Sime Darby Plantation
Delivering Sustainable Futures

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QUARTERLY REPORT
On the consolidated results for the four quarters ended 31 December 2019

The Directors are pleased to announce the followings:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Amounts in RM million unless otherwise stated

		Quarter ended 31 December	Year ended 31 December
	Note	**2019**	**2019**
Continuing operations			
Revenue	A8, A9	3,376	12,062
Operating expenses		(3,141)	(11,651)
Other operating income		77	202
Other losses		(239)	(209)
Operating profit	B5, A9	73	404
Share of results of joint ventures		-	4
Share of results of associates		-	(2)
Profit before interest and tax	A9	73	406
Finance income		3	13
Finance costs		(44)	(168)
Profit before tax		32	251
Tax (expenses)/income	B6	(34)	24
(Loss)/Profit from continuing operations		(2)	275
Discontinuing operations			
Loss from discontinuing operations		(13)	(322)
Loss for the financial period/year		(15)	(47)
(Loss)/Profit for the financial period/year attributable to:			
– equity holders of the Company			
- from continuing operations		(45)	122
- from discontinuing operations		(13)	(322)
		(58)	(200)
– Perpetual Sukuk			
- from continuing operations		31	124
		31	124
– non-controlling interests			
- from continuing operations		12	29
		12	29
		(15)	(47)
Basic (loss)/earnings per share attributable to equity holders of the Company (sen):			
- from continuing operations	B12	(0.7)	1.8
- from discontinuing operations	B12	(0.2)	(4.7)
Total		(0.9)	(2.9)

There is no comparative for the quarter and year ended 31 December 2019. Due to the change in the financial year end from 30 June to 31 December, the unaudited condensed consolidated statement of profit or loss for the current quarter and year ended 31 December 2019, being the fourth quarter of the financial year ended 31 December 2019 is not comparable with that of the fourth quarter of the previous financial year ended 30 June 2018.

The unaudited condensed consolidated statement of profit or loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in RM million unless otherwise stated

	Quarter ended 31 December	Year ended 31 December
	2019	**2019**
Continuing operations		
Loss for the financial period/year	**(15)**	**(47)**
Other comprehensive (losses)/income:		
Items that will be reclassified subsequently to profit or loss:		
Currency translation differences (losses)/gains:		
– subsidiaries	**(88)**	**89**
– joint ventures and associates	**-** *	**-** *
Net change in fair value:		
– cash flow hedges loss	**1**	**(18)**
– transfer to profit and loss	**(11)**	**(7)**
Tax expenses relating to components through other comprehensive income	**-**	**(1)**
	(98)	**63**
Items that will be not reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit pension plans	**(15)**	**(15)**
Investments at fair value through other comprehensive income ("FVOCI"):		
– changes in fair value	**1**	**1**
Tax expenses relating to components through other comprehensive income	**4**	**4**
	(10)	**(10)**
	(108)	**53**
Other comprehensive income from discontinuing operations	**1**	**2**
Total other comprehensive (loss)/income	**(107)**	**55**
Total comprehensive (loss)/income for the financial period/year	**(122)**	**8**
Total comprehensive (loss)/income for the financial period/year attributable to:		
– equity holders of the Company		
- from continuing operations	**(146)**	**174**
- from discontinuing operations	**(12)**	**(320)**
	(158)	**(146)**
– Perpetual Sukuk		
- from continuing operations	**31**	**124**
	31	**124**
– non-controlling interests		
- from continuing operations	**5**	**30**
	5	**30**
Total	**(122)**	**8**

* Less than 1 million

There is no comparative for the quarter and year ended 31 December 2019. Due to the change in the financial year end from 30 June to 31 December, the unaudited condensed consolidated statement of profit or loss for the current quarter and year ended 31 December 2019, being the fourth quarter of the financial year ended 31 December 2019 is not comparable with that of the fourth quarter of the previous financial year ended 30 June 2018.

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in RM million unless otherwise stated

	Note	Unaudited As at 31 December 2019	Audited As at 31 December 2018
Non-current assets			
Property, plant and equipment		**17,314**	17,004
Investment properties		**8**	15
Right-of-use assets		**2,145**	2,239
Joint ventures		**34**	447
Associates		**40**	42
Intangible assets		**2,840**	2,893
Investments at fair value through other comprehensive income ("FVOCI")		**30**	29
Deferred tax assets		**640**	509
Tax recoverable		**334**	290
Trade and other receivables		**156**	115
		23,541	23,583
Current assets			
Inventories		**1,498**	1,682
Biological assets		**189**	179
Trade and other receivables		**1,934**	2,070
Tax recoverable		**313**	435
Amounts due from related parties		**2**	2
Derivatives	B9	**77**	59
Bank balances, deposits and cash		**431**	491
		4,444	4,918
Non-current assets held for sale [(1)]		**522**	125
Total assets	A9	**28,507**	28,626
Equity			
Share capital		**1,506**	1,100
Reserves		**11,755**	12,018
Attributable to equity holders of the Company		**13,261**	13,118
Perpetual Sukuk		**2,231**	2,231
Non-controlling interests		**368**	396
Total equity		**15,860**	15,745

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
Amounts in RM million unless otherwise stated

	Note	Unaudited As at 31 December 2019	Audited As at 31 December 2018
Non-current liabilities			
Retirement benefits		**260**	230
Deferred income		**-** *	- *
Deferred tax liabilities		**2,598**	2,654
Borrowings	B8	**5,255**	5,493
Lease liabilities		**162**	165
Trade and other payables		**78**	64
		8,353	8,606
Current liabilities			
Trade and other payables		**1,360**	1,467
Deferred income		**13**	29
Amounts due to related parties		**7**	61
Retirement benefits		**15**	8
Lease liabilities		**25**	27
Tax payable		**105**	89
Derivatives	B9	**243**	21
Borrowings	B8	**2,490**	1,804
Dividend payable		**-**	748
		4,258	4,254
Liabilities directly associated with non-current assets held for sale (2)		**36**	21
Total liabilities		**12,647**	12,881
Total equity and liabilities		**28,507**	28,626
Net assets per share attributable to equity holders of the Company (RM)		**1.93**	1.92

Note:

(1) **Non-current assets held for sale**		
Non-current assets held for sale		
– property, plant and equipment	69	- *
– joint venture	394	-
Disposal group held for sale		
– property, plant and equipment	34	77
– other assets	25	48
	522	125
(2) **Liabilities directly associated with non-current assets held for sale**		
Disposal group held for sale		
– liabilities	36	21
	36	21

* Less than 1 million

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Amounts in RM million unless otherwise stated

	Note	Attributable to equity holders of the Company										
		Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Year ended 31 December 2019												
At 1 January 2019		1,100	9	32	(18)	27	620	11,348	13,118	2,231	396	15,745
(Loss)/Profit for the financial year		-	-	-	-	-	-	(200)	(200)	124	29	(47)
Other comprehensive (losses)/income for the financial year		-	-	(26)	-	1	101	(22)	54	-	1	55
Total comprehensive (losses)/income for the financial year		-	-	(26)	-	1	101	(222)	(146)	124	30	8
Transactions with equity holders:												
Share issue		406	-	-	-	-	-	-	406	-	-	406
Dividends		-	-	-	-	-	-	(117)	(117)	-	(58)	(175)
Distribution to Perpetual Sukuk holders		-	-	-	-	-	-	-	-	(124)	-	(124)
At 31 December 2019		**1,506**	**9**	**6**	**(18)**	**28**	**721**	**11,009**	**13,261**	**2,231**	**368**	**15,860**

There is no comparative for the quarter and year ended 31 December 2019. Due to the change in the financial year end from 30 June to 31 December, the unaudited condensed consolidated statement of profit or loss for the current quarter and year ended 31 December 2019, being the fourth quarter of the financial year ended 31 December 2019 is not comparable with that of the fourth quarter of the previous financial year ended 30 June 2018.

