (adjusted)	127,014	350,504	280,068	37,843	10,488	5,070	21,584	1,536	834,107

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
<u>Company (Cont'd)</u>									
2018 (Cont'd)									
Accumulated depreciation:									
At 1 May 2017									
Reported under FRS	–	15,466	–	8,706	3,738	2,562	14,980	–	45,452
Impact of adopting MFRS (Note 3.1)	–	(15,466)	63,250	(8,706)	–	–	–	–	39,078
Presented under MFRS	–	–	63,250	–	3,738	2,562	14,980	–	84,530
Depreciation charge for the year:	–	6,165	12,219	3,939	855	712	3,454	–	27,344
- Recognised in statements of comprehensive income (Note 10) (adjusted)	–	5,606	12,219	3,428	769	645	3,010	–	25,677
- Capitalised in bearer plants (Note 16(c)) (adjusted)	–	559	–	511	86	67	444	–	1,667
Disposals	–	–	–	–	(2)	(10)	(1,385)	–	(1,397)
Written off (adjusted)	–	–	–	(72)	(84)	(68)	(622)	–	(846)
At 30 April 2018 (adjusted)	–	6,165	75,469	3,867	4,507	3,196	16,427	–	109,631
Net carrying amount:									
At 30 April 2018 (adjusted)	127,014	344,339	204,599	33,976	5,981	1,874	5,157	1,536	724,476
At 30 April 2017 (adjusted)	127,193	350,504	210,131	26,438	5,083	2,264	7,243	5,442	734,298

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Assets pledged as security

(i) All the assets of the Company are negative pledged to secure the Company's USD term loan and revolving credits which are used by the Company to part finance the acquisition of subsidiaries and as working capital (Note 32).

(ii) Capital work-in-progress of a subsidiary with net carrying amount of RM54,460,000 (2018: Nil) is pledged to secure the IDR term loan which is used by the subsidiary for the construction the new oil mill (Note 32).

(iii) Certain long term leasehold land of the Company in Sabah with net carrying amount of RM304,390,000 (2018: RM308,195,000) are mortgaged to secure the Company's loan from a subsidiary (Note 35(d)).

(b) Transfer to non-current assets held for sale

On 3 January 2019, the Company, United Malacca Berhad ("UMB") has entered into 3 separate conditional sale and purchase agreements ("CSPA") to dispose off certain plantation assets for a cash consideration of RM175,145,285. As a result, the Company has classified the respective plantation assets with carrying amounts of RM69,509,000 as non-current assets held for sale upon signing of CSPA (Note 28).

(c) Capitalisation of depreciation and amortisation

Included in additions of bearer plants during the financial year are:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation of property, plant and equipment capitalised	1,660	2,309	877	1,667
Amortisation of prepaid land lease payments capitalised (Note 17)	1,098	1,313	–	–
	2,758	3,622	877	1,667

(d) Capitalisation of interest expense

Included in additions of capital work-in-progress during the financial year are:

	Group	
	2019 RM'000	2018 RM'000
Interest expense capitalised (Note 9)	1,230	–

16. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(e) Additions of property, plant and equipment

For the purpose of statement of cash flows, property, plant and equipment purchased by the Group and the Company during the financial year were by means of:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total additions of property, plant and equipment	93,270	49,260	12,346	18,540
Less:				
Depreciation of property, plant and equipment capitalised	(1,660)	(2,309)	(877)	(1,667)
Amortisation of prepaid land lease payments capitalised (Note 17)	(1,098)	(1,313)	–	–
Total cash outflows on additions of property, plant and equipment	90,512	45,638	11,469	16,873

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2019 RM'000	2018 RM'000
At cost:		
At beginning of financial year	132,796	140,929
Additions	10,831	3,267
Exchange differences	3,651	(11,400)
At end of financial year	147,278	132,796
Accumulated amortisation:		
At beginning of financial year	11,823	8,402
Amortisation for the year:	4,246	4,313
- Recognised in statements of comprehensive income (Note 10)	3,148	3,000
- Capitalised in bearer plants (Note 16(c))	1,098	1,313
Exchange differences	275	(892)
At end of financial year	16,344	11,823
Net carrying amount	130,934	120,973

17. PREPAID LAND LEASE PAYMENTS (CONT'D)

	Group	
	2019	**2018**
	RM'000	**RM'000**
Amount to be amortised:		
- Not later than one year	4,246	4,313
- Later than one year but not later than five years	16,982	17,253
- Later than five years	109,706	99,407
	130,934	120,973

18. GOODWILL ON CONSOLIDATION

	Group	
	2019	**2018**
	RM'000	**RM'000**
At net carrying amount	82,474	82,474

Goodwill of RM18,628,000 has been allocated to the Group's cash generating units identified according to the individual subsidiaries, namely Syarikat Penanaman Bukit Senorang Sdn. Bhd. and South-East Pahang Oil Palm Berhad, both of which are principally involved in plantation activities.

Goodwill of RM63,846,000 has been allocated to the Group's cash generating units identified according to the individual subsidiaries, namely International Natural Resources Pte. Ltd. ("INR"), an investment holding company incorporated in the Republic of Singapore and PT Lifere Agro Kapuas, a company incorporated under the laws of the Republic of Indonesia, which is held through INR and principally involved in plantation activities.

Impairment test for goodwill on consolidation

Key assumptions used in value-in-use calculations

The recoverable amount is determined based on value-in-use calculations using cash flow projections based on a master plan covering a 25 years period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

18. GOODWILL ON CONSOLIDATION (CONT'D)

Impairment test for goodwill on consolidation (Cont'd)

Key assumptions used in value-in-use calculations (Cont'd)

(b) Discount rate

The pre-tax discount rates used are ranging from 10% to 15% (2018: 7% to 12%) which reflect the specific risks of the oil palm industry.

(c) Raw materials price inflation

The basis used to determine the value assigned to the raw materials price inflation is the forecast price indices during the budget year where raw materials are sourced. Values assigned to key assumptions are consistent with external information sources.

19. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
In Malaysia		
- Unquoted shares, at cost	142,288	142,288
- Less: Accumulated impairment losses	(1,334)	(1,334)
	140,954	140,954
Outside Malaysia		
- Unquoted shares, at cost	318,614	287,339
	459,568	428,293

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests		Principal activities
		2019	2018	2019	2018	
Held by the Company						
Leong Hin San Sdn. Bhd. [i]	Malaysia	100	100	–	–	Cultivation of oil palm
Meridian Plantations Sdn. Bhd. [i]	Malaysia	100	100	–	–	Cultivation of oil palm and palm oil milling
Syarikat Penanaman Bukit Senorang Sdn. Bhd. [i]	Malaysia	100	100	–	–	Cultivation of oil palm and palm oil milling
South-East Pahang Oil Palm Berhad [i]	Malaysia	100	100	–	–	Cultivation of oil palm
Masjid Tanah Properties Sdn Bhd. [i]	Malaysia	100	100	–	–	Property development (currently dormant)
Melaka Pindah Properties Sdn. Bhd. [i]	Malaysia	100	100	–	–	Property development (currently dormant)
Vintage Plantations Sdn. Bhd. [i]	Malaysia	100	100	–	–	Dormant
International Natural Resources Pte. Ltd. ("INR") [ii]	Singapore	88	88	12	12	Investment holding
Clifton Cove Pte Ltd [ii]	Singapore	100	–	–	–	Investment holding
PT Usaha Mulia Bahagia *	Indonesia	100	–	–	–	Providing management consultancy services
Held through INR						
PT Lifere Agro Kapuas ("LAK") [iii]	Indonesia	83	83	17	17	Cultivation of oil palm
Held through Clifton						
PT Bintang Gemilang Permai ("BGP") [ii]	Indonesia	65	–	35	–	Investment holding
Held through BGP						
PT Wana Rindang Lestari ("WRL") [iii]	Indonesia	60	–	40	–	Forest plantations

* New company established on 26 April 2019 which the ownership interest to be held 60% by the Company and 40% by Masjid Tanah Properties Sdn. Bhd., a wholly-owned subsidiary of the Company.
[i] Audited by Ernst & Young.
[ii] Audited by a firm other than Ernst & Young.
[iii] Audited by member firm of Ernst & Young Global.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries

On 17 October 2017, the Company announced to Bursa Malaysia Securities Berhad ("Bursa") that it had entered into a conditional sale and purchase agreement (“CSPA”) with vendor Dalvey Star Limited (“Dalvey”), using Clifton Cove Pte Ltd (“Clifton”) as the acquiring vehicle for the proposed acquisition of one (1) ordinary share of USD1.00 representing a 100% equity interest in Clifton (to hold an effective equity interest of 60% in PT Wana Rindang Lestari ("WRL")) for a total cash consideration of USD7,190,400.

WRL, a private limited liability company incorporated in Indonesia, has obtained a business licence “Izin Usaha Pemanfaatan Hasil Hutan Kayu Pada Hutan Tanaman Industri” (“HTI Licence”) on 4 June 2014 from the Minister of Forestry, Indonesia over an area measuring approximately 59,920 hectares in the Regencies of Tojo Una-Una and Morowali, Province of Central Sulawesi.

Pursuant to the CSPA and prior to the completion of the Proposed Acquisition, PT Bintang Gemilang Permai (“BGP”) and WRL undertook an internal corporate restructuring of their equity ownership structures (“Internal Restructuring”). Completed in January 2018, the Internal Restructuring resulted in Clifton holding a 65% equity interest in BGP which in turn holds a 92.32% equity interest in WRL while the remaining stakes in both BGP and WRL are held by PT Sinar Kemilau Cemerlang (“SKC”). Following this Internal Restructuring, the Company acquired a 100% equity interest in Clifton which effectively holds a 60% equity interest in WRL.

Based on findings in the legal due diligence exercise on Clifton, a loan of USD425,000 from Dalvey to Clifton (“Loan”) was incurred after the date of the CSPA during the Internal Restructuring without the prior knowledge of the Company. Because the Company indicated a preference to acquire a debt-free Clifton, Dalvey and Clifton have converted the Loan into new shares in Clifton prior to the completion of the Proposed Acquisition. The conversion of the Loan resulted in the Company to acquire the existing 1 (one) ordinary share and the newly issued 425,000 ordinary shares in Clifton (collectively, representing 100% equity interest in Clifton) while the total cash consideration of USD7,190,400 for the Proposed Acquisition remains the same.

