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Delivering Sustainable Futures
Plantation

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QUARTERLY REPORT
On the consolidated results for the three quarters ended 30 September 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 30 September	Three quarters ended 30 September
	Note	**2019**	**2019**
Continuing operations			
Revenue	A8, A9	**2,821**	**8,686**
Operating expenses		**(2,868)**	**(8,631)**
Other operating income		**144**	**227**
Other gains		**13**	**49**
Operating profit	B5, A9	**110**	**331**
Share of results of joint ventures		**8**	**4**
Share of results of associates		**-**	**(2)**
Profit before interest and tax	A9	**118**	**333**
Finance income		**3**	**10**
Finance costs		**(37)**	**(124)**
Profit before tax		**84**	**219**
Tax (expenses)/income	B6	**(11)**	**58**
Profit from continuing operations		**73**	**277**
Discontinuing operations			
Loss from discontinuing operations		**(275)**	**(309)**
Loss for the financial period		**(202)**	**(32)**
Profit/(Loss) for the financial period attributable to:			
– equity holders of the Company			
- from continuing operations		**32**	**167**
- from discontinuing operations		**(275)**	**(309)**
		(243)	**(142)**
– Perpetual Sukuk			
- from continuing operations		**31**	**93**
		31	**93**
– non-controlling interests			
- from continuing operations		**10**	**17**
		10	**17**
		(202)	**(32)**
Basic earnings per share attributable to equity holders of the Company (sen):			
- from continuing operations	B12	**0.5**	**2.4**
- from discontinuing operations	B12	**(4.0)**	**(4.5)**
Total		**(3.5)**	**(2.1)**

There is no comparative for the quarter and three quarters ended 30 September 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 three quarters ended 30 September 2019, being the three quarters of the financial year ending 31 December 2019 is not comparable with that of the three quarters 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 30 September	Three quarters ended 30 September
	2019	**2019**
<u>Continuing operations</u>		
Loss for the financial period	**(202)**	**(32)**
Other comprehensive income/(losses):		
Items that will be reclassified subsequently to profit or loss:		
Currency translation differences (losses)/gains:		
– subsidiaries	**50**	**177**
– joint ventures and associates	**-** *	**-** *
Net change in fair value:		
– cash flow hedges loss	**(4)**	**(19)**
– transfer to profit and loss	**7**	**4**
Tax expenses relating to components through other comprehensive income ("FVOCI")	**(1)**	**(1)**
	52	**161**
Other comprehensive income from discontinuing operations	**2**	**1**
Total other comprehensive income	**54**	**162**
Total comprehensive (loss)/income for the financial period	**(148)**	**130**
Total comprehensive income/(loss) for the financial period attributable to:		
– equity holders of the Company		
- from continuing operations	**83**	**320**
- from discontinuing operations	**(273)**	**(308)**
	(190)	**12**
– Perpetual Sukuk		
- from continuing operations	**31**	**93**
	31	**93**
– non-controlling interests		
- from continuing operations	**11**	**25**
	11	**25**
Total	**(148)**	**130**

* Less than 1 million

There is no comparative for the quarter and three quarters ended 30 June 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 three quarters ended 30 September 2019, being the three quarters of the financial year ending 31 December 2019 is not comparable with that of the three quarters 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 30 September 2019	Audited As at 31 December 2018
Non-current assets			
Property, plant and equipment		**17,229**	17,004
Investment properties		**8**	15
Right-of-use assets		**2,163**	2,239
Joint ventures		**35**	447
Associates		**39**	42
Intangible assets		**2,896**	2,893
Investments at fair value through other comprehensive income ("FVOCI")		**29**	29
Deferred tax assets		**642**	509
Tax recoverable		**283**	290
Trade and other receivables		**159**	115
		23,483	23,583
Current assets			
Inventories		**1,854**	1,682
Biological assets		**132**	179
Trade and other receivables		**1,597**	2,203
Tax recoverable		**320**	302
Amounts due from related parties		**3**	2
Derivatives	B9	**36**	59
Bank balances, deposits and cash		**501**	491
		4,443	4,918
Non-current assets held for sale (1)		**508**	125
Total assets	A9	**28,434**	28,626
Equity			
Share capital		**1,506**	1,100
Reserves		**11,913**	12,018
Attributable to equity holders of the Company		**13,419**	13,118
Perpetual Sukuk		**2,200**	2,231
Non-controlling interests		**366**	396
Total equity		**15,985**	15,745