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts in RM million unless otherwise stated

	Note	Year ended 31 December 2019
Cash flows from operating activities		
Profit for the financial year from continuing operations		**275**
Adjustments for:		
Share of results of joint ventures and associates		**(2)**
Finance income		**(13)**
Finance costs		**168**
Gain on disposal of:		
– non-current assets held for sale	B5	**(18)**
Depreciation and amortisation	B5	**1,208**
Fair value losses:		
– commodities futures contracts	B5	**175**
– forward foreign exchange contracts	B5	**2**
Tax expense	B6	**(24)**
Fair value changes on biological assets		**(10)**
Retirement benefits		**42**
Impairment of:		
– intangible assets	B5	**-** *
– property, plant and equipment	B5	**8**
– right-of-use assets	B5	**21**
– trade and other receivables	B5	**28**
Reversal of impairment:		
– intangible assets	B5	**(2)**
– right-of-use assets	B5	**(1)**
– trade and other receivables	B5	**(15)**
Write offs:		
– inventories	B5	**4**
– property, plant and equipment	B5	**26**
– right-of-use assets	B5	- *
Dividend income		**(4)**
		1,868
Changes in working capital:		
Inventories		**177**
Trade and other receivables		**207**
Trade and other payables		**(143)**
Cash generated from operations		**2,109**
Tax paid		**(132)**
Retirement benefits paid		**(25)**
Operating cash flow from continuing operations		**1,952**
Operating cash flow from discontinuing operations		**(88)**
Net cash generated from operating activities		**1,864**
Cash flows from investing activities		
Finance income received		**13**
Purchase of:		
– property, plant and equipment		**(1,683)**
– intangibles assets		**(11)**
Proceeds from sale of:		
– property, plant and equipment		**63**
– non-current assets held for sale		**121**
Dividend received from:		
– FVOCI		**4**
Investing cash flow from continuing operations		**(1,493)**
Investing cash flow from discontinuing operations		**-**
Net cash used in investing activities		**(1,493)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Amounts in RM million unless otherwise stated

	Note	Year ended 31 December 2019
Cash flows from financing activities		
Distribution to Perpetual Sukuk holders		**(124)**
Finance costs paid		**(269)**
Loans raised		**6,081**
Loan repayments		**(5,557)**
Repayment of lease liabilities		**(7)**
Dividends paid to shareholders		**(459)**
Dividends paid to non-controlling interests of subsidiaries		**(58)**
Financing cash flow used in continuing operations		**(393)**
Financing cash flow from discontinuing operations		**-**
Net cash used in financing activities		**(393)**
Net changes in cash and cash equivalents during the financial year		**(22)**
Foreign exchange difference		**(36)**
Cash and cash equivalents at beginning of the year		**491**
Cash and cash equivalents at end of the year		**433**
For the purpose of the statement of cash flows, cash and cash equivalents comprised the following:		
Bank balances, deposits and cash		**433**
Cash and cash equivalents from continuing operations		431
Cash and cash equivalents from discontinuing operations		2
		433

* Less than 1 million

There is no comparative for the quarter and year ended 31 December 2019. Due to the change in the financial year end from 30 June to 31 December, the unaudited condensed consolidated statement of profit or loss for the current quarter and year ended 31 December 2019, being the fourth quarter of the financial year ended 31 December 2019 is not comparable with that of the fourth quarter of the previous financial year ended 30 June 2018.

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and other MFRSs issued by the Malaysian Accounting Standards Board ("MASB"). The interim financial report is unaudited and should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 December 2018.

A2. Accounting policies

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial period ended 31 December 2018 except as described below.

(a) Accounting pronouncements that are effective and have been adopted in preparing these financial statements:

(i) Interpretation and amendments that are effective on or after 1 January 2019

- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to MFRS 119 "Plan amendment, curtailment or settlement"
- Amendments to MFRS 128 "Long-term Interest in Associates and Joint Ventures"
- Annual Improvements to MFRSs 2015-2017 Cycle

The Annual Improvement to MFRS 2015-2017 cycle on MFRS 123 requires borrowings obtained specifically for the construction of a qualifying asset to be designated as general borrowings when the qualifying asset is ready for its intended use or sale. Hence, instead of charging to profit and loss, such borrowing costs are capitalised as part of other qualifying assets. This has resulted in the capitalisation of additional finance costs of RM49 million into property, plant and equipment for the year ended 31 December 2019.

(b) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these financial statements:

(i) Interpretation and amendments that are effective on or after 1 January 2020

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- The Conceptual Framework for Financial Reporting

(ii) Interpretation and amendments that are effective on or after 1 January 2021

- Amendments to MFRS 17 "Insurance Contracts"

(c) Accounting pronouncement where the effective date has been deferred to a date to be determined by the Malaysian Accounting Standards Board ("MASB") is set out below:

- Amendments to MFRS 10 and MFRS 128 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

A3. Seasonal and cyclical factors

The Group’s operations are not materially affected by seasonal or cyclical factors except for the fresh fruit bunch production which may be affected by the vagaries of weather and cropping patterns.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

Except as disclosed in Notes B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the period under review.

A5. Material changes in estimates

There are no material effects from estimates made in prior periods or previous year.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the period under review.

A7. Dividends paid

Dividends paid during the financial year ended 31 December 2019 are as follows:

	Year ended 31 December 2019
In respect of financial year ended 30 June 2018:	
Final single tier dividend of RM8.0 sen per share, paid on 7 January 2019	544
Special final single tier dividend of RM3.0 sen per share, paid on 7 January 2019	204
	748
In respect of financial period ended 31 December 2018:	
Final single tier dividend of 1.7 sen per share, paid on 21 May 2019.	117
	865

The final single tier dividend and special final single tier dividend (the "FYE June 2018 Final Dividend") were approved by the shareholders during the Annual General Meeting on 21 November 2018. During the Extraordinary General Meeting held on the same day, the shareholders of the Company approved the establishment of the Dividend Reinvestment Plan that provides the shareholders of the Company with an option to elect to reinvest their dividend in new ordinary shares of the Company ("DRP"). The Board determined that the DRP shall apply to the FYE June 2018 Final Dividend.