The Proposed Acquisition was completed on 27 August 2018 ("Completion Date"). The Company now effectively holds 100%, 65% and 60% equity interest in Clifton, BGP and WRL respectively. The CSPA requires Dalvey, the Company, Clifton, BGP and WRL to work towards fulfilment of certain obligations set out in Schedule 3 of the CSPA (“Post-Completion Obligations”). The Post-Completion Obligations were fulfilled on 26 February 2019, i.e. within 6 months of the Completion Date.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (Cont'd)

Fair value of the identifiable assets and liabilities of Clifton, BGP and WRL

The fair value of the identifiable assets and liabilities of Clifton, BGP and WRL as at the date of acquisition were:

	Note	Carrying amount RM'000
Identifiable assets		
Property, plant and equipment	16	3
Intangible asset	20	30,023
Other asset	21	2,339
Other receivables		8
Cash and bank balances		9
		32,382
Identifiable liabilities		
Other payables		116
		116
Net identifiable assets		32,266
Fair value of net identifiable assets		32,266
Less: Non-controlling interests		(991)
Group's interest in the fair value of net identifiable assets/cost of investment		31,275

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (Cont'd)

Cash outflow on acquisition of subsidiaries

Details of cash outflow arising from the acquisition of subsidiaries are as follows:

	Group RM'000	**Company RM'000**
Total cost of investment	29,197	29,197
Direct expenses attributable to the acquisition	2,078	2,078
Consideration settled in cash	31,275	31,275
Less: Cash and cash equivalents of subsidiaries acquired	(9)	–
Net cash outflow on acquisition of subsidiaries	31,266	31,275

Impact of acquisition in statements of comprehensive income

Plantation activity in WRL has yet to commence as at the end of current financial year. Therefore, no revenue was contributed by the new subsidiaries during the financial year.

From the date of acquisition, the new subsidiaries contributed loss net of tax of approximately RM511,000 to the Group mainly due to amortisation of intangible asset.

Had the acquisition taken place at the beginning of the financial year, the Group's loss net of tax would have been RM541,000.

(b) Establishment of new subsidiary

On 26 April 2019, the Company announced the establishment of a foreign investment limited liability company by the name of PT Usaha Mulia Bahagia in Indonesia. The initial paid-up capital of PT Usaha Mulia Bahagia will be Indonesian Rupiah ("Rp") 4.3 billion (equivalent to RM1,250,000) to be held 60% by the Company and 40% by Masjid Tanah Properties Sdn. Bhd. (a wholly-owned subsidiary of the Company). The principal activity of PT Usaha Mulia Bahagia is providing management consultancy services to the Group's subsidiaries in Indonesia.

As at 30 April 2019, the injection of the abovementioned paid-up capital of Rp4.3 billion by the Company and Masjid Tanah Properties Sdn. Bhd. has yet to be completed.

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information of subsidiaries which have non-controlling interests

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

	INR		LAK		BGP		WRL		Total	
	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
Summarised statements of comprehensive income										
Revenue	–	–	28,331	33,984	–	–	–	–	28,331	33,984
Profit/(loss) net of tax	423	267	(12,563)	(17,200)	(41)	–	(119)	–	(12,300)	(16,933)
Profit/(loss) net of tax attributable to:										
- The Company	373	235	(10,427)	(14,275)	(27)	–	(71)	–	(10,152)	(14,040)
- Non-controlling interests	50	32	(2,136)	(2,925)	(14)	–	(48)	–	(2,148)	(2,893)
	423	267	(12,563)	(17,200)	(41)	–	(119)	–	(12,300)	(16,933)

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information of subsidiaries which have non-controlling interests (Cont'd)

	INR		LAK		BGP		WRL		Total	
	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
Summarised statements of comprehensive income (Cont'd)										
Other comprehensive income/(loss) for the year	1,053	(5,880)	5,627	(25,927)	(1)	–	88	–	6,767	(31,807)
Other comprehensive income/(loss) for the year attributable to:										
- The Company	929	(5,186)	4,670	(21,519)	(1)	–	53	–	5,651	(26,705)
- Non-controlling interests	124	(694)	957	(4,408)	–	–	35	–	1,116	(5,102)
	1,053	(5,880)	5,627	(25,927)	(1)	–	88	–	6,767	(31,807)
Total comprehensive income/(loss) for the year attributable to:										
- The Company	1,302	(4,951)	(5,757)	(35,794)	(28)	–	(18)	–	(4,501)	(40,745)
- Non-controlling interests	174	(662)	(1,179)	(7,333)	(14)	–	(13)	–	(1,032)	(7,995)
	1,476	(5,613)	(6,936)	(43,127)	(42)	–	(31)	–	(5,533)	(48,740)

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information of subsidiaries which have non-controlling interests (Cont'd)

	INR		LAK		BGP		WRL		Total	
	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
Summarised statements of financial position										
Non-current assets	139,187	139,187	170,213	109,942	–	–	3,099	–	312,499	249,129
Current assets	41,779	39,150	80,995	99,190	10	–	111	–	122,895	138,340
Total assets	180,966	178,337	251,208	209,132	10	–	3,210	–	435,394	387,469
Non-current liabilities	–	–	70,369	28,056	–	–	–	–	70,369	28,056
Current liabilities	429	407	82,719	74,968	62	–	791	–	84,001	75,375
Total liabilities	429	407	153,088	103,024	62	–	791	–	154,370	103,431
Net assets	180,537	177,930	98,120	106,108	(52)	–	2,419	–	281,024	284,038
Equity attributable to:										
- The Company	159,607	157,174	81,950	88,759	(34)	–	1,437	–	242,960	245,933
- Non-controlling interests	20,930	20,756	16,170	17,349	(18)	–	982	–	38,064	38,105
	180,537	177,930	98,120	106,108	(52)	–	2,419	–	281,024	284,038

19. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information of subsidiaries which have non-controlling interests (Cont'd)

	INR		LAK		BGP		WRL		Total	
	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
Summarised statements of cash flows										
Net cash (used in)/ from operating activities	(81)	94	(24,581)	88,629	1	–	514	–	(24,147)	88,723
Net cash (used in)/ from investing activities	–	–	(69,106)	(18,694)	8	–	(429)	–	(69,527)	(18,694)
Net cash from financing activities	–	–	45,762	–	–	–	–	–	45,762	–
Net change in cash and cash equivalents	(81)	94	(47,925)	69,935	9	–	85	–	(47,912)	70,029
Effect of foreign exchange rate changes	4	(4)	903	(5,691)	1	–	3	–	911	(5,695)
Cash and cash equivalent at beginning of financial year	90	–	64,647	403	–	–	–	–	64,737	403
Cash and cash equivalent at end of financial year	13	90	17,625	64,647	10	–	88	–	17,736	64,737

20. INTANGIBLE ASSET

	Group 2019 RM'000	Group 2018 RM'000
At cost:		
At beginning of financial year	–	–
Acquisition of subsidiaries (Note 19(a))	30,040	–
Exchange differences	9	–
At end of financial year	30,049	–
Accumulated amortisation:		
At beginning of financial year	–	–
Acquisition of subsidiaries (Note 19(a))	17	–
Amortisation for the year recognised in statements of comprehensive income (Note 10)	357	–
Exchange differences	1	–
At end of financial year	375	–
Net carrying amount	29,674	–

Intangible asset represents the cost of investment of business licence "Izin Usaha Pemanfaatan Hasil Hutan Kayu Pada Hutan Tanaman Industri" ("HTI Licence") owned by a newly acquired subsidiary, PT Wana Rindang Lestari, over an area measuring approximately 59,920 hectares in the Regencies of Tojo Una-Una and Morowali, Province of Central Sulawesi. The licence is valid for 60 years from 4 June 2014.

21. OTHER ASSET

	Group 2019 RM'000	Group 2018 RM'000
At cost:		
At beginning of financial year	–	–
Acquisition of subsidiaries (Note 19(a))	2,339	–
Additions	274	–
Exchange differences	89	–
At end of financial year	2,702	–

Other asset represents the expenses incurred in connection with the development of industrial timber plantation on an area measuring approximately 59,920 hectares in the Regencies of Tojo Una-Una and Morowali, Province of Central Sulawesi as disclosed in Note 20.

22. INVENTORIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost:				
Produce stocks	–	6,662	–	–
Nursery stocks	6,613	5,644	690	1,129
Estate and palm oil mill stores	12,278	12,535	2,620	2,216
	18,891	24,841	3,310	3,345
At net realisable value:				
Produce stocks	5,147	4,919	–	–
	24,038	29,760	3,310	3,345

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and the Company was RM37,342,000 (2018: RM39,312,000) and RM12,512,000 (2018: RM14,167,000) respectively.

23. BIOLOGICAL ASSETS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At carrying amount:				
At beginning of financial year:				
Reported under FRS	–	–	–	–
Impact of adopting MFRS (Note 3.1)	4,857	8,258	1,736	3,224
Presented under MFRS	4,857	8,258	1,736	3,224
Transferred to produce stocks	(4,857)	(8,258)	(1,736)	(3,224)
Fair value changes	3,937	4,857	1,326	1,736
At end of financial year	3,937	4,857	1,326	1,736
Oil palm fresh fruit bunches production (tonne)	30,613	24,227	11,505	8,797

The biological assets of the Group and of the Company comprise of Fresh Fruit Bunches ("FFB") prior to harvest. The valuation model adopted by the Group and the Company considers the present value of the net cash flows expected to be generated from the sale of FFB.

23. BIOLOGICAL ASSETS (CONT'D)

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 flows 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 flows to be generated.

The fair value adjustment of the biological assets in each accounting period is recognised in statements of comprehensive income.

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.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade receivables:				
Amount due from a subsidiary	–	–	859	1,073
Third parties	19,950	14,728	4,570	2,838
	19,950	14,728	5,429	3,911
Other receivables:				
Amounts due from subsidiaries	–	–	1,883	1,018
Loan to a subsidiary	–	–	73,895	70,447
Deposits	390	415	266	291
GST receivable	318	–	100	–
Prepayments:				
- Operating expenses	961	685	694	406
- Capital expenditure	11,520	11,214	–	1,561
- Real property gain tax (Note 24(d))	5,254	–	5,254	–
Interest receivable	156	155	32	7
Plasma receivables (Note 38(a))	33,032	13,262	–	–
Refundable deposit (Note 24(e))	–	5,680	–	5,680
Sundry receivables	8,753	3,185	945	1,842
	60,384	34,596	83,069	81,252
	80,334	49,324	88,498	85,163

24. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 30 days (2018: 15 to 30 days) terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Neither past due nor impaired	19,950	14,728	5,429	3,911

Trade 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.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

(b) Amounts due from subsidiaries

The amounts due from Malaysia subsidiaries are unsecured, non-interest bearing and repayable upon demand.