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

	Note	Unaudited As at 30 September 2019	Audited As at 31 December 2018
Non-current liabilities			
Retirement benefits		**242**	230
Deferred income		**-**	- *
Deferred tax liabilities		**2,622**	2,654
Borrowings	B8	**1,838**	5,493
Lease liabilities		**159**	165
Trade and other payables		**78**	64
		4,939	8,606
Current liabilities			
Trade and other payables		**1,281**	1,467
Deferred income		**23**	29
Amounts due to related parties		**8**	61
Retirement benefits		**8**	8
Lease liabilities		**15**	27
Tax payable		**85**	89
Derivatives	B9	**17**	21
Borrowings	B8	**6,061**	1,804
Dividend payable		**-**	748
		7,498	4,254
Liabilities directly associated with non-current assets held for sale (2)		**12**	21
Total liabilities		**12,449**	12,881
Total equity and liabilities		**28,434**	28,626
Net assets per share attributable to equity holders of the Company (RM)		**1.95**	1.92

Note:

(1) **Non-current assets held for sale**		
Non-current assets held for sale		
– property, plant and equipment	65	- *
– joint venture	417	-
– other assets	11	-
Disposal group held for sale		
– property, plant and equipment	-	77
– other assets	15	48
	508	125
(2) **Liabilities directly associated with non-current assets held for sale**		
Disposal group held for sale		
– liabilities	**12**	21
	12	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										
	Note	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Three quarters ended 30 September 2019												
At 1 January 2019		1,100	9	32	(18)	27	620	11,348	13,118	2,231	396	15,745
Profit for the financial period		**-**	**-**	**-**	**-**	**-**	**-**	**(142)**	**(142)**	**93**	**17**	**(32)**
Other comprehensive (losses)/income for the financial period		**-**	**-**	**(19)**	**-**	**-**	**173**	**-**	**154**	**-**	**8**	**162**
Total comprehensive (losses)/income for the financial period		**-**	**-**	**(19)**	**-**	**-**	**173**	**(142)**	**12**	**93**	**25**	**130**
Transactions with equity holders:												
Share issue		**406**	**-**	**-**	**-**	**-**	**-**	**-**	**406**	**-**	**-**	**406**
Dividends		**-**	**-**	**-**	**-**	**-**	**-**	**(117)**	**(117)**	**-**	**(55)**	**(172)**
Distribution to Perpetual Sukuk holders		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(124)**	**-**	**(124)**
At 30 September 2019		**1,506**	**9**	**13**	**(18)**	**27**	**793**	**11,089**	**13,419**	**2,200**	**366**	**15,985**

There is no comparative for the quarter and three quarters ended 30 September 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 three quarters ended 30 September 2019, being the three quarters of the financial year ending 31 December 2019 is not comparable with that of the three quarters 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	Three quarters ended 30 September 2019
Cash flows from operating activities		
Profit for the financial period from continuing operations		**277**
Adjustments for:		
Share of results of joint ventures and associates		**(2)**
Finance income		**(10)**
Finance costs		**124**
Gain on disposal of:		
– property, plant and equipment	B5	**(42)**
– non-current assets held for sale	B5	**(9)**
Depreciation and amortisation:	B5	**885**
Fair value (gains)/losses:		
– commodities futures contracts	B5	**(13)**
– forward foreign exchange contracts	B5	**1**
Tax expense	B6	**(58)**
Fair value changes on biological assets		**46**
Retirement benefits		**29**
Impairment of:		
– intangible assets	B5	**-** *
– right-of-use assets	B5	**19**
– trade and other receivables	B5	**33**
Reversal of impairment:		
– intangible assets	B5	**(2)**
Write offs:		
– inventories	B5	**4**
– property, plant and equipment	B5	**16**
– right of use assets	B5	**-** *
		1,298
Changes in working capital:		
Inventories		**(182)**
Trade and other receivables		**484**
Trade and other payables		**(317)**
Cash generated from operations		**1,283**
Tax paid		**(79)**
Retirement benefits paid		**(22)**
Operating cash flow from continuing operations		**1,182**
Operating cash flow from discontinuing operations		**4**
Net cash generated from operating activities		**1,186**
Cash flows from investing activities		
Finance income received		**10**
Purchase of:		
– property, plant and equipment		**(1,006)**
– intangibles assets		**(5)**
Proceeds from sale of:		
– property, plant and equipment		**46**
– non-current assset held for sale		**103**
Investing cash flow from continuing operations		**(852)**
Investing cash flow from discontinuing operations		**(1)**
Net cash used in investing activities		**(853)**