The FYE June 2018 Final Dividend of RM748.1 million was paid on 7 January 2019, RM406.1 million which was satisfied by the issuance of 83,735,906 new Sime Darby Plantation Berhad shares pursuant to the DRP and cash of RM342.0 million.

The final single tier dividend in respect of the financial period ended 31 December 2018 of RM117.0 million was paid in cash on 21 May 2019.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A8. Revenue

The Group derived the following types of revenue:

	Note	Year ended 31 December 2019
Continuing operations		
Revenue from contracts with customers	A8(a)	**12,046**
Revenue from other sources	A8(b)	**16**
		12,062
Discontinuing operations		
Revenue from contracts with customers		**52**
Total revenue		**12,114**

(a) Disaggregation of revenue from contracts with customers

Continuing operations	
Upstream	
– Malaysia	**781**
– Indonesia	**865**
– Papua New Guinea and Solomon Islands ("PNG/SI")	**836**
Downstream	**9,509**
Other operations	**55**
	12,046
Discontinuing operations	
Upstream	
– Liberia	**52**
	12,098
Continuing operations	
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**11,659**
Freight services	**380**
Tolling services	**7**
	12,046
Discontinuing operations	
Sales of palm based products	52
	12,098
Continuing operations	
Timing of revenue recognition	
– at point in time	**11,659**
– over time	**387**
	12,046
Discontinuing operations	
Timing of revenue recognition	
– at point in time	**52**
	12,098

(b) Revenue from other sources

Dividend (gross) received/receivable from investments	**4**
Rental income	**12**
	16

(c) Revenue expected to be recognised in relation to unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 31 December 2019:

	Expected timing of recognition During the quarter ending 31 March 2020
Freight income	**13**

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information

	Continuing operations							Discontinuing operations	
	Upstream Malaysia	**Upstream Indonesia**	**Upstream PNG/SI**	**Downstream**	**Other operations**	**Inter-segment elimination**	**Total**		**Total**
Year ended 31 December 2019									
Segment revenue:									
External sales	793	865	837	9,512	55	-	12,062	52	12,114
Inter-segment sales	2,276	834	439	82	288	(3,919)	-	-	-
Total revenue	3,069	1,699	1,276	9,594	343	(3,919)	12,062	52	12,114
Segment results:									
Operating profit/(loss)									
– recurring activities	177	187	(239)	276	27	-	428	(61)	367
– non-recurring transactions	(22)	9	-	8	(19)	-	(24)	(265)	(289)
Share of results of joint ventures and associates	-	-	-	-	2	-	2	4	6
Profit/(loss) before interest and tax	155	196	(239)	284	10	-	406	(322)	84

* Less than 1 million

There is no comparative for the year ended 31 December 2019, as stated in Note B13.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information (continued)

	Continuing operations							Discontinuing operations	
As at 31 December 2019	**Upstream Malaysia**	**Upstream Indonesia**	**Upstream PNG/SI**	**Downstream**	**Other operations**	**Inter-segment elimination**	**Total**		**Total**
Segment assets:									
Operating assets	9,400	4,860	7,878	4,263	223	-	26,624	-	26,624
Joint ventures and associates	-	-	-	-	74	-	74	-	74
Non-current assets held for sale	69	-	43	-	-	-	112	410	522
	9,469	4,860	7,921	4,263	297	-	26,810	410	27,220
Tax assets							1,287		1,287
Total assets							28,097		28,507

There is no comparative for the year ended 31 December 2019, as stated in Note B13.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A10. Capital commitments

Authorised capital expenditure not provided for in the interim financial report are as follows:

	Unaudited	Audited
	As at 31 December 2019	**As at 31 December 2018**
Property, plant and equipment		
– contracted	**331**	331
– not contracted	**175**	69
	506	400
Other capital expenditure		
– not contracted	**768**	681
	768	681
	1,274	1,081

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Year ended 31 December 2019
(a) Transactions with a joint venture	
(i) Sale of goods and tolling services	
– Emery Oleochemicals (M) Sdn Bhd	**51**
– Rizhao Sime Darby Oils & Fats Co. Ltd.	**1**
(b) Transactions with associates	
(i) Purchase of latex concentrate	
– Muang Mai Guthrie Public Company Limited	**1**
(i) Purchase of goods	
– Thai Eastern Trat Company Limited	**37**

(c) Transactions with related parties

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.49% as at 31 December 2019 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and the Company.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A11. Significant related party transactions (continued)

Significant related party transactions conducted were as follows: (continued)

(c) Transactions with related parties (continued)

Transactions entered into with Government related entities include the following:

		Year ended 31 December
		2019
(i)	Foreign currency payment arrangement	
	– Hastings Deering (PNG) Limited	**124**
(ii)	Payroll, accounting and IT processing costs	
	– DXC.technology (fka. Sime Darby Global Services Centre Sdn Bhd)	**27**
(iii)	Purchase of heavy equipment, spare parts and services	
	– Sime Darby Industrial Holdings Sdn Bhd	**25**
	– Sime Kubota Sdn Bhd	**1**
	– Hastings Deering (PNG) Limited	**1**
(iv)	Lease of agricultural land	
	– Kumpulan Sime Darby Berhad	**6**
(v)	Car leasing charges	
	– Sime Darby Rent-A-Car Sdn Bhd	**2**
(vi)	Rental expenses	
	– Sime Darby Property Bhd	**2**

(d) Transactions entered into with person connected to a former director

(i)	Provision of freight services	
	– Rosely Kusip	**8**

A12. Material events subsequent to the end of the financial year

There were no material events in the interval between the end of the quarter under review and 21 February 2020, being a date not earlier than 7 days from the date of issuance of the report except for:

(a) Sime Darby Plantation Investment (Liberia) Private Limited (SDP Investment (Liberia)), a wholly-owned subsidiary of SDP, had on 15 January 2020, completed the disposal of its entire 100% equity interest in Sime Darby Plantation (Liberia) Inc. (SDP Liberia) to Mano Palm Oil Industries Limited (MPOI) for a total cash consideration of USD1 plus an earn-out payment to be determined by the average future crude palm oil (CPO) price and future CPO production of SDP Liberia. The earn-out consideration will be payable quarterly over a period of eight (8) years, commencing from April 2023. The expected gain from the disposal is RM74 million, after taking into consideration of the cost to sell.

(b) as part of the asset monetisation exercise, the Group had completed the disposal of a piece of land in Sg Buloh, measuring 523.5 hectars for a cash consideration of RM31 million on 31 January 2020. The expected gain of the disposal is RM27.9 million, net of cost to sell and real property gain tax.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A13. Effect of significant changes in the composition of the Group

Disposal of a subsidiary

On 15 February 2019, the Board of Directors had approved a proposed divestment of the entire 100% equity stake in PT Mitra Austral Sejahtera ("PT MAS"), a subsidiary of the Group. The disposal of the equity interest in PT MAS for a consideration of USD29.7 million (equivalent to approximately RM123.1 million) was completed on 25 June 2019.