(c) Loan to a subsidiary

The loan to a subsidiary is unsecured, bearing interest at the rate of 6.7% (2018: 6.7%) and repayable upon demand.

(d) Prepayment - real property gain tax

This represents prepayment of real propery gain tax upon receiving 10% of the total cash consideration of RM175,145,285 for disposal of plantation assets. The details of disposal are disclosed in Note 28 and 44.

(e) Refundable deposit

This represents 20% of the total purchase consideration of USD7,190,400 for acquisition of 60% equity interest in PT Wana Rindang Lestari which is refundable. The acquisition has been completed on 27 August 2018 and the details of acquisition are disclosed in Note 19(a) and 44(a).

25. OTHER INVESTMENTS

Other investments consist of deposits with licensed financial institutions with maturity period of more than three months as follows:

	Group	
	2019 RM'000	2018 RM'000
Deposits with licensed commercial banks	19	43

(a) Interest rates of other investments

The weighted average effective interest rates of other investments at the reporting date were as follows:

	Group	
	2019 RM'000 %	2018 RM'000 %
Deposits with licensed commercial banks	4.05	3.89

(b) Varying periods of other investments

The varying periods of other investments at the reporting date were as follows:

	Group	
	2019 days	2018 days
Deposits with licensed commercial banks	181	181

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss consist of investment in income trust funds placed with licensed investment banks and asset management companies in Malaysia which are highly liquid and readily convertible to cash as follows:

	Group and Company			
	Carrying amount		Fair value	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
In Malaysia				
- income trust funds	5,603	25,016	5,603	25,016

27. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and on hand	2,882	1,373	459	551
Deposits with:				
- Licensed commercial banks	36,714	76,916	14,224	2,021
- Licensed investment banks	7,258	21,268	–	12,070
	46,854	99,557	14,683	14,642

(a) Interest rates of cash and bank balances

Cash at banks earn interest at floating rates based on daily bank deposit rates.

The weighted average effective interest rates of deposits at the reporting date are as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Deposits with:				
- Licensed commercial banks	4.95	5.57	4.02	4.96
- Licensed investment banks	3.42	3.29	–	3.25

(b) Varying periods of deposits

The varying periods of deposits at the reporting date are as follows:

	Group		Company	
	2019 days	2018 days	2019 days	2018 days
Deposits with:				
- Licensed commercial banks	2 - 92	2 - 92	2 - 30	4 - 91
- Licensed investment banks	7 - 27	5 - 24	–	6

28. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets classified as held for sale on the statement of financial position of the Group and the Company at the reporting date are as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment (Note 16(b)):		
At net carrying amount		
Freehold land	58,789	–
Long term leasehold land	563	–
Bearer plants	9,211	–
Buildings	575	–
Plant and machinery	361	–
Office equipment, furniture and fittings	10	–
	69,509	–

On 3 January 2019, UMB has entered into 3 separate conditional sale and purchase agreements to dispose off the abovementioned plantation assets for a cash consideration of RM175,145,285. The status of disposal of abovementioned plantation assets is diclosed in Note 44(c).

There are no liabilities directly associated with the above non-current assets held for sale.

29. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares '000	Amount Share capital RM'000	Share premium RM'000	Total share capital and share premium RM'000
Group and Company				
At 1 May 2017	209,270	209,494	42,795	252,289
Shares issued pursuant to:				
- ESOS	301	1,877	–	1,877
- ESIP	110	713	–	713
At 30 April 2018 and 1 May 2018	209,681	212,084	42,795	254,879
Shares issued pursuant to ESOS	10	56	–	56
Transfer share premium to share capital	–	42,795	(42,795)	–
At 30 April 2019	209,691	254,935	–	254,935

(a) Share capital

The Companies Act 2016 ("the Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act states that all shares issued before or after 31 January 2017 shall have no par or nominal value. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

The Company has an employee share option plan under Employee Share Option Scheme ("ESOS") where options to subscribe for the Company's ordinary shares have been granted to eligible directors and employees of the Group as disclosed in Note 36.

In addition, the Company also has an Executive Share Incentive Plan ("ESIP") where ordinary shares of the Company have been granted to selected executives of the Group as disclosed in Note 36.

(b) Share premium

During the financial year, share premium was transferred to share capital accounts pursuant to section 618(2) of the Companies Act 2016.

30. OTHER RESERVES

	Asset revaluation reserve RM'000	Foreign currency translation reserve RM'000	Employee share option reserve RM'000	Employee share incentive reserve RM'000	Total RM'000
Group					
2019					
At 1 May 2018					
Reported under FRS	762,839	(17,881)	2,083	–	747,041
Impact of adopting MFRS (Note 3.1)	(762,839)	–	–	–	(762,839)
Presented under MFRS	–	(17,881)	2,083	–	(15,798)
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations	–	6,690	–	–	6,690
Less: Non-controlling interests	–	(1,103)	–	–	(1,103)
	–	5,587	–	–	5,587
Transactions with owners:					
Fair value of share options granted to eligible employees	–	–	221	–	221
Shares issued pursuant to ESOS	–	–	(5)	–	(5)
Employee share options forfeited	–	–	(121)	–	(121
Employee share options expired	–	–	(778)	–	(778)
	–	–	(683)	–	(683)
At 30 April 2019	–	(12,294)	1,400	–	(10,894)

30. OTHER RESERVES (CONT'D)

	Asset revaluation reserve RM'000	Foreign currency translation reserve RM'000	Employee share option reserve RM'000	Employee share incentive reserve RM'000	Total RM'000
<u>**Group (Cont'd)**</u>					
2018					
At 1 May 2017					
Reported under FRS	829,061	8,883	2,224	–	840,168
Impact of adopting MFRS (Note 3.1)	(829,061)	–	–	–	(829,061)
Presented under MFRS	–	8,883	2,224	–	11,107
Other comprehensive (loss)/income:					
Exchange differences on translation of foreign operations	–	(31,878)	–	–	(31,878)
Less: Non-controlling interests	–	5,114	–	–	5,114
	–	(26,764)	–	–	(26,764)
Transactions with owners:					
Fair value of share options granted to eligible employees	–	–	550	–	550
Shares issued pursuant to ESOS	–	–	(242)	–	(242)
Employee share options forfeited	–	–	(78)	–	(78)
Employee share options expired	–	–	(371)	–	(371)
ESIP expenses	–	–	–	713	713
Shares issued pursuant to ESIP	–	–	–	(713)	(713)
	–	–	(141)	–	(141)
At 30 April 2018 (adjusted)	–	(17,881)	2,083	–	(15,798)

30. OTHER RESERVES (CONT'D)

	Asset revaluation reserve RM'000	Employee share option reserve RM'000	Employee share incentive reserve RM'000	Total RM'000
Company				
2019				
At 1 May 2018				
Reported under FRS	349,926	2,083	–	352,009
Impact of adopting MFRS (Note 3.1)	(349,926)	–	–	(349,926)
Presented under MFRS	–	2,083	–	2,083
Transactions with owners:				
Fair value of share options granted to eligible employees	–	221	–	221
Shares issued pursuant to ESOS	–	(5)	–	(5)
Employee share options forfeited	–	(121)	–	(121)
Employee share options expired	–	(778)	–	(778)
	–	(683)	–	(683)
At 30 April 2019	–	1,400	–	1,400
2018				
At 1 May 2017				
Reported under FRS	356,834	2,224	–	359,058
Impact of adopting MFRS (Note 3.1)	(356,834)	–	–	(356,834)
Presented under MFRS	–	2,224	–	2,224
Transactions with owners:				
Fair value of share options granted to eligible employees	–	550	–	550
Shares issued pursuant to ESOS	–	(242)	–	(242)
Employee share options forfeited	–	(78)	–	(78)
Employee share options expired	–	(371)	–	(371)
ESIP expenses	–	–	713	713
Shares issued pursuant to ESIP	–	–	(713)	(713)
	–	(141)	–	(141)
At 30 April 2018 (adjusted)	–	2,083	–	2,083

30. OTHER RESERVES (CONT'D)

(a) Foreign currency translation reserve

Foreign currency translation reserve represents 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.

(b) Employee share option reserve

Employee share option reserve represents the fair value of equity-settled share options granted to the eligible directors and employees under ESOS (Note 36). This reserve is made up of the cumulative value of services receive from the eligible directors and employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the forfeiture or exercise of the share options.

(c) Employee share incentive reserve

Employee share incentive reserve represents the fair value of equity-settled shares granted to the selected executives under ESIP (Note 36). This reserve is made up of the cumulative value of services received from the selected executives recorded on grant of shares, and is transferred to share capital upon vesting of the shares granted.

31. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings under the single tier system.

32. BANK BORROWINGS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Secured:				
Long term borrowings				
- Term loan (in USD)	20,683	78,410	20,683	78,410
- Term loan (in IDR)	46,639	–	–	–
	67,322	78,410	20,683	78,410
Short term borrowings				
- Revolving credits (in USD)	79,893	–	79,893	–
- Term loans (in USD)	62,048	58,808	62,048	58,808
	141,941	58,808	141,941	58,808
	209,263	137,218	162,624	137,218

32. BANK BORROWINGS (CONT'D)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Analysis by maturity:				
- Less than one year	141,941	58,808	141,941	58,808
- More than one year and less than two years	22,548	58,808	20,683	58,808
- More than two years and less than five years	20,055	19,602	–	19,602
- More than five years	24,719	–	–	–
	209,263	137,218	162,624	137,218

(a) Interest rates of bank borrowings

(i) The USD term loan carries an interest rate based on the bank's cost of funds + 1% per annum.

(ii) The IDR term loan carries an interest rate based on the 1-month Jakarta Interbank Offered Rate ("JIBOR") + 3.45% per annum.