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

	Note	Three quarters ended 30 September 2019
Cash flows from financing activities		
Distribution to Perpetual Sukuk holders		**(124)**
Finance costs paid		**(204)**
Loans raised		**1,824**
Loan repayments		**(1,255)**
Repayment of lease liabilities		**(19)**
Dividends paid to shareholders		**(459)**
Dividends paid to non-controlling interests of subsidiaries		**(55)**
Financing cash flow used in continuing operations		**(292)**
Financing cash flow from discontinuing operations		**-**
Net cash used in financing activities		**(292)**
Net changes in cash and cash equivalents during the financial period		**41**
Foreign exchange difference		**(28)**
Cash and cash equivalents at beginning of the period		**491**
Cash and cash equivalents at end of the period		**504**
For the purpose of the statement of cash flows, cash and cash equivalents comprised the following:		
Bank balances, deposits and cash		**504**
Cash and cash equivalents from continuing operations		501
Cash and cash equivalents from discontinuing operations		3
		504

* Less than 1 million

There is no comparative for the quarter and three quarters ended 30 September 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 three quarters ended 30 September 2019, being the three quarters of the financial year ending 31 December 2019 is not comparable with that of the three quarters 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 RM50 million into property, plant and equipment for the period ended 30 September 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 period ended 30 September 2019 are as follows:

	Three quarters ended 30 September
	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	Three quarters ended 30 September 2019
Continuing operations		
Revenue from contracts with customers	A8(a)	**8,677**
Revenue from other sources	A8(b)	**9**
		8,686
Discontinuing operations		
Revenue from contracts with customers		**29**
Total revenue		**8,715**

(a) Disaggregation of revenue from contracts with customers

	2019
Continuing operations	
Upstream	
– Malaysia	**504**
– Indonesia	**642**
– Papua New Guinea and Solomon Islands ("PNG/SI")	**779**
Downstream	**6,708**
Other operations	**44**
	8,677
Discontinuing operations	
Upstream	
– Liberia	**29**
	8,706
Continuing operations	
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**8,390**
Freight services	**291**
Tolling services	**5**
	8,686
Discontinuing operations	
Sales of palm based products	29
	8,715
Continuing operations	
Timing of revenue recognition	
– at point in time	**8,390**
– over time	**296**
	8,686
Discontinuing operations	
Timing of revenue recognition	
– at point in time	**29**
	8,715

(b) Revenue from other sources

	2019
Rental income	**9**
	9

(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 30 September 2019:

	Expected timing of recognition During the quarter ending 31 December 2019
Freight income	**23**

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**
Three quarters ended 30 September 2019									
Segment revenue:									
External sales	**510**	**642**	**779**	**6,711**	**44**	**-**	**8,686**	**29**	**8,715**
Inter-segment sales	**1,727**	**531**	**314**	**62**	**222**	**(2,856)**	**-**	**-**	**-**
Total revenue	**2,237**	**1,173**	**1,093**	**6,773**	**266**	**(2,856)**	**8,686**	**29**	**8,715**
Segment results:									
Operating profit/(loss)									
– recurring activities	**244**	**88**	**(197)**	**204**	**27**	**-**	**366**	**(55)**	**311**
– non-recurring transactions	**(25)**	**9**	**-**	**-**	**(19)**	**-**	**(35)**	**(264)**	**(299)**
Share of results of joint ventures and associates	**-**	**-**	**-**	**-**	**2**	**-**	**2**	**10**	**12**
Profit/(loss) before interest and tax	**219**	**97**	**(197)**	**204**	**10**	**-**	**333**	**(309)**	**24**