Details of the assets, liabilities and net cashflow arising from the disposal of the subsidiary are as follows:

	As at the date of completion
Property, plant and equipment	77
Rights-of-use assets	2
Advances for Plasma	13
Receivables	1
Inventories	4
Bank	1
Payables	(3)
Other assets	- *
Net assets disposed	95
Gain on disposal of the subsidiary	9
Net proceed from disposal	104
Proceeds from disposal, net of transaction costs	123
Less: Incidental cost of disposal	(19)
	104
Less: Cash and cash equivalent in the subsidiary	(1)
Net cash inflow from disposal of the subsidiary	103

*Less than 1 million

A14. Commitments and contingent liabilities – unsecured

(a) Guarantees

In the ordinary course of business, the Group may issue surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. A liability from the performance guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The financial guarantees are as follows:

	As at 31 December 2019
Guarantees in respect of credit facilities granted to:	
– certain joint venture	**6**
– plasma stakeholders	**47**
	53

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of group performance

For comparative purposes, the Company has provided an analysis on the performance of the Group for the following periods:

(a) Current quarter ended 31 December 2019 against the previous year corresponding quarter ended 31 December 2018

	Quarter ended 31 December		+/(–)
	2019	**2018**	**%**
Continuing operations			
Revenue	**3,376**	3,490	(3)
Segment results:			
Upstream Malaysia	**(67)**	176	>(100)
Upstream Indonesia	**99**	5	>100
Upstream PNG/SI	**(42)**	27	>(100)
Downstream	**72**	98	(26)
Other operations	**-** *	8	>(100)
Recurring profit before interest and tax	**62**	314	(80)
Non-recurring transactions	**11**	29	(62)
Profit before interest and tax	**73**	343	(79)
Finance income	**3**	4	
Finance costs	**(44)**	(59)	
Profit before tax	**32**	288	(89)
Tax expense	**(34)**	(86)	
(Loss)/Profit from continuing operations	**(2)**	202	>(100)
Perpetual Sukuk	**(31)**	(30)	
Non-controlling interests	**(12)**	-	
(Loss)/Profit from continuing operations attributable to equity holders of the Company	**(45)**	172	>(100)
Discontinuing operations			
Loss from discontinuing operations attributable to equity holders of the Company	**(13)**	(43)	70
(Loss)/Profit after tax attributable to equity holders of the Company	**(58)**	129	>100
Loss from discontinuing operations include:			
Segment results:			
– Upstream Liberia	**(7)**	(38)	
– Other operations	**(6)**	(5)	

*Less than 1 million

For the quarter ended 31 December 2019, the Group reported a net loss from continuing operations of RM45 million, compared to a net profit of RM172 million recorded in the corresponding quarter of the previous period, mainly due to lower recurring profit before interest and tax ("PBIT") contributed by both Upstream and Downstream segments, and higher allocation of profits to non-controlling interests due to improvements in net profits of Indonesian subsidiaries. The adverse impacts were partially cushioned by lower finance costs due to higher capitalisation of borrowing costs, and lower tax expense in the current quarter as the operating units, other than Upstream Indonesia, reported lower profits than the corresponding quarter of the previous year. The tax expense in the current quarter consists of RM18 million tax charge relating to prior years.

The Group's discontinuing operations registered a net loss of RM13 million in the current quarter, lower than a net loss of RM43 million in the corresponding quarter of the previous year, largely attributable to lower loss recorded by the Upstream Liberia operations.

The above resulted in a total net loss for the Group of RM58 million, as compared to a net profit of RM129 million recorded in the corresponding quarter of the previous year.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(a) Current quarter ended 31 December 2019 against the previous year corresponding quarter ended 31 December 2018 (continued)

An analysis of the results of each segment is as follows:

Upstream

The Group's Upstream continuing operations reported a loss before interest and tax ("LBIT") of RM10 million for the current quarter, a decline from PBIT of RM208 million recorded in the corresponding quarter of the previous year. The weaker performance was primarily due to:
(i) unrealised losses arising from fair value of commodity hedges of RM140 million attributable to a sharp rise in market prices;
(ii) the 20% lower fresh fruit bunch ("FFB") production; and
(iii) the 12% lower average palm kernel ("PK") realised prices.
The adverse impact was partially mitigated by the 20% improvement in the average CPO price realised and the increase in oil extraction rates ("OER") to 21.83%.

	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended 31 December		+/(–)	Quarter ended 31 December		+/(–)
Segment	**2019**	**2018**	**%**	**2019**	**2018**	**%**
Upstream Malaysia	**2,229**	1,939	15	**1,120**	1,505	(26)
Upstream Indonesia	**2,274**	1,663	37	**729**	794	(8)
Upstream PNG/SI	**2,190**	2,155	2	**382**	481	(21)
Continuing operations	**2,240**	1,871	20	**2,230**	2,780	(20)
Discontinuing operation	**2,180**	1,840	18	**27**	26	7
Total	**2,239**	1,870	20	**2,258**	2,806	(20)

	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended 31 December		+/(–)	Quarter ended 31 December		+/(–)
Segment	**2019**	**2018**	**%**	**2019**	**2018**	
Upstream Malaysia	**1,321**	1,434	(8)	**21.05**	20.68	0.37
Upstream Indonesia	**989**	1,140	(13)	**22.24**	21.24	1.00
Upstream PNG/SI	**-**	-	-	**23.15**	22.95	0.19
Continuing operations	**1,186**	1,348	(12)	**21.83**	21.27	0.56
Discontinuing operation	**460**	442	4	**22.86**	22.74	0.12
Total	**1,176**	1,338	(12)	**21.84**	21.28	0.56

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(a) Current quarter ended 31 December 2019 against the previous year corresponding quarter ended 31 December 2018 (continued)

An analysis of the results of each segment is as follows: (continued)

Downstream

Downstream operations registered a PBIT of RM72 million, 26% lower than the previous year corresponding quarter of RM98 million, affected by the unrealised loss arising from fair value of commodity contracts incurred by its refinery in Europe and weaker contribution from the differentiated business in Africa which was impacted by stiff competition. This was compensated by the improved performance of the bulk and differentiated businesses in Asia Pacific, largely due to higher sales volumes and a fair value gain on derivatives.

Other operations

Other continuing operations reported a breakeven for the current quarter as compared to PBIT of RM8 million recorded in the corresponding quarter of the previous year due to lower profit from the seeds and research operating units.

Non-recurring transactions

The Group recorded a total non-recurring PBIT of RM11 million in the current quarter arising from gains on sale of land in Malaysia and Thailand. The non-recurring PBIT reported in the corresponding quarter of the previous year mainly arose from a gain on disposal of a subsidiary in Vietnam.

Discontinuing operations

Discontinuing operations comprised of Upstream Liberia and joint ventures previously classified under Other operations which have been classified under discontinuing operations following the Board's decision to divest the operations.