(iii) The USD revolving credits carry interest rates based on the bank's cost of funds + 0.75% to 1% per annum.

(b) Assets pledged as security

(i) The USD term loan and revolving credits are secured by negative pledge over all the assets of the Company (Note 16(a)).

(ii) The IDR term loan is secured by capital work-in-progress of a subsidiary with net carrying amount of RM54,460,000 (2018: Nil) as well as corporate guarantees provided by the Company (Note 42(a)).

(c) Changes in liabilities arising from financing activities

	At 1 May 2018 RM'000	Drawdown/ (repayment) RM'000	Exchange differences RM'000	At 30 April 2019 RM'000
<u>2019</u>				
Group				
Revolving credits	–	79,161	732	79,893
Term loans	137,218	(18,731)	10,883	129,370
	137,218	60,430	11,615	209,263

32. BANK BORROWINGS (CONT'D)

(c) Changes in liabilities arising from financing activities (cont'd)

	At 1 May 2018 RM'000	Drawdown/ (repayment) RM'000	Exchange differences RM'000	At 30 April 2019 RM'000
2019 (cont'd)				
Company				
Revolving credits	–	79,161	732	79,893
Term loans	137,218	(64,493)	10,006	82,731
	137,218	14,668	10,738	162,624

	At 1 May 2017 RM'000	Drawdown/ (repayment) RM'000	Exchange differences RM'000	At 30 April 2018 RM'000
2018				
Group				
Term loans	151,900	–	(14,682)	137,218
Company				
Term loans	151,900	–	(14,682)	137,218

33. RETIREMENT BENEFIT OBLIGATION

	Group 2019 RM'000	2018 RM'000
At beginning of financial year	469	365
Expenses recognised in statements of comprehensive income (Note 11)	272	266
- Current service cost	237	241
- Interest cost	35	25
Actuarial gain recognised in other comprehensive income	(103)	(95)
Payment during the financial year	–	(5)
Exchange differences	16	(62)
At end of financial year	654	469

33. RETIREMENT BENEFIT OBLIGATION (CONT'D)

	Group	
	2019 RM'000	2018 RM'000
Present value of obligation/recognised liability for retirement benefit obligation	654	469

(a) The Group makes provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Law No. 13/2003 (the "Labour Law"). This provision is unfunded and estimated using actuarial calculations. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

(b) The Group's obligation under the defined benefit plan for the financial years ended 30 April 2019 and 2018 is determined based on the actuarial valuations performed by an independent actuary on 31 May 2019 and 10 April 2018 respectively.

(c) Principal actuarial assumptions used as at the reporting date in respect of the Group's defined benefit plan are as follows:

	2019	2018
Discount rate (% p.a.)	8.53	7.48
Future salary increase (% p.a.)	5.00	5.00
Retirement age (years)	55.00	55.00
Mortality rate (% p.a.)	0.038 - 0.707	0.038 - 0.707

(d) The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the reporting date, assuming if all other assumptions were held constant:

		Increase/(decrease) in retirement benefit obligation	
		2019 RM'000	2018 RM'000
Discount rate	+ 1%	(58)	(288)
	- 1%	67	348
Future salary	+ 1%	72	351
	- 1%	(63)	(286)

34. DEFERRED TAX LIABILITIES

Deferred tax as as at 30 April relates to the following:

	At 1 May 2018 Reported under FRS RM'000	At 1 May 2018 Impact of adopting MFRS (Note 3.1) RM'000	Presented under MFRS RM'000	Recognised in statements of comprehensive income RM'000	Overprovision in prior years RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	At 30 April 2019 RM'000
<u>Group</u>								
2019								
Deferred tax assets:								
Provisions	(1,278)	–	(1,278)	834	–	26	(10)	(428)
Unabsorbed capital allowances and tax losses	(2,047)	–	(2,047)	(6,486)	–	–	(79)	(8,612)
	(3,325)	–	(3,325)	(5,652)	–	26	(89)	(9,040)
Deferred tax liabilities:								
Property, plant and equipment	46,037	169,173	215,210	(3,392)	(218)	–	234	211,834
Prepaid land lease payments	23,023	–	23,023	(761)	–	–	705	22,967
Biological assets	–	1,170	1,170	(224)	–	–	2	948
Asset revaluation reserve	150,833	(150,833)	–	–	–	–	–	–
	219,893	19,510	239,403	(4,377)	(218)	–	941	235,749
	216,568	19,510	236,078	(10,029)	(218)	26	852	226,709

34. DEFERRED TAX LIABILITIES (CONT'D)

	At 1 May 2017							
	Reported under FRS RM'000	Impact of adopting MFRS (Note 3.1) RM'000	Presented under MFRS RM'000	Recognised in statements of comprehensive income RM'000 (adjusted)	Overprovision in prior years RM'000	Recognised in other comprehensive income RM'000 (adjusted)	Exchange differences RM'000	At 30 April 2018 RM'000 (adjusted)
<u>Group (Cont'd)</u>								
2018								
Deferred tax assets:								
Provisions	(1,302)	–	(1,302)	(41)	–	24	41	(1,278)
Unabsorbed capital allowances and tax losses	–	–	–	(2,068)	–	–	21	(2,047)
	(1,302)	–	(1,302)	(2,109)	–	24	62	(3,325)
Deferred tax liabilities:								
Property, plant and equipment	46,351	174,447	220,798	(4,830)	(30)	–	(728)	215,210
Prepaid land lease payments	26,046	–	26,046	(818)	–	–	(2,205)	23,023
Biological assets	–	1,986	1,986	(816)	–	–	–	1,170
Asset revaluation reserve	76,095	(76,095)	–	–	–	–	–	–
	148,492	100,338	248,830	(6,464)	(30)	–	(2,933)	239,403
	147,190	100,338	247,528	(8,573)	(30)	24	(2,871)	236,078

34. DEFERRED TAX LIABILITIES (CONT'D)

	At 1 May 2018					
	Reported under FRS RM'000	Impact of adopting MFRS (Note 3.1) RM'000	Presented under MFRS RM'000	Recognised in statements of comprehensive income RM'000	Overprovision in prior years RM'000	At 30 April 2019 RM'000
Company						
2019						
Deferred tax assets:						
Provisions	(653)	–	(653)	594	–	(59)
Unabsorbed capital allowances	–	–	–	(1,374)	–	(1,374)
	(653)	–	(653)	(780)	–	(1,433)
Deferred tax liabilities:						
Property, plant and equipment	15,538	82,169	97,707	(1,204)	(260)	96,243
Biological assets	–	416	416	(98)	–	318
Asset revaluation reserve	62,777	(62,777)	–	–	–	–
	78,315	19,808	98,123	(1,302)	(260)	96,561
	77,662	19,808	97,470	(2,082)	(260)	95,128

34. DEFERRED TAX LIABILITIES (CONT'D)

	At 1 May 2017 Reported under FRS RM'000	Impact of adopting MFRS (Note 3.1) RM'000	Presented under MFRS RM'000	Recognised in statements of comprehensive income RM'000 (adjusted)	Under provision in prior years RM'000	At 30 April 2018 RM'000 (adjusted)
Company (Cont'd)						
2018						
Deferred tax assets:						
Provisions	(920)	–	(920)	267	–	(653)
	(920)	–	(920)	267	–	(653)
Deferred tax liabilities:						
Property, plant and equipment	15,504	83,050	98,554	(860)	13	97,707
Biological assets	–	774	774	(358)	–	416
Asset revaluation reserve	27,424	(27,424)	–	–	–	–
	42,928	56,400	99,328	(1,218)	13	98,123
	42,008	56,400	98,408	(951)	13	97,470

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(9,040)	(3,325)	(1,433)	(653)
Deferred tax liabilities	235,749	239,403	96,561	98,123
	226,709	236,078	95,128	97,470

35. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables:				
Third parties	14,595	10,141	2,514	1,790
Other payables:				
Deposit received on disposal of plantation assets	17,515	–	17,515	–
Directors' fees and other emoluments	989	531	723	400
Amount due to a subsidiary	–	–	2	2
Loan from a subsidiary	–	–	500	500
Balance outstanding on acquisition of land	596	816	–	–
GST/VAT payable	–	581	–	58
Interest payable	610	472	610	472
Accruals and sundry payables	27,721	21,261	5,370	9,007
	47,431	23,661	24,720	10,439
	62,026	33,802	27,234	12,229

(a) Trade and other payables

These amounts are non-interest bearing and are normally settled on 30 to 60 days (2018: 30 to 60 days) terms.

(b) Deposit received on disposal of plantation assets

This represents 10% of the total cash consideration of RM175,145,285 received for disposal of plantation assets. The details of disposal are disclosed in Note 28 and 44(c).

(c) Amount due to a subsidiary

This amount is unsecured, non-interest bearing and repayable on demand.

(d) Loan from a subsidiary

This loan is bearing interest at the rate of one percent (1%) above Malayan Banking Berhad's 12 months fixed deposit interest rate per annum and secured by a first mortgage over certain of the Company's long term leasehold lands (Note 16(a)). The loan is repayable on demand.

36. EMPLOYEE BENEFITS

Employee Share Scheme

The Company's Employee Share Scheme ("ESS") is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 29 August 2009. The ESS was implemented on 18 June 2010 and is in force for a period of 10 years from the date of implementation.

The ESS comprises Employee Share Option Scheme ("ESOS") and Executive Share Incentive Plan ("ESIP") for the directors and eligible employees of the Company and its subsidiaries. However, the Board of Directors has decided that non-executive directors of the Company will not participate in the ESS effective from the financial year ended 30 April 2018.

Under the ESOS, an eligible employee will be offered an option which entitles the eligible employee to subscribe for and/or acquire a certain number of shares of the Company at a future date at pre-determined prices, subject to meeting certain prescribed conditions.

Under the ESIP, the selected executive will be granted the right to have a certain number of ordinary shares in the Company vested in and transferred to the selected executive at a future date, subject to meeting certain prescribed conditions, including the achievement of pre-determined service conditions and/or performance targets.

The salient features of the By-Laws are as follows:

(a) The maximum number of new or existing shares of the Company to be made available under the ESS during the duration of the ESS shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time. Not more than fifty percent (50%) of the total shares of the Company available under the ESS shall be allocated, in aggregate, to directors and senior management of the Group. Further, not more than ten percent (10%) of the total shares of the Company available under the ESS shall be allocated to any individual selected executive or eligible employee, who either singly or collectively through persons connected with him holds twenty percent (20%) or more of the issued and paid-up share capital of the Company.