* Less than 1 million

There is no comparative for the three quarters ended 30 September 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 30 September 2019	**Upstream Malaysia**	**Upstream Indonesia**	**Upstream PNG/SI**	**Downstream**	**Other operations**	**Inter-segment elimination**	**Total**		**Total**
Segment assets:									
Operating assets	9,315	4,871	8,073	4,091	257	-	26,607	-	26,607
Joint ventures and associates	-	-	-	-	74	-	74	-	74
Non-current assets held for sale	68	-	-	8	-	-	76	432	508
	9,383	4,871	8,073	4,099	331	-	26,757	432	27,189
Tax assets							1,245		1,245
Total assets							28,002		28,434

There is no comparative for the three quarters ended 30 September 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 30 September 2019	**As at 31 December 2018**
Property, plant and equipment		
– contracted	**284**	331
– not contracted	**25**	69
	309	400
Other capital expenditure		
– not contracted	**100**	681
	100	681
	409	1,081

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Three quarters ended 30 September
	2019
(a) Transactions with a joint venture	
(i) Sale of goods and tolling services	
– Emery Oleochemicals (M) Sdn Bhd	**33**
(b) Transactions with associates	
(i) Purchase of latex concentrate	
– Muang Mai Guthrie Public Company Limited	**1**
(i) Purchase of goods	
– Rizhao Sime Darby Oils & Fats Co. Ltd.	**1**
– Thai Eastern Trat Company Limited	**29**

(c) Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.43% as at 30 September 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 shareholders and Government (continued)

Transactions entered into with government related entities include the following:

	Three quarters ended 30 September
	2019
(i) Foreign currency payment arrangement	
– Hastings Deering (PNG) Limited	**93**
(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	**19**
– Sime Kubota Sdn Bhd	**1**
– Hastings Deering (PNG) Limited	**1**
(iv) Lease of agricultural land	
– Kumpulan Sime Darby Berhad	**5**
(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	**6**

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

There were no material events in the interval between the end of the quarter under review and 24 November 2019, being a date not earlier than 7 days from the date of issuance of the report.

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
Prepayments	-
Inventories	4
Bank	1
Deferred tax assets	-
Cash and cash equivalents	-
Payables	(3)
Other assets	-
Tax recoverable	-
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 30 September 2019
Guarantees in respect of credit facilities granted to:	
– certain associates	**6**
– plasma stakeholders	**50**
	56

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 30 September 2019 against the previous year corresponding quarter ended 30 September 2018

	Quarter ended 30 September		+/(–)
	2019	**2018**	**%**
Continuing operations			
Revenue	**2,821**	3,029	(7)
Segment results:			
Upstream Malaysia	**88**	125	(30)
Upstream Indonesia	**90**	63	42
Upstream PNG/SI	**(102)**	30	>(100)
Downstream	**68**	48	44
Other operations	**18**	4	>100
Recurring profit before interest and tax	**162**	270	(40)
Non-recurring transactions	**(44)**	-	
Profit before interest and tax	**118**	270	(56)
Finance income	**3**	4	
Finance costs	**(37)**	(51)	
Profit before tax	**84**	223	(62)
Tax expense	**(11)**	(59)	
Profit from continuing operations	**73**	164	(55)
Perpetual Sukuk	**(31)**	(32)	
Non-controlling interests	**(10)**	(6)	
Profit from continuing operations attributable to equity holders of the Company	**32**	126	(75)
Discontinuing operation			
Loss from discontinuing operation attributable to equity holders of the Company	**(275)**	(11)	>100
(Loss)/Profit after tax attributable to equity holders of the Company	**(243)**	115	>(100)
(Loss)/Profit from discontinuing operations include:			
Segment results:			
– Upstream Liberia	**(271)**	(18)	
– Other operations	**(4)**	7	

For the quarter ended 30 September 2019, the Group reported a net profit from continuing operations of RM32 million, lower than RM126 million recorded in the corresponding quarter of the previous year, mainly due to lower recurring profit before interest and tax ("PBIT") contributed by the Upstream segments and total non-recurring loss of RM44 million arising from impairment charges on assets in Indonesia and a loan to a joint venture. The adverse impacts were partially cushioned by higher profits from the Downstream segment, lower finance costs and lower tax expense in the current quarter.