Upstream Liberia reported a loss after tax of RM7 million, lower than the loss of RM38 million recorded in the corresponding quarter of the previous year, mainly due to an 18% increase in the average CPO price realised and 7% higher FFB production. In addition, the Liberian operation recorded an impairment charge of RM15 million on its non-current assets in the corresponding quarter of the previous year.

The Group reported higher share of loss from joint ventures in the current quarter of RM6 million, as compared to a loss of RM5 million in the corresponding quarter of the previous year.

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

For comparative purposes, the Company has provided an analysis on the performance of the Group for the following periods:

(b) Current year ended 31 December 2019 against the previous year ended 31 December 2018

	Year ended 31 December		+/(–)
	2019	**2018**	**%**
Continuing operations			
Revenue	**12,062**	13,246	(9)
Segment results:			
Upstream Malaysia	**177**	798	(78)
Upstream Indonesia	**187**	171	9
Upstream PNG/SI	**(239)**	172	>(100)
Downstream	**276**	279	(1)
Other operations	**29**	38	(24)
Recurring profit before interest and tax	**430**	1,458	(71)
Non-recurring transactions	**(24)**	(114)	
Profit before interest and tax	**406**	1,344	(70)
Finance income	**13**	15	
Finance costs	**(168)**	(195)	
Profit before tax	**251**	1,164	(78)
Tax income/(expense)	**24**	(297)	
Profit from continuing operations	**275**	867	(68)
Perpetual Sukuk	**(124)**	(123)	
Non-controlling interests	**(29)**	(15)	
Profit from continuing operations attributable to equity holders of the Company	**122**	729	(83)
Discontinuing operations			
Loss from discontinuing operations attributable to equity holders of the Company	**(322)**	(206)	(56)
Par			
(Loss)/Profit after tax attributable to equity holders of the Company	**(200)**	**523**	>(100)
Loss from discontinuing operations include:			
Segment results:			
– Upstream Liberia	**(318)**	(196)	
– Other operations	**(4)**	(10)	

For the year ended 31 December 2019, the Group posted net earnings from continuing operations of RM122 million, as compared to RM729 million recorded in the previous year, mainly due to lower recurring PBIT contributed by the Upstream segment, partially compensated by lower finance costs arising from higher capitalisation of borrowing costs, and lower non-recurring losses arising from impairment charges on the Group's non-current assets. The Group reported a net tax income during the year under review, as compared to a charge in the previous year mainly due to the recognition of deferred tax assets as explained in B6.

Discontinuing operations registered higher net loss of RM322 million compared to RM206 million in the previous year mainly due to higher impairment charge on non-current assets in Liberia in the current year of RM235 million against RM127 million charge incurred in the previous year.

As a result, the Group reported a total net loss of RM200 million, as compared to the net earnings of RM523 million recorded last year.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Current year ended 31 December 2019 against the previous year ended 31 December 2018 (continued)

An analysis of the results of each segment is as follows:

Upstream

For the year ended 31 December 2019, Upstream operations reported a recurring PBIT of RM125 million from continuing operations, lower than RM1,141 million reported in the previous year. The weaker performance was largely due to:

(i) lower average CPO and PK prices realised, which declined by 6% and 33% respectively in the year under review;
(ii) 6% lower FFB production; and
(iii) unrealised fair value loss on commodity hedges of RM136 million attributable to the sharp rise in market prices in the last 2 months of the financial year.

This was partially cushioned by the higher OER which improved to 21.58% in the current year.

	CPO price realised (RM per MT)			FFB production (MT'000)		
		Year ended	+/(–)		Year ended	+/(–)
Segment	**Dec 2019**	**Dec 2018**	**%**	**Dec 2019**	**Dec 2018**	**%**
Upstream Malaysia	**2,069**	2,262	(9)	**5,102**	5,373	(5)
Upstream Indonesia	**2,048**	1,920	7	**2,663**	2,892	(8)
Upstream PNG/SI	**2,074**	2,412	(14)	**1,814**	1,980	(8)
Continuing operations	**2,063**	2,185	(6)	**9,579**	10,246	(7)
Discontinuing operations	**2,037**	1,989	2	**100**	86	16
Total	**2,063**	2,184	(6)	**9,679**	10,332	(6)

	PK price realised (RM per MT)			CPO Extraction Rate (%)		
		Year ended	+/(–)		Year ended	+/(–)
Segment	**Dec 2019**	**Dec 2018**	**%**	**Dec 2019**	**Dec 2018**	
Upstream Malaysia	**1,220**	1,780	(31)	**21.18**	20.65	0.53
Upstream Indonesia	**933**	1,430	(35)	**21.92**	21.14	0.79
Upstream PNG/SI	**-**	-	-	**22.10**	22.35	(0.25)
Continuing operations	**1,118**	1,660	(33)	**21.58**	21.13	0.44
Discontinuing operations	**399**	481	(17)	**22.35**	19.76	2.59
Total	**1,106**	1,653	(33)	**21.58**	21.12	0.46

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Current year ended 31 December 2019 against the previous year ended 31 December 2018 (continued)

An analysis of the results of each segment is as follows: (continued)

Downstream

Downstream reported a PBIT of RM276 million in the year under review, slightly lower than the previous year despite the improved results of Asia Pacific bulk and differentiated refineries which recorded higher sales volumes and margins. The weak results were primarily due to lower PBIT reported by the Europe, Middle East and Africa operations which sufferred from lower sales volume and margin, and unrealised fair value loss arising from commodity contracts.

Other operations

Other operations reported a lower PBIT of RM29 million compared to RM38 million recorded in the previous year due to the lower results from associates and joint ventures in the current year.

Non-recurring transactions

In the current period, the Group non-recurring LBIT of RM24 million which comprised of the impairment of assets in Indonesia of RM19 million, impairment of a loan to a joint venture of RM25 million, compensated by gains on sale of land in Malaysia and Thailand of RM11 million, and a gain from divestment of a subsidiary in Indonesia of RM9 million.

The net non-recurring LBIT of RM114 million in the previous year comprised of impairment charges of assets mainly in Indonesia of RM83 million and impairment of investments of RM180 million, compensated by a gain from divestment of a subsidiary in Vietnam of RM30 million and a gain on sale of land in Malaysia of RM119 million.

Discontinuing operations

Upstream Liberia reported a loss of RM318 million, as compared to a loss of RM196 million in the previous year, mainly due to the higher impairment charges on its non-current assets in the current year of RM235 million as compared to RM127 million last year.

The joint ventures recognised under discontinuing operations reported a loss of RM4 million, as compared to a loss of RM10 million in the previous year.