(b) Any director of the Company or employee of any company within the Group shall be eligible to be considered for the grant and/or offer under the ESS.

(c) Option price (the price at which an eligible employee shall be entitled to subscribe for or acquire shares of the Company upon the exercise of the option under the ESOS) and the grant price (the reference price adopted in determining the number of shares of the Company to be vested in and transferred to the selective executives pursuant to the right under the ESIP) shall be determined by the ESS Committee at its discretion based on the five (5)-day weighted average market price of the underlying shares immediately prior to the date of offer and/or date of grant by the ESS Committee, provided the said option and/or grant price shall not be lower than 10% from the five (5)-day weighted average market price of the underlying shares immediately prior to the date of offer and/or date of grant and the par value of the shares of the Company.

    Notwithstanding the above, with the implementation of the Companies Act 2016 effective 31 January 2017, the concept of par value of share capital was abolished. Therefore, the par value of the shares of the Company as one of the option or grant price determinant is to be disregarded.

(d) Any new shares of the Company to be allotted and issued upon any exercise of the option shall, upon issue and allotment, rank pari passu in all respects with existing ordinary shares of the Company save and except that the shares shall not be entitled to participate in any dividends, rights, allotments and/or others distributions that may be declared, where the entitlement date precedes the date of allotment.

36. EMPLOYEE BENEFITS (CONT'D)

Employee Share Option Scheme ("ESOS")

Movement of share options during the financial year

The following table illustrates the number ("No.") and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

	2019		2018	
	No.	**WAEP (RM)**	**No.**	**WAEP (RM)**
Outstanding at beginning of financial year	2,848,100	5.79	3,247,700	5.83
- Granted	–	–	515,000	5.79
- Exercised	(10,000)	5.13	(301,200)	5.43
- Forfeited	(244,300)	5.95	(217,600)	5.70
- Expired	(686,000)	6.42	(395,800)	6.49
Outstanding at end of financial year	1,907,800	5.54	2,848,100	5.79
Exercisable at end of financial year	993,700	5.56	1,258,000	6.01

- The weighted average fair value of options granted during the financial year was RM0.78 (2018: RM0.83).

- The weighted average share price at the date of exercise of the options during the financial year was RM5.50 (2018: RM6.50).

- The range of exercise prices for options outstanding at the end of financial year was RM5.13 to RM5.79 (2018: RM5.13 to RM6.42). The weighted average remaining contractual life for these options is 1.05 years (2018: 1.61 years).

During the financial year, options for 10,000 (2018: 301,200) ordinary shares of the Company were exercised at a weighted average price of RM5.13 each (2018: RM5.43 each), with a total cash consideration of approximately RM51,000 (2018: RM1,635,000) paid to the Company.

Fair value of share options granted

The fair value of the share options granted under ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

No options under ESOS have been granted to directors and employees during the current financial year.

36. EMPLOYEE BENEFITS (CONT'D)

Employee Share Option Scheme ("ESOS") (Cont'd)

Fair value of share options granted (Cont'd)

The inputs to the option pricing model for the previous financial year ended 30 April 2018 are as follows:

	2018
Dividend yield (%)	3.07
Expected volatility (%)	10.36
Risk-free interest rate (% p.a.)	3.43
Expected life of option (years)	2.65

The expected life of the options is based on indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessary be the actual outcome.

During the financial year, fair value of share options granted amounting to RM221,000 (2018: RM550,000) for the Group and RM136,000 (2018: RM311,000) for the Company were charged to statements of comprehensive income. No cash outflows was incurred for this charge to statements of comprehensive income.

Employee Share Incentive Plan ("ESIP")

Movement of ordinary shares granted during the financial year

During the current financial year, no ordinary shares have been granted to the directors and selected executives of the Company and its subsidiaries.

During the previous financial year, 109,800 ordinary shares ("ESIP shares") has been granted to the selected executives. The vesting period of ESIP shares was from 1 August 2017 to 31 October 2017.

The following table illustrates the movements of ordinary shares granted during the previous financial year:

	No. of ordinary shares 2018
Granted	109,800
Vested	(109,800)
At end of financial year	–

- All ordinary shares granted during the previous financial year were vested and resulted in the issuance of 109,800 ordinary shares as disclosed in Note 29.

- The weighted average share price at the grant date and exercise date during the previous financial year was RM6.49.

- The weighted average share price at the date of vesting during the previous financial year was RM6.37.

37. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

In addition to the related party transactions information as disclosed in Note 7 and 9, the Group and the Company had the following significant transactions with related parties at terms agreed between the parties during the financial year:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subsidiaries				
- Sale of oil palm fresh fruit bunches	–	–	13,221	30,002
- Administrative expenses charged	–	–	4,339	4,839
- ESIP expense charged	–	–	–	386
- Fair value of share options granted to eligible employees charged	–	–	85	239
- Sale of property, plant and equipment	–	–	75	85
- Purchase of property, plant and equipment	–	–	60	44

(b) Balances with related parties

Information regarding other outstanding balances arising from related party transactions as at 30 April 2019 and 30 April 2018 are disclosed in Note 24 and 35.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management, being the Chief Executive Officer, Chief Financial Officer, General Manager (Plantation), Plantation Controllers and Mill Controller during the financial year was as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	3,972	4,041	2,446	2,749
Contributions to defined contribution plan	246	293	246	293
Social security contributions	3	4	3	4
ESIP expense	–	260	–	260
Fair value of share options granted under ESOS	120	196	120	196
	4,341	4,794	2,815	3,502

37. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel (Cont'd)

The other members of key management have been granted the following number of ordinary shares under ESIP:

	Number of ordinary shares			
	Group		Company	
	2019	2018	2019	2018
Granted	–	40,000	–	40,000
Vested	–	(40,000)	–	(40,000)
At end of financial year	–	–	–	–

Included in the total compensation of key management personnel of the Group and of the Company was non-executive directors' remuneration amounting to RM1,112,000 (2018: RM1,007,000) and RM809,000 (2018: RM797,000) respectively (Note 12).

Directors' interest in Employee Share Option Scheme ("ESOS")

During the current and previous financial years, no share options under ESOS have been granted to the directors.

Directors' interest in Employee Share Incentive Plan ("ESIP")

During the current and previous financial years, no ordinary shares have been granted to the directors.

38. COMMITMENTS

(a) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders, generally known as the "Plasma Scheme". Once developed, the plasma plantations will be transferred to the small landholders who then operate the plasma plantations under the management of the developer for a management fee. In line with this requirement, our subsidiary, PT Lifere Agro Kapuas is commited to developing plantations under the Plasma Scheme through two cooperatives. The funding for the development of the plantations under the Plasma Scheme is currently advanced by the subsidiary. This advance is repayable to the subsidiary upon the cooperatives obtaining a loan from commercial bank. This includes the subsidiary providing corporate guarantees for the loans advanced by the bank to the cooperatives.

When the oil palm matures, the cooperatives are obliged to sell their entire crop to the subsidiary and a portion of the resulting proceeds will be used to repay the loans from the bank and the subsidiary.

38. COMMITMENTS (CONT'D)

(a) Plasma receivables (Cont'd)

The accumulated development costs net of funds receives are presented as Plasma receivables under trade and other receivables (Note 24) and classified in the plantation segment. An analysis of the movement in the Plasma receivables is as follows:

	Group	
	2019 RM'000	2018 RM'000
At beginning of financial year	13,262	95,438
Additional development and maintenance costs, net of proceeds from fresh fruit bunches	18,141	9,432
Depreciation of property, plant and equipment charged (Note 16)	888	1,557
Payment of Plasma receivables during the financial year	–	(86,208)
Exchange differences (IDR to RM)	741	(6,957)
At end of financial year	33,032	13,262

(b) Capital commitments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure approved and contracted for:				
Construction of new oil mills	26,432	65,533	–	–
Purchase of other property, plant and equipment	4,781	14,133	–	6,361
	31,213	79,666	–	6,361
Capital expenditure approved but not contracted for:				
Bearer plants	35,698	13,395	3,682	1,197
Construction of new oil mills	56,402	75,801	–	–
Purchase of other property, plant and equipment	52,973	52,702	15,199	16,549
	145,073	141,898	18,881	17,746
	176,286	221,564	18,881	24,107

39. SEGMENT INFORMATION

(a) Business segments

Segment information is presented in respect of the Group's business segments as follows:

(i) Plantation - cultivation of oil palm and palm oil milling
(ii) Investment holding

The primary format of business segments is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Income tax expense is managed on a Group basis and is not allocated to any business segment.

Additions to non-current assets is the total cost incurred during the year to acquire segment assets that are expected to be used or hold for more than one financial period.