The Group's discontinuing operations registered a net loss of RM275 million in the current quarter largely attributable to the impairment charge on assets of Upstream Liberia of RM256 million.

The above resulted in a total net loss for the Group of RM243 million, as compared to a net profit of RM115 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 30 September 2019 against the previous year corresponding quarter ended 30 September 2018 (continued)

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

Upstream

The Group's Upstream continuing operations reported a PBIT of RM76 million for the current quarter, which declined by 65% from RM218 million recorded in the corresponding quarter of the previous year despite improvement in oil extraction rates ("OER") by 0.78% to 21.85%. The weaker perfomance is attributable to the 11% lower fresh fruit bunch ("FFB") production, lower average crude palm oil ("CPO") and palm kernel ("PK") realised prices by 6% and 37% respectively, and weaker profit reported by the sugar operation in PNG in the current quarter.

	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended 30 September		+/(–)	Quarter ended 30 September		+/(–)
Segment	**2019**	**2018**	**%**	**2019**	**2018**	**%**
Upstream Malaysia	**2,028**	2,223	(9)	**1,275**	1,293	(1)
Upstream Indonesia	**1,929**	1,803	7	**742**	919	(19)
Upstream PNG/SI	**1,985**	2,289	(13)	**422**	513	(18)
Continuing operations	**1,990**	2,119	(6)	**2,439**	2,725	(11)
Discontinuing operations	**1,775**	1,918	(7)	**31**	26	21
Total	**1,988**	2,117	(6)	**2,470**	2,751	(10)

(i) Upstream Malaysia

Upstream Malaysia registered a 30% decline in PBIT to RM88 million in the quarter under review, on the back of lower average realised prices for both CPO and PK, and a slight decline in FFB production in the current quarter. The average CPO realised price for the quarter of RM2,028 per MT was 9% lower whilst the average PK realised price of RM1,144 per MT was 35% lower than the previous corresponding quarter. The adverse variances were partially mitigated by the 0.93% rise in OER to 21.59% in the current quarter.

(ii) Upstream Indonesia

Upstream Indonesia recorded a PBIT of RM90 million, a 42% improvement as compared to the corresponding quarter of the previous year, largely driven by higher CPO sales volume, improvement in OER and higher average CPO price realised. OER increased by 1.15% to 22.19%, driven by better crop quality delivered to mills. The favourable variances compensated for the 19% lower FFB production, largely impacted by extreme dry condition in the South Kalimantan region and 35% lower PK average realised price which declined to RM874 per MT in the current quarter.

(iii) Upstream PNG/SI

Upstream PNG/SI experienced a 18% decline in FFB production, 13% lower average CPO price realised year-on-year and 0.10% lower OER which reduced to 22.01%. The sugar cane plantation in PNG was inflicted by pest issue in the current year, resulted in a 30% year-on-year decline in cane production in the current quarter. These factors resulted in a loss before interest and tax ("LBIT") of RM102 million for the segment as compared to PBIT of RM30 million in the previous year corresponding quarter.

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 30 September 2019 against the previous year corresponding quarter ended 30 September 2018 (continued)

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

Downstream

Downstream operations registered a PBIT of RM68 million, 42% higher than the previous year corresponding quarter of RM48 million, attributable to better profits from differentiated businesses and trading operations. The improved performance of the differentiated businesses was largely due to higher sales volumes and better margins in Asia Pacific and Europe, compensating for the weaker contribution from the differentiated business in Africa which was impacted by stiff competition. The trading operations registered better contribution attributable to higher margins resulting from the zero export duty for both Malaysia and Indonesia for the quarter under review.