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B2. Material changes in profit for the current quarter as compared with the immediate preceding quarter

	Quarter ended		
	31 Dec 2019	**30 Sep 2019**	**+/(–) %**
Revenue	**3,376**	2,821	20
Segment results:			
Upstream Malaysia	**(67)**	88	>(100)
Upstream Indonesia	**99**	90	11
Upstream PNG/SI	**(42)**	(102)	59
Downstream	**72**	68	5
Other operations	**-** *	18	>(100)
Recurring profit before interest and tax	**62**	162	(62)
Non-recurring transactions	**11**	(44)	>100
Profit before interest and tax	**73**	118	(38)
Finance income	**3**	3	
Finance costs	**(44)**	(37)	(19)
Profit before tax	**32**	84	(62)
Tax expense	**(34)**	(11)	
Profit from continuing operations	**(2)**	73	>(100)
Perpetual Sukuk	**(31)**	(31)	
Non-controlling interests	**(12)**	(10)	
(Loss)/Profit from continuing operations attributable to equity holders of the Company	**(45)**	32	
<u>**Discontinuing operations**</u>			
Loss from discontinuing operations attributable to equity holders of the Company	**(13)**	(275)	95
Loss after tax attributable to equity holders of the Company	**(58)**	**(243)**	76
Loss from discontinuing operations include:			
Segment results:			
– Upstream Liberia	**(7)**	(271)	
– Other operations	**(6)**	(4)	

*Less than 1 million

For the quarter ended 31 December 2019, the Group reported net loss of RM58 million, lower than a net loss of RM243 million in the preceding quarter, mainly due to lower net loss from discontinuing operations of RM13 million attributable to lower impairment charges. The Group's continuing operations reported a net loss of RM45 million, as compared to a net profit of RM32 million in the preceding quarter, mainly attributable to lower recurring PBIT from Upstream segment, higher finance costs due to higher level of borrowings as compared to the preceding quarter, and higher tax expense partly contributed by a charge relating to previous years.

The Group's recurring PBIT from continuing operations decreased to RM62 million, compared to RM162 million in the preceding quarter, attributable to the weaker contributions from the Upstream segment, partially cushioned by higher profits from the Downstream segment.

Total non-recurring PBIT for the Group from continuing operations of RM11 million comprised of gains on sale of land in Malaysia and Thailand, whereas the non-recurring LBIT of RM44 million reported in the preceding quarter arose from impairment of assets in Indonesia of RM19 million and impairment of a loan to a joint venture of RM25 million.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED) (CONTINUED)

B2. Material changes in profit for the current quarter as compared with the immediate preceding quarter (continued)

An analysis of the results of each segment is as follows:

Upstream

The Upstream segment's continuing operations reported an LBIT of RM10 million, as compared to a PBIT of RM76 million in the preceding quarter primarily attributable to lower FFB production which declined by 9%, marginally lower OER of 21.83%, and unrealised fair value loss from commodity futures of RM110 million due to the sharp rise in CPO market price.This was partially compensated by higher CPO and PK prices by 13% and 14% respectively in the current quarter.

	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended			Quarter ended		
Segment	**Dec 2019**	**Sept 2019**	**+/(−) %**	**Dec 2019**	**Sept 2019**	**+/(−) %**
Upstream Malaysia	**2,229**	2,028	10	**1,120**	1,275	(12)
Upstream Indonesia	**2,274**	1,929	18	**729**	742	(2)
Upstream PNG/SI	**2,190**	1,985	10	**382**	422	(9)
Continuing operations	**2,240**	1,990	13	**2,230**	2,439	(9)
Discontinuing operation	**2,180**	1,775	23	**27**	31	(11)
Total	**2,239**	1,988	13	**2,258**	2,470	(9)

	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended			Quarter ended		
Segment	**Dec 2019**	**Sept 2019**	**+/(−) %**	**Dec 2019**	**Sept 2019**	**+/(−)**
Upstream Malaysia	**1,321**	1,144	15	**21.05**	21.59	(0.54)
Upstream Indonesia	**989**	874	13	**22.24**	22.19	0.05
Upstream PNG/SI	**-**	-	-	**23.15**	22.01	1.13
Continuing operations	**1,186**	1,040	14	**21.83**	21.85	(0.02)
Discontinuing operation	**460**	423	9	**22.86**	20.49	2.37
Total	**1,176**	1,025	15	**21.84**	21.84	0.00

Downstream

Downstream operations registered a PBIT of RM72 million, 5% higher than the preceding quarter's profit, contributed by higher profits from both bulk and differentiated refineries in all countries except for those operating units in Europe and Africa, attributable to a surge in bulk product demand from the Indian market and higher margins from differentiated products.

Other operations

Other operations reported a breakeven as compared to a profit of RM18 million in the preceding quarter, due to lower results reported in joint ventures and associates.

Non-recurring

The Group's non-recurring PBIT for the current quarter arose from gains on sale of land in Malaysia and Thailand, as compared to an impairment charge of RM19 million in Indonesia and impairment of a loan to a joint venture of RM25 million recorded in the preceding quarter.

Discontinuing operations

Upstream Liberia reported a loss after tax of RM7 million, lower than RM271 million reported in the preceding quarter, mainly due to the impairment charges recorded in the previous quarter.

The Group accounted for its share of loss from joint ventures classified under discontinuing operations of RM6 million, higher than the preceding quarter loss of RM4 million.

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B3. Prospect

The expectation of a slowdown in crop production in Malaysia and Indonesia in FY2020 has resulted in the price recovery of palm products, which should contribute positively to the performance of the Group. The rise in prices however, is expected to be moderated over concerns on the global economic growth with the outbreak of the Covid-19, as well as the impact from restrictions placed by India on imports of refined palm oil.

Despite uncertainties in the external business environment, other factors such as biodiesel mandates in Malaysia and Indonesia are expected to keep palm product prices resilient in the near term.

Barring any unforeseen circumstances, the Group expects its recurring operating performance for the financial year ending December 2020 to improve.

B4. Variance of actual profit from profit forecast or profit guarantee

There was no profit forecast or profit guarantee issued for the financial year under review.

B5. Operating profit and finance costs

Included in the operating profit are:

	Year ended 31 December
	2019
Continuing operations	
Depreciation and amortisation	**(1,208)**
Fair value gains/(losses):	
– commodities future contracts	**(175)**
– forward foreign exchange contracts	**(2)**
Gain on disposals of:	
– non-current assets held for sale	**18**
Impairment of:	
– trade and other receivables	
– recurring transactions	**(3)**
– non-recurring transactions	**(25)**
– intangible assets	**-** *
– right-of-use assets	
– recurring transactions	**(2)**
– non-recurring transactions	**(19)**
– property, plant and equipment	**(8)**
Reversal of impairment:	
– intangible assets	**2**
– trade and other receivables	**15**
– right-of-use assets	**1**
Write off of property, plant and equipment	**(26)**
Write off of right-of-use assets	**-** *
Write off of inventories	**(4)**
Included in finance costs is:	
Finance costs on interest rate swap contracts	**6**
Discontinuing operations	
Depreciation and amortisation	**(15)**
Impairment of:	
– property, plant and equipment	**(224)**
– right-of-use assets	**(11)**
– investments of joint ventures	**(8)**

*Less than 1 million.