The directors are of the opinion that all inter-company transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

The following table provides an analysis of the Group's revenue, results, assets and other segment information by business segments:

	Plantation RM'000	Investment holding RM'000	Consolidated RM'000
30 April 2019			
Revenue:			
Total sale of oil palm products	234,811	–	234,811
Inter-company sales	(31,070)	–	(31,070)
Total revenue	203,741	–	203,741
Results:			
Segment results/loss before tax	(38,532)	(10,360)	(48,892)
Income tax credit			7,717
Loss net of tax			(41,175)

39. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

	Plantation RM'000	Investment holding RM'000	Consolidated RM'000
30 April 2019 (Cont'd)			
Assets:			
Segment assets	1,802,719	52,523	1,855,242
Other segment information:			
Material income			
Interest income	–	2,661	2,661
Management fee received	1,061	–	1,061
Net realised fair value gains on financial assets at fair value through profit or loss	–	587	587
Net realised foreign exchange gain	–	2,843	2,843
Material expenses			
Amortisation of intangible asset	357	–	357
Amortisation of prepaid land lease payments	3,148	–	3,148
Depreciation of property, plant and equipment	54,502	–	54,502
Fair value of share options granted to eligible employees expensed off	221	–	221
Interest expense	–	7,165	7,165
Net realised foreign exchange loss	–	8,601	8,601
Additions to non-current assets			
Purchase of property, plant and equipment	93,270	–	93,270
Additions of:			
- other asset	274	–	274
- prepaid land lease payments	10,831	–	10,831
30 April 2018			
Revenue:			
Total sale of oil palm products	330,632	–	330,632
Inter-company sales	(52,341)	–	(52,341)
Total revenue	278,291	–	278,291

39. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

	Plantation RM'000	Investment holding RM'000	Consolidated RM'000
30 April 2018 (Cont'd)			
Results:			
Segment results/profit before tax	26,457	3,272	29,729
Income tax expense			(7,449)
Profit net of tax			22,280
Assets:			
Segment assets	1,691,565	124,643	1,816,208
Other segment information:			
Material income			
Dividend income	–	319	319
Interest income	–	2,406	2,406
Management fee received	1,135	–	1,135
Net realised fair value gains on financial assets at fair value through profit or loss	–	1,341	1,341
Net realised fair value gains on other investments	–	3,639	3,639
Net unrealised foreign exchange gain	–	11,363	11,363
Material expenses			
Amortisation of prepaid land lease payments	3,000	–	3,000
Depreciation of property, plant and equipment	56,389	–	56,389
ESIP expense	713	–	713
Fair value of share options granted to eligible employees expensed off	550	–	550
Interest expense	–	5,219	5,219
Net unrealised fair value losses on financial assets at fair value through profit or loss	–	344	344
Net unrealised fair value losses on other investments	–	2,722	2,722
Net realised foreign exchange loss	–	6,694	6,694
Additions to non-current assets			
Purchase of property, plant and equipment	49,260	–	49,260
Additions of prepaid land lease payments	3,267	–	3,267

39. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysia	175,410	244,307	1,215,406	1,300,676
Indonesia	28,331	33,984	405,780	306,975
	203,741	278,291	1,621,186	1,607,651

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2019 RM'000	**2018 RM'000**
Property, plant and equipment	1,375,402	1,404,204
Prepaid land lease payments	130,934	120,973
Goodwill on consolidation	82,474	82,474
Intangible asset	29,674	–
Other asset	2,702	–
	1,621,186	1,607,651

40. FINANCIAL ASSETS AND LIABILITIES

(a) Financial assets

Total financial assets of the Group and of the Company at the reporting date consist of the following:

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade and other receivables *	24	62,599	37,425	82,550	83,196
Other investments	25	19	43	–	–
Financial assets at fair value through profit or loss	26	5,603	25,016	5,603	25,016
Cash and bank balances	27	46,854	99,557	14,683	14,642
		115,075	162,041	102,836	122,854

* Excluding prepayments of the Group and of the Company amounting to RM17,735,000 (2018: RM11,899,000) and RM5,948,000 (2018: RM1,967,000) which are not recoverable in cash.

40. FINANCIAL ASSETS AND LIABILITIES (CONT'D)

(b) Financial liabilities

Total financial liabilities carried at amortised cost of the Group and of the Company at the reporting date consist of the following:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank borrowings	32	209,263	137,218	162,624	137,218
Trade and other payables ^	35	62,026	33,221	27,234	12,171
		271,289	170,439	189,858	149,389

^ Excluding GST/VAT payable of the Group and of the Company amounting to RM Nil (2018: RM581,000) and RM Nil (2018: RM58,000).

41. FAIR VALUE MEASUREMENT

(a) Financial instruments that are carried at fair value

The followings are the classes of financial instruments that are carried at fair value which is determined directly by reference to their published market bid price at the reporting date:

	Note
Financial assets at fair value through profit or loss	26

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are the classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables *	40(a)
Other investments	40(a)
Bank borrowings	40(b)
Trade and other payables ^	40(b)

* Excluding prepayments.
^ Excluding GST/VAT payable.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

41. FAIR VALUE MEASUREMENT (CONT'D)

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (Cont'd)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of bank borrowings is reasonable approximations of fair value due to the insignificant impact of discounting.

The fair value of term loan is estimated by discounting expected future cash flows at market incremental lending rate for similar type of borrowing arrangement at the reporting date.

(c) Fair value hierarchy

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.

At the reporting date, the Group and the Company held the following financial instruments carried at fair value in the statements of financial position:

	Group			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
30 April 2019				
Biological assets	–	–	3,937	3,937
Financial assets at fair value through profit or loss:				
In Malaysia - income trust funds	5,603	–	–	5,603
30 April 2018				
Biological assets	–	–	4,857	4,857
Financial assets at fair value through profit or loss:				
In Malaysia - income trust funds	25,016	–	–	25,016

41. FAIR VALUE MEASUREMENT (CONT'D)

(c) Fair value hierarchy (Cont'd)

	Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 April 2019				
Biological assets	–	–	1,326	1,326
Financial assets at fair value through profit or loss:				
In Malaysia - income trust funds	5,603	–	–	5,603
30 April 2018				
Biological assets	–	–	1,736	1,736
Financial assets at fair value through profit or loss:				
In Malaysia - income trust funds	25,016	–	–	25,016

No transfers between any levels of the fair value hierachy took place during the current financial year. There was also no changes in the purpose of any financial assets that subsequently resulted in a different classification of that asset.

42. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

42. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment in unit trust funds and equity instruments, other investments and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increase of credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

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 as well as the following corporate guarantees:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Corporate guarantees for bank borrowing facilities granted by financial institution to a subsidiary (Note 32(b))	46,639	–	46,639	–
Corporate guarantees for bank borrowing facilities granted by financial institution to cooperatives under Plasma Scheme in Indonesia (Note 38(a))	84,166	79,419	–	–
	130,805	79,419	46,639	–

Financial guarantees have not been recognised in the financial statements as the directors are of the opinion that the fair value on initial recognition was not material and that it is not probable that a future sacrifice of economic benefits will be required.

Credit risk concentration profile

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

42. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(a) Credit risk (Cont'd)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 24(a).

Investment in unit trust funds, equity instruments and deposits with banks are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group strives to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group maintains available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as 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 repayment obligations:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 30 April 2019				
Group				
Bank borrowings	152,157	58,790	26,807	237,754
Trade and other payables ^	62,026	–	–	62,026
Total undiscounted financial liabilities	214,183	58,790	26,807	299,780

42. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(b) Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities (Cont'd)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 30 April 2019 (Cont'd)				
Company				
Bank borrowings	147,415	21,381	–	168,796
Trade and other payables ^	27,234	–	–	27,234
Total undiscounted financial liabilities	174,649	21,381	–	196,030
At 30 April 2018				
Group				
Bank borrowings	63,665	81,378	–	145,043
Trade and other payables ^	33,221	–	–	33,221
Total undiscounted financial liabilities	96,886	81,378	–	178,264
Company				
Bank borrowings	63,665	81,378	–	145,043
Trade and other payables ^	12,171	–	–	12,171
Total undiscounted financial liabilities	75,836	81,378	–	157,214

^ Excluding GST/VAT payable of the Group and of the Company amounting to RM Nil (2018: RM581,000) and RM Nil (2018: RM58,000).

At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the defaults have not occurred. Accordingly, financial guarantees under the scope of MFRS 9 are not included in the above maturity profile analysis.

42. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their term loan. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowing. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

In addition, the Group and the Company have short term interest bearing financial assets as at 30 April 2018. The investment in financial assets are mainly short term in nature and are not held for speculative purposes but have been mostly placed in deposits which classified as other investments or cash and bank balances.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM299,000 (2018: RM284,000) and RM236,000 (2018: RM207,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on term loan and higher/lower interest income from placements of fund in short term deposits and fixed deposits.

(d) Foreign currency 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 exchanges rates.

The Group has transactional currency exposure mainly arising from bank borrowings that is denominated in United States Dollar (“USD”), which is a currency other than the functional currency of the operations to which they relate. At the reporting date, such foreign currency balance amount to RM162,623,000 (2018: RM137,218,000).

Sensitivity analysis for foreign currency risk

The hypothetical sensitivity of the Group's and the Company's profit net of tax to every 1% change in USD exchange rate at the reporting date against RM (base rate 2019: USD1 = RM4.1365; 2018: USD1 = RM3.9205), assuming all other variables remain unchanged, is RM1,626,000 (2018: RM1,372,000).

42. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices. The Group and the Company are exposed to market price risk as follows:

(i) Commodity price risk

The Group and the Company are exposed to market price risk arising from price fluctuations on crude palm oil ("CPO") and palm kernel ("PK") in the commodity market. Management reviews these risks and takes proactive measures to mitigate its effects by monitoring the market condition and maximising production and operational efficiencies on a regular basis.

Sensitivity analysis for commodity price risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonable possible change in commodity prices of CPO and PK, with all other variables held constant.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Increase/(decrease) on profit net of tax				
Base CPO price: RM2,071 (2018: RM2,621)				
- CPO price 10% higher	10,804	14,425	4,299	5,647
- CPO price 10% lower	(10,804)	(14,425)	(4,299)	(5,647)
Base PK price: RM1,481 (2018: RM2,306)				
- PK price 10% higher	1,854	2,997	693	1,122
- PK price 10% lower	(1,854)	(2,997)	(693)	(1,122)

(ii) Equity price risk

The Group's and the Company's investment in unit trust funds (comprising income trust funds) and equity instruments (comprising quoted shares listed on Bursa Malaysia Securities Berhad and outside Malaysia) are subject to fluctuation in net asset values of the unit trust funds and market prices of equity instruments. These instruments are classified as other investments or financial assets at fair value through profit or loss.

42. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(e) Market price risk (Cont'd)

(ii) Equity price risk (Cont'd)

For investment in unit trust funds, the Group's objective is to manage market price risk by investing in unit trust funds with consistent returns. A careful selection of fund managers with creditable performance track record is carried out. In addition, the fund managers of the unit trust funds are required to provide write-ups of the funds' holdings and investment strategies for the management's review regularly.

For investment in quoted shares managed by licensed fund managers, a careful selection of fund managers with creditable performance track record is carried out. The market price risk is managed by the fund managers by maintaining a mix of securities with consistent dividend yield and potential for capital appreciation in order to achieve a reasonable rate of return. The fund managers of the equity portfolio are required to provide monthly report of the fund's holdings and investment strategies for management's review.

Sensitivity analysis for equity price risk

The analysis below is performed for reasonably possible price movements in investment in unit trust funds which classified as financial assets at fair value through profit or loss at the reporting date:

	Group and Company	
	Increase/ (decrease) on profit before tax RM'000	**Increase/ (decrease) on equity RM'000**
30 April 2019		
Financial assets at fair value through profit or loss:		
Investment in income trust funds		
- Market value + 10%	560	560
- Market value - 10%	(560)	(560)
30 April 2018		
Financial assets at fair value through profit or loss:		
Investment in income trust funds		
- Market value + 10%	2,502	2,502
- Market value - 10%	(2,502)	(2,502)

43. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regularly reviews its capital structure to ensure optimal capital structure and shareholders' return, taking into consideration future requirements of the Group and capital efficiency, prevailing and projected profitability and projected operating cash flows. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the financial years ended 30 April 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, trade and other payables, less cash and bank balances and highly liquid short term investments. Capital includes equity attributable to equity holders of the Company.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Bank borrowings	209,263	137,218	162,624	137,218
Trade and other payables	62,026	33,802	27,234	12,229
Less: - Cash and bank balances	(46,854)	(99,557)	(14,683)	(14,642)
- Other investments	(19)	(43)	–	–
- Financial assets at fair value through profit or loss	(5,603)	(25,016)	(5,603)	(25,016)
Net debt	218,813	46,404	169,572	109,789
Equity attributable to owners of the Company	1,318,526	1,368,404	1,000,092	1,035,308
Capital and net debt	1,537,339	1,414,808	1,169,664	1,145,097
Gearing ratio	14%	3%	14%	10%

44. SIGNIFICANT EVENTS AND EVENT OCCURRING AFTER THE REPORTING DATE

(a) Acqusition of subsidiaries

The Company completed the acquisition of 100%, 65% and 60% equity interest in Clifton Cove Pte Ltd ("Clifton"), PT Bintang Gemilang Permai ("BGP") and PT Wana Rindang Lestari ("WRL") respectively on 27 August 2018. Further details of the acquisition are disclosed in Note 19(a).

44. SIGNIFICANT EVENTS AND EVENT OCCURRING AFTER THE REPORTING DATE (CONT'D)

(b) Establishment of new subsidiary

On 26 April 2019, the Company announced the establishment of a foreign investment limited liability company by the name of PT Usaha Mulia Bahagia in Indonesia. The initial paid-up capital of PT Usaha Mulia Bahagia will be Indonesian Rupiah ("Rp") 4.3 billion (equivalent to RM1.25 million) to be held 60% by the Company and 40% by Masjid Tanah Properties Sdn. Bhd. (a wholly-owned subsidiary of the Company). The principal activity of PT Usaha Mulia Bahagia is providing management consultancy services to the Group's subsidiaries in Indonesia.

As at 30 April 2019, the injection of the abovementioned paid-up capital of Rp4.3 billion by the Company and Masjid Tanah Properties Sdn. Bhd. has yet to be completed.

(c) Proposed sale of plantation assets for an aggregate cash consideration of RM175.15 million

On 12 November 2018, UMB announced its intention to sell 4 plantation estates located in Melaka and Negeri Sembilan through an open tender process.

On 3 January 2019, UMB entered into 3 separate conditional sale and purchase agreements (“CSPA(s)”) to sell the following plantation land including all immoveable assets and buildings erected thereon (collectively, the “Plantation Assets”) measuring an aggregate land area of approximately 1,021.06 hectares for a total cash consideration of RM175,145,285, subject to the terms and conditions of the CSPAs:

(i) CSPA with Huat Lai Broiler Breeders Sdn Bhd for the proposed sale of the following plantation lands with total combined land area of approximately 568.09 hectares for a total cash consideration of RM96,793,900:

- the sale of 11 lots of land with total land area of approximately 354.64 hectares located in Mukim Ramuan China Besar and Mukim Sungei Baru Ilir, District of Alor Gajah, Melaka (“Masjid Tanah Estate”) for a cash consideration of RM61,078,150; and

- the sale of 18 lots of land with total land area of approximately 213.45 hectares located in Mukim Selandar, District of Jasin, Melaka (“Selandar Estate”) for a cash consideration of RM35,715,750;

(ii) CSPA with HLRB Broiler Farm Sdn Bhd for the proposed sale of 2 lots of land with total land area of approximately 298.91 hectares located in Mukim Gemencheh, District of Tampin, Negeri Sembilan (“Tampin Estate”) for a cash consideration of RM51,703,400; and

(iii) CSPA with HLRB Processing Sdn Bhd for the proposed sale of 3 lots of land with total land area of approximately 154.06 hectares located in Mukim Pilin and Mukim Kundor, District of Rembau, Negeri Sembilan (“Pelin Estate”) for a cash consideration of RM26,647,985.

A total deposit of RM17.51 million or 10% of the combined sale proceeds was received on 3 January 2019. On 29 March 2019, UMB announced that it has exercised its right to extend the Approval Period (as defined in the CSPAs) for a period of 3 months from 2 April 2019 to 2 July 2019.

44. SIGNIFICANT EVENTS AND EVENT OCCURRING AFTER THE REPORTING DATE (CONT'D)

(c) Proposed sale of plantation assets for an aggregate cash consideration of RM175.15 million (Cont'd)

On 3 June 2019, UMB entered into 3 supplemental agreements, 1 for each of the CSPA(s), pursuant to which it was agreed that the completion of the sale of the Masjid Tanah Estate and the Selandar Estate would not be conditional upon and subject to the fulfilment of the conditions precedent in the CSPA(s) for the Pelin Estate and the Tampin Estate and would proceed without the simultaneous completion of the sale of the Pelin Estate and sale of the Tampin Estate. It was also agreed that the completion of the sale of the Pelin Estate and sale of the Tampin Estate would still be simultaneous and subject to the fulfilment of the conditions precedent in the CSPA(s) for the Pelin Estate and the Tampin Estate.

On 27 June 2019, UMB announced that the CSPA for the Masjid Tanah Estate and the Selandar Estate has become unconditional and that it has exercised its right to extend the Approval Period for the CSPAs for the Tampin Estate and Pelin Estate for a further period of Three (3) months from 2 July 2019 to 2 October 2019.

On 4 July 2019, UMB announced that it has received the balance sale consideration of RM87,114,510.00 for the Masjid Tanah Estate and Selandar Estate. Therefore the CSPA for the Masjid Tanah Estate and Selandar Estate is deemed completed.

As of 11 July 2019, the CSPAs for the Pelin Estate and the Tampin Estate are still in progress and have not been completed. The approval of the Estate Land Board of Negeri Sembilan for the sale of the Pelin Estate has been obtained. However the approval of the Estate Land Board of Negeri Sembilan for the sale of the Tampin Estate is still pending.

45. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 April 2019 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 July 2019.

LIST OF PROPERTIES HELD
AS AT 30 APRIL 2019

Location	Tenure	Titled Hectarage	Description	Year of Acquisition/ Revaluation *	Carrying Amount of Properties # as at 30 April 2019 RM'000
MALAYSIA					
Machap Estate 76100 Durian Tunggal Melaka	Freehold Leasehold (expiring on: 20-12-2024 25-04-2025 21-03-2038)	244.5 215.7 153.0 240.2	Oil palm estate	2017 *	43,178
Batu Anam Estate Batu Anam P.O. 85100 Batu Anam Segamat, Johor	Freehold	864.9	Oil palm estate	2017 *	51,268
Malaka Pinda Estate Alor Gajah P.O. 78000 Alor Gajah Melaka	Freehold Leasehold (expiring on: 21-03-2038 22-10-2048 25-10-2053)	68.0 112.1 20.3 123.8	Oil palm estate	2017 *	20,029
Leong Hin San Estate 71200 Rantau Negeri Sembilan	Freehold	844.6	Oil palm estate	2017 *	48,867
Bukit Senorang Estate 28380 Kemayan Pahang	Leasehold (expiring on: 14-05-2066 11-01-2069 15-12-2072 04-03-2073)	 196.1 403.0 604.5 425.3	Oil palm estate and palm oil mill	2017 *	78,092
South-East Pahang Estate 28380 Kemayan Pahang	Leasehold (expiring on: 06-09-2066 18-09-2084)	 202.3 1,416.4	Oil palm estate	2017 *	74,757
Marmahat Estate Labuk Sugut Beluran District 90000 Sabah	Lease land (expiring between: 2031 and 2032 2097 and 2099)	 30.1 1,396.5	Oil palm estate	2017 *	71,176

List of Properties Held
As at 30 April 2019
(cont'd)

Location	Tenure	Titled Hectarage	Description	Year of Acquisition/ Revaluation *	Carrying Amount of Properties # as at 30 April 2019 RM'000
MALAYSIA (Cont'd)					
Paitan and Tanjung Nipis Estates Labuk Sugut Beluran District 90000 Sabah	Leasehold (expiring between: 2098 and 2102)	918.1	Oil palm estate and palm oil mill	2017 *	136,589
	Lease land (expiring between: 2031 and 2035	979.2			
	2098 and 2100)	1,222.8			
Tengkarasan Estate Labuk Sugut Beluran District 90000 Sabah	Leasehold (expiring on 2100)	68.2	Oil palm estate	2017 *	103,124
	Lease land (expiring between: 2031 and 2035	938.1			
	2098 and 2100)	1,291.9			
	(expiring on: 08-01-2043)	508.3		2013	
Millian-Labau Estate Sungai Millian-Labau Kinabatangan District 89950 Nabawan Sabah	Leasehold (expiring on: 31-12-2098)	10,126.3	Oil palm estate	2017 *	501,456
Head Office Building No. 61, Jalan Melaka Raya 8 Taman Melaka Raya 75000 Melaka	Leasehold (expiring on: 07-07-2093)	93,972 sq. ft.	Office building (Age of building: 13 years)	2017 *	10,842
Office Building Lot 6, Block E Keningau Plaza 89008 Keningau, Sabah	Leasehold (expiring on: 31-12-2097)	4,280 sq. ft.	Shophouse (Age of building: 9 years)	2017 *	1,231
Office Building Lot 130, One Avenue 10, Mile 6, North Road, 90000 Sandakan, Sabah	Leasehold (expiring on: 31-12-2081)	2,242 sq. ft.	Shophouse (Age of building: 4 years)	2017 *	771

List of Properties Held
As at 30 April 2019
(cont'd)

Location	Tenure	Titled Hectarage	Description	Year of Acquisition/ Revaluation *	Carrying Amount of Properties # as at 30 April 2019 RM'000
MALAYSIA (Cont'd)					
Regional Office Building Lot 10, Block 19 Lorong Bandar Indah 5 Bandar Indah Mile 4, North Road 90000 Sandakan, Sabah	Leasehold (expiring on 2882)	2,000 sq. ft.	Shophouse (Age of building: 18 years)	2017 *	778
Awana Condominium Unit 5542 Awana Condominium 8th Mile, Genting Highlands 89000 Genting Highlands Pahang	Freehold	1,258 sq. ft.	Holiday condominium (Age of building: 32 years)	2017 *	688
Executive Bungalow MDLB 1849 Taman Khong Lok Jalan Airport Sandakan 90000 Sandakan, Sabah	Leasehold (expiring on: 09-07-2887)	7,880 sq. ft.	Company bungalow (Age of building: 19 years)	2017 *	677
INDONESIA					
Belida, Haruan, Biawan, Arwana and Seluang Estates Kecamatan Dadahup, Mentangai Kapuas Murung, Kapuas Barat Kabupaten Kapuas Propinsi Kalimantan Tengah	Leasehold (expiring between: 2049 and 2050)	24,937.4	Oil palm estate	2017 *	241,493
				TOTAL	**1,385,016**

Include freehold land, long term leasehold land, bearer plants, buildings and prepaid land lease payments.