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B6. Tax expense

	Quarter ended 31 December	Year ended 31 December
	2019	**2019**
Continuing operations		
In respect of current financial year:		
– current tax	**36**	**124**
– deferred tax	**(25)**	**(173)**
	11	**(49)**
In respect of prior financial years:		
– current tax	**23**	**25**
Tax expenses/(income)	**34**	**(24)**

For the year ended 31 December 2019, the Group reported a net tax income of RM24 million on the back of a profit before tax from continuing operations of RM251 million, mainly due to the recognition of deferred tax asset of RM78 million on losses suffered by the holding company of PT Mitra Austral Sejahtera ("PT MAS") on the disposal of PT MAS during the previous quarter. In addition, deferred tax asset of RM33 million was recognised on unrealised profit on sale of land within the Group from prior years as a result of the change in Real Property Gains Tax (RPGT) rate in Malaysia, which compensated for the impact of non-deductible expenses and interests.

B7. Status of announced corporate proposals

There are no corporate proposals announced but not completed as at 28 February 2020.

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B8. Borrowings and debt securities

Borrowings of the Group as at 31 December 2019 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	-	2,714	**2,714**
Revolving Credits-i	-	1,597	**1,597**
Bonds	-	460	**460**
Multi-currency Sukuk	-	503	**503**
Unamortised deferred financing expenses	-	(19)	**(19)**
	-	5,255	**5,255**
Short-term			
Term loans	-	957	**957**
Revolving credits	-	1,533	**1,533**
	-	2,490	**2,490**
Total	-	7,745	**7,745**
Borrowings of the Group consist of:			
– principal	-	7,764	**7,764**
– unamortised deferred financing expenses	-	(19)	**(19)**
	-	7,745	**7,745**

Borrowings of the Group in RM equivalent analysed by currencies in which they are denominated are as follows:

	Long-term	Short-term	Total
European Union Euro	460	69	**529**
Ringgit Malaysia	500	611	**1,111**
Thailand Baht	33	7	**40**
United States Dollar	4,262	1,803	**6,065**
	5,255	2,490	**7,745**

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B9. Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts and commodity futures contracts to manage its exposure to various financial risks.

The fair values of these derivatives as at 31 December 2019 are as follows:

	Classification in Statement of Financial Position				
	Assets		Liabilities		Net
	Non-current	Current	Non-current	Current	fair value
Forward foreign exchange contracts	-	7	-	4	**3**
Commodity futures contracts	-	70	-	239	**(169)**
Interest rate swap contracts	-	-	-	- *	**-**
	-	77	-	243	**(166)**

*Less than 1 million

The description, notional amount and maturity profile of each derivative are as follows:

Forward foreign exchange contracts

Forward foreign exchange contracts were entered into by subsidiaries in currencies other than their functional currency in order to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in fair value of the forward foreign currency contracts are recognised in the statement of other comprehensive income unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 31 December 2019, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

Maturity tenor	**Notional amount**	**Net fair value assets**
Less than 1 year	590	**3**

Commodity futures contracts

Commodity futures contracts were entered into by the Group to manage exposure to adverse movements in crude palm oil prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's expected purchase, sale or usage requirements, except for those contracts below.

The outstanding commodity futures contracts as at 31 December 2019 that were not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	**Notional amount**	**Net fair value assets/ (liabilities)**
Less than 1 year:			
– Purchase contracts	134,285	264	**(239)**
– Sale contracts	426,501	574	**70**
			(169)

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B9. Derivatives (continued)

The description, notional amount and maturity profile of each derivative are as follows: (continued)

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to mitigate the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments.

The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

The outstanding interest rate swap contracts, all plain vanilla, as at 31 December 2019 are as follows:

Effective period	**Notional amount (USD'mill.)**	**All-in swap rate per annum (%)**
19 August 2019 to 19 February 2020	194	1.75%-3.11%

As at 31 December 2019, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

Maturity tenor	**Notional amount**	**Net fair value assets**
Less than 1 year	798	- *

*Less than 1 million

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

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position.

(a) New Britain Palm Oil Limited ("NBPOL") v. Masile Incorporated Land Group ("Masile"), NBPOL v. Rikau Incorporated Land Group ("Rikau") & NBPOL v. Meloks Incorporated Land Group ("Meloks") (collectively, "Defendants")

NBPOL, a wholly-owned subsidiary of SDP, had on 31 August 2011 initiated 3 separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea (Court). All 3 actions relate to the same cause of action whereby the Defendants had defaulted in their obligations to surrender their Special Agricultural Business Leases (SABL) to NBPOL for registration of the sub-leases despite having received benefits from NBPOL under the sub-lease agreements (SLA). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL (Land), royalties for the FFB harvested from the Land, and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

On 25 June 2018, the Court rendered its decision on NBPOL's claims against Meloks in NBPOL's favour. In its decision, the Court declared the SLA entered into between NBPOL and Meloks to be valid and an order of specific performance was made against Meloks to deliver the SABL to NBPOL and to do all acts and things necessary to enable NBPOL to register the SLA entered into between NBPOL and Meloks. On 10 October 2018, Meloks surrendered the SABL to NBPOL. However, in view that Meloks had laminated the SABL, Meloks had to execute an application for the official copy of the SABL which NBPOL will lodge with the registrar of titles together with NBPOL's application for registration of the SLA.

Masile and Rikau were considering whether to continue defending against NBPOL's claims in view of the Court's decision on the trial relating to NBPOL's claims against Meloks or to conclude on the same basis as Meloks given that the facts, issues and evidences are similar. However, Masile and Rikau have been unable to come to a decision and therefore NBPOL decided to proceed with trial in respect of the claims against Rikau and Masile. The matter has been adjourned to a date to be fixed as Masile and Rikau have engaged a new lawyer.

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH")

PT MGG and PT ASM, both indirect wholly-owned subsidiaries of SDP, and PT ITH, a 50%-owned subsidiary of the SDP Group, are involved in a lawsuit brought by Yayasan Kartika Eka Paksi (YKEP) against PT MAP, PT PS and others. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest. YKEP holds the remaining 50% share in PT ITH.

YKEP sold and transferred its shares in PT ITH to PT MAP in December 2008 but thereafter YKEP filed a lawsuit to invalidate and nullify the transfer of shares as it is against law and regulations. The purchase of shares in PT ITH by PT MAP was funded by PT PS. Subsequently, on 31 May 2016, the Supreme Court decided the Judicial Review (1st Judicial Review Decision) application by Darsono CS (ex-officer of YKEP) in favour of YKEP. This decision reinforced the earlier District Court decision which had invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP.