List of Properties Held
As at 30 April 2019
(cont'd)

PROPERTIES CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE

Location	Tenure	Titled Hectarage	Description	Year of Acquisition/ Revaluation *	Carrying Amount of Properties # as at 30 April 2019 RM'000
MALAYSIA Masjid Tanah Estate 78300 Masjid Tanah Melaka	Freehold Leasehold (expiring on: 31-12-2033 15-03-2066)	351.5 2.8 0.2	Oil palm estate	2017 *	26,638
Pelin Estate 71300 Rembau Negeri Sembilan	Freehold	154.3	Oil palm estate	2017 *	10,720
Tampin Estate 73300 Batang Melaka Negeri Sembilan	Freehold	298.9	Oil palm estate	2017 *	17,052
Selandar Estate Selandar P.O. 77500 Jasin Melaka	Freehold Leasehold (expiring on: 31-07-2025)	194.5 22.1	Oil palm estate	2017 *	14,728
				TOTAL	**69,138**

^ Include freehold land, long term leasehold land, bearer plants and buildings.

ANALYSIS OF **SHAREHOLDING**

AS AT 30 JUNE 2019

Total number of issued shares	:	209,691,201
Class of share	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	No. of Shares	% of issued shares
Less than 100	224	11,378	0.01
100 to 1,000	987	784,008	0.38
1,001 to 10,000	4,458	17,766,903	8.47
10,001 to 100,000	1,261	34,057,986	16.24
100,001 to less than 5% of issued capital	144	90,875,593	43.33
5% and above of issued shares	4	66,195,333	31.57
	7,078	209,691,201	100

DIRECTORS’ AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS

Name of Directors	Direct shareholdings	% of issued shares	Indirect shareholdings	% of issued shares
Datin Paduka Tan Siok Choo	4,527,197	2.16	–	–
Tan Sri Dato’ Ahmad bin Mohd Don	110,500	0.05	–	–
Tan Jiew Hoe	356,625	0.17	2,525,021	1.20
Teo Leng	70,000	0.03	7,000	0.003
Dato Dr. Nik Ramlah Binti Nik Mahmood	–	–	–	–
Ong Keng Siew	–	–	–	–

Chief Executive Officer	Direct shareholdings	% of issued shares	Indirect shareholdings	% of issued shares
Peter A/L Benjamin	81,500	0.04	–	–

Analysis of Shareholding
As at 30 June 2019
(cont'd)

Name	Shareholdings registered in the name of the substantial shareholders	Shareholdings in which the substantial shareholders are deemed to be interested		Total	% of issued shares
Oversea-Chinese Banking Corporation Ltd	–	29,577,888	*1	29,577,888	14.11
Great Eastern LifeAssurance (Malaysia) Bhd	28,185,701	-		28,185,701	13.44
Prosper Palm Oil Mill Sdn Bhd	14,876,700	7,607,700	*2	22,484,400	10.72
The Hongkong And Shanghai Corporation Limited ("HBAP")	–	17,738,485		17,738,485	8.46
Cheekah-Kemayan Plantations Sdn Bhd	13,018,700	–		13,018,700	6.21

1. Oversea-Chinese Banking Corporation Ltd is deemed interested in the shareholdings registered in the following holder:-
   - Malaysia Nominees (Tempatan) Sdn Bhd – for Great Eastern Life Assurance (Malaysia) Berhad – 28,185,701
   - Citigroup Nominees (Asing) Sdn. Bhd. for CB Singapore GW for Orient Holdings Private Limited – 1,392,187

2. Prosper Palm Oil Mill Sdn Bhd is deemed interested by indirect interest through Prosper Trading Sdn Bhd.

LIST OF TOP 30 SHAREHOLDERS AS AT 30/6/2019

		No. of shares	% of issued shares
1)	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad	28,185,701	13.45
2)	HSBC Nominees (Asing) Sdn Bhd - Exempt An for The Hong Kong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	17,788,485	8.48
3)	Prosper Palm Oil Mill Sdn. Bhd.	14,876,700	7.09
4)	Citigroup Nominees (Asing) Sdn Bhd - Exempt An for OCBC Securities Private Limited (CLIENT A/C-NR)	13,337,625	6.36
5)	Cheekah-Kemayan Plantations Sdn Bhd	13,018,700	6.21
6)	Cartaban Nominees (Asing) Sdn Bhd - Exempt An for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	7,514,000	3.58
7)	Prosper Trading Sdn Bhd	7,607,700	3.63
8)	Tee Kim Tee @ Tee Ching Tee (inclusive of shares held through nominees companies)	5,752,600	2.73
9)	Datin Paduka Tan Siok Choo	4,527,197	2.16
10)	Tan Siok Lee	4,069,363	1.94
11)	Tan Siok Eng	3,502,480	1.67
12)	Klebang Investments Pte Ltd	1,854,000	0.88
13)	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,713,200	0.82
14)	Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for Orient Holdings (Private) Limited	1,392,187	0.66
15)	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for OCBC Securities Private Limited (Client A/C-R ES)	1,092,387	0.52

Analysis of Shareholding
As at 30 June 2019
(cont'd)

LIST OF TOP 30 SHAREHOLDERS AS AT 30/6/2019 (CONT'D)

		No. of shares	% of issued shares
16)	Chee Bay Hoon & Co Sdn Bhd	1,060,000	0.51
17)	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	960,500	0.46
18)	Tee Cheng Hua Holdings Sdn Bhd	950,000	0.45
19)	Amanahraya Trustees Berhad - Public Smallcap Fund	913,800	0.44
20)	Amanahraya Trustees Berhad - Public Strategic Smallcap Fund	817,400	0.39
21)	Seah Mok Khoon	800,000	0.38
22)	Mergeboom (M) Sdn Bhd	719,000	0.34
23)	Nora Ee Siong Chee	718,875	0.34
24)	UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	669,343	0.32
25)	Chee Swee Cheng & Co Sdn Bhd	663,342	0.32
26)	Tan Kee Lock Sdn Bhd	656,000	0.31
27)	Lok Choon Hong	556,000	0.27
28)	Yeo Khee Bee	470,000	0.22
29)	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	458,050	0.22
30)	Foo Sueh Chuan	448,625	0.21
		137,093,260	**65.36**

United **Malacca** Berhad
(1319-V)
(Incorporated in Malaysia)

FORM OF PROXY

I/We.. NRIC/Company No ....
(FULL NAME IN CAPITAL)

of ....
(FULL ADDRESS)

being a member of UNITED MALACCA BERHAD hereby appoints...

.... NRIC/Company No ....
(FULL NAME IN CAPITAL)

of ....
(FULL ADDRESS)

or failing him/her .... NRIC/Company No ....
(FULL NAME IN CAPITAL)

of ....
(FULL ADDRESS)

or the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 105th Annual General Meeting of the Company to be held on Friday, 23 August 2019 at 11.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below. (Please indicate with an "X" how you wish your vote to be cast. If no specific instruction as to the voting is given, the proxy will vote or abstain at his/her own discretion).

Resolution	Relating to:	For	Against
No. 1	Approval for payment of Directors' fees for the financial year ended 30 April 2019		
No. 2	Approval for payment of Directors' remuneration (excluding Directors' fees) for the period from 25 August 2018 to 30 April 2019		
No. 3	Re-election of Datin Paduka Tan Siok Choo, a Director retiring by rotation in accordance with Article 118 of the Company's Constitution		
No. 4	Re-appointment and fixing of Auditors' remuneration		
No. 5	Continuing In Office as Independent Non-Executive Director by Tan Sri Dato' Ahmad Bin Mohd Don		
No. 6	Continuing In Office as Independent Non-Executive Director by Mr. Tan Jiew Hoe		
No. 7	Proposed Amendments to the Constitution of the Company		

As Witness my hand this ....day of....................................2019

No. of Shares Held

____

Signed by the said: ....
(Signature of Member)

CDS Account No.

____

in the presence of: ....
(Name & Signature of Witness)

Notes:

1. *A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoint two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
2. *The right of Foreign Depositors to vote in respect of their deposited securities with Bursa Malaysian Depository Sdn Bhd is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991 and Securities Industry (Central Depositories)(Foreign Ownership) Regulations, 1996. The position of Depositors in this regard will be determined based on The General Meeting Record of Depositors. Depositors whose shares exceed the prescribed limit as at the date of The General Meeting Record of Depositors may attend the above Meeting but are not entitled to vote. Consequently, a proxy appointed by a Depositor who is not entitled to vote will also not be entitled to vote at the above meeting.*
3. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at United Malacca Berhad Building, 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof for the proxy to be valid.*
4. *Only members whose name appear in the Register of Members or registered in the General Meeting Record of Depositors on or before 5.00 p.m. on 15 August 2019 shall be eligible to attend the Annual General Meeting.*
5. *Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of an officer or attorney duly authorised.*
6. *All the Resolutions will be put to vote by poll.*

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Stamp

The Company Secretary
United **Malacca** Berhad
(Company No. 1319-V)
6th Floor, No. 61, Jalan Melaka Raya 8,
Taman Melaka Raya,
75000 Melaka.

Please fold here

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