In that regard, YKEP then filed a petition at the Central Jakarta District Court to execute the 1st Judicial Review Decision, demanding that (i) the 6,200 ordinary shares in PT ITH be returned to YKEP and (ii) PT MAP and the former officers of YKEP to pay compensation for damages to YKEP in the amount of IDR 200.0 billion (equivalent to around RM56.1 million). YKEP's petition was granted under a Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court which obligates PT MAP and the former officers of YKEP to comply with the 1st Judicial Review Decision.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position. (continued)

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH") (continued)

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition Suit (Gugatan Perlawan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards both the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the 1st Judicial Review Decision, on the basis that (i) the 6,200 ordinary shares in PT ITH are currently owned by YKEP; (ii) YKEP has also received dividends as a shareholder of PT ITH; and (iii) there are conflicting decisions on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the 1st Judicial Review Decision No. 196 PK/Pdt/2016, which nullified such transfer of shares, and (ii) the Decision of East Jakarta District Court No. 130/Pdt.G/2015/PN.Jkt.tim dated 7 July 2015 (Decision of East Jakarta District Court), which declared the transfer of 6,200 ordinary shares in PT ITH from YKEP to PT MAP as legally valid. However, neither YKEP, PT ITH, PT MGG nor PT ASM were included as parties under the Decision of East Jakarta District Court. On 12 April 2018, the Central Jakarta District Court rejected the Third Party Opposition Suit (Gugatan Perlawanan) by the former officers of YKEP. The former officers of YKEP then filed an appeal at the Jakarta High Court against the decision of the Central Jakarta District Court. On 4 March 2019, PT ITH was notified that the former officers' appeal was rejected by the Jakarta High Court.

Despite the 1st Judicial Review Decision, PT MAP and PT PS still filed a lawsuit at the South Jakarta District Court seeking compensation from the defendants (and a number of individuals), individually or jointly and severally, namely PT ITH, PT MGG, PT ASM and YKEP. The compensation sought by PT MAP and PT PS comprised of: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM69.4 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM38.5 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM70.2 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM140.4 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM280.0 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, the South Jakarta District Court and the Jakarta High Court, which previously adjudicated and examined this case, rejected PT MAP and PT PS's lawsuit. In response, PT MAP and PT PS filed an appeal to the Supreme Court which was subsequently rejected. PT MAP and PT PS then filed a judicial review (Jakarta Selatan Judicial Review) in the Supreme Court against the Supreme Court's decision. As at the reporting date, parties are awaiting the official decision of the Jakarta Selatan Judicial Review by the Supreme Court.

Separately, PT PS filed a judicial review in the Supreme Court against the 1st Judicial Review. As at the reporting date, the matter is still before the Supreme Court.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position. (continued)

(c) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Oils Zwijndrecht Refinery B.V. (formerly known as Sime Darby Unimills B.V.) ("SDOZR")

SDOZR, an indirect wholly-owned subsidiary of SDP, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners including SDOZR, and 2 Algerian cargo owners). One of the 9 cargo owners is SDOZR. The percentage of SDOZR's cargo on board was about 14.4%. The vessel was auctioned and in April 2011 sold to Chantico. All cargo were eventually discharged in April/May 2013. Beginning in 2012, Chantico started various proceedings against the cargo owners.

The following two lawsuits are still pending:

(i) Proceedings before the Court of Piraeus which started in October 2014 ("Lawsuit 1")

The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the current total amount claimed from all 9 cargo owners, jointly and severally, is EUR6 million (approximately RM29,160,000). The hearing for Lawsuit 1 concluded on 25 September 2018.

(ii) Proceedings before the Court of Piraeus which started in December 2015 ("Lawsuit 2")

The claim in these proceedings is based on the alleged damage to the vessel and loss of profit caused by the alleged actions in tort during transshipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (approximately RM45,192,155) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1,846,561) for port and anchorage dues. The hearing for Lawsuit 2 concluded on 25 September 2018.

SDOZR is waiting for the court judgement to be rendered on both of the above cases. SDOZR's Greek lawyer estimates the exposure of SDOZR (and all of the other 8 cargo owners, jointly and severally) at EUR2.1 million (approximately RM10,206,000) for Lawsuit 1 and EUR145,000 (approximately RM704,700) for Lawsuit 2, all amounts inclusive of interest.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

(d) Sime Darby Plantation Berhad ("SDP") v. Pengarah Tanah dan Galian Negeri Melaka, Pentadbir Tanah Daerah Jasin, Kerajaan Negeri Melaka and GI A Resources Sdn Bhd ("GI A") (collectively "the Respondents")

On 29 April 2019, SDP commenced a Judicial Review proceeding in the Melaka High Court against the Respondents for wrongfully initiating compulsory acquisition of SDP's land measuring 185.5 acres held under Lot 7498, GRN 49371, Mukim Merlimau, District Jasin, State of Melaka which forms part of SDP's Kempas Estate ("JR").

SDP is seeking, among others, the orders of certiorari[1] and mandamus[2] to nullify the compulsory acquisition, and a declaratory relief that the Land Acquisition Act 1960 cannot be abused to compulsorily acquire land belonging to SDP for the benefit of a foreign owned company, GI A.

On 23 May 2019, the Melaka High Court granted SDP leave to commence JR, among others, to declare the compulsory acquisition of its land as wrongful and void.

The High Court has also granted a stay of all further proceedings in the land acquisition. Consequently, the land shall remain in SDP until final disposal of the JR. On 26 June 2019, GI A filed an appeal against the High Court's decision.

Parties explored settlement and as at the reporting date are finalising the terms of settlement. Pending settlement, all court proceedings have been stayed.

[1] Certiorari is an order of court to quash the legal effect of a decision.
[2] Mandamus is a command issued by the court asking an authority to perform a public duty imposed upon it by law.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B11. Dividend

A final single tier dividend of 1.0 sen per share in respect of the financial year ended 31 December 2019, which is not taxable in the hands of the shareholders pursuant to the paragraph 12B of Schedule 6 of the Income Tax Act 1967 has been declared and will be paid on 22 May 2020. The entitlement date for the dividend payment is 12 May 2020.

A depositor shall qualify for entitlement to the dividend only in respect of:

(i) shares deposited into the depositor's securities account before 12.30 p.m. on 11 May 2020 in respect of shares which are exempted from mandatory deposit;

(ii) shares transferred into the depositor's securities account before 4.30 p.m. on 12 May 2020 in respect of transfers; and

(iii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

B12. Earnings per share

Basic earnings per share attributable to equity holders of the Company are computed as follows:

	Quarter ended 31 December	Year ended 31 December
	2019	**2019**
(Loss)/Profit for the financial period		
- from continuing operations	**(45)**	**122**
- from discontinuing operations	**(13)**	**(322)**
	(58)	**(200)**
Weighted average number of ordinary shares in issue (million units)	**6,885**	**6,885**
Basic earnings per share (sen)		
- from continuing operations	(0.7)	1.8
- from discontinuing operations	(0.2)	(4.7)

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

B13. Change of financial year end

On 21 February 2018, the Board approved the change of financial year end of the Group from 30 June to 31 December. Therefore, these unaudited condensed consolidated financial statements is for the 12 months from 1 January 2019 to 31 December 2019.

By Order of the Board

Petaling Jaya
28 February 2020

Azrin Nashiha Abdul Aziz
Acting Group Secretary