Other operations

Other continuing operations reported a higher PBIT of RM18 million compared to RM4 million recorded in the corresponding quarter of the previous year due to better results from associates and joint ventures in the current quarter.

Non-recurring transactions

The Group recorded a total non-recurring LBIT of RM44 million in the current quarter, due to charges arising from impairment of assets in Indonesia of RM19 million and impairment of a loan to a joint venture of RM25 million.

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 loss after tax of RM271 million, higher than the loss of RM18 million recorded in the corresponding quarter of the previous year, mainly due to the impairment of its assets of RM256 million in the current quarter.

The loss from joint ventures of RM4 million in the current quarter was mainly due to an RM8 million impairment of a joint venture, and partially mitigated share of profits from the oleochemical business of RM4 million, as compared to a share of profit of RM7 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 three quarters ended 30 September 2019 against the previous year corresponding period ended 30 September 2018

	Three quarters ended 30 September		+/(–)
	2019	**2018**	**%**
Continuing operations			
Revenue	**8,686**	9,757	(11)
Segment results:			
Upstream Malaysia	**244**	621	(61)
Upstream Indonesia	**88**	166	(47)
Upstream PNG/SI	**(197)**	145	>(100)
Downstream	**204**	181	13
Other operations	**29**	30	(3)
Recurring profit before interest and tax	**368**	1,143	(68)
Non-recurring transactions	**(35)**	(143)	
Profit before interest and tax	**333**	1,000	(67)
Finance income	**10**	11	
Finance costs	**(124)**	(136)	
Profit before tax	**219**	875	(75)
Tax income/(expense)	**58**	(211)	
Profit from continuing operations	**277**	664	(58)
Perpetual Sukuk	**(93)**	(93)	
Non-controlling interests	**(17)**	(15)	
Profit from continuing operations attributable to equity holders of the Company	**167**	556	(70)
Discontinuing operations			
Loss from discontinuing operations attributable to equity holders of the Company	**(309)**	(163)	(90)
(Loss)/Profit after tax attributable to equity holders of the Company	**(142)**	**393**	>(100)
(Loss)/Profit from discontinuing operations include:			
Segment results:			
– Upstream Liberia	**(311)**	(158)	
– Other operations	**2**	(5)	

For the period ended 30 September 2019, the Group posted net earnings from continuing operations of RM167 million, as compared to RM556 million recorded in the corresponding period of the previous year, impacted by lower recurring PBIT of RM368 million adversely affected by lower CPO prices and FFB production, but partially cushioned by the higher contribution from the Downstream segment in the current period.

The weaker earnings from continuing operations in the current period were partially compensated by lower losses from non-recurring transactions and the net tax income of RM59 million, mainly arising from the recognition of deferred tax asset on losses suffered by subsidiary companies.

For the current period, discontinuing operations registered higher net loss of RM309 million compared to RM163 million in the same period of the previous year mainly due to the impairment charge on assets in Liberia of RM256 million, higher than impairment charge of RM112 million incurred last year.

As a result, the net loss registered by the Group for the current period was RM142 million, compared to the net earnings of RM393 million recorded in the same period 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 three quarters ended 30 September 2019 against the previous year corresponding period ended 30 September 2018 (continued)

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

Upstream

In the period ended 30 September 2019, Upstream operations reported a recurring PBIT of RM135 million from continuing operations in comparison with RM932 million reported in the corresponding period of the previous year. The weaker performance was largely due to lower average CPO and PK prices realised, which declined by 14% and 40% respectively in the period under review, and the 2% lower FFB production. This was partially cushioned by the higher OER which improved by 0.42% to 21.50% in the current period.

	CPO price realised (RM per MT)			**FFB production (MT'000)**		
	Three quarters ended		**+/(–)**	**Three quarters ended**		**+/(–)**
Segment	**Sept 2019**	**Sept 2018**	**%**	**Sept 2019**	**Sept 2018**	**%**
Upstream Malaysia	**2,019**	2,377	(15)	**3,982**	3,868	3
Upstream Indonesia	**1,956**	2,077	(6)	**1,935**	2,099	(8)
Upstream PNG/SI	**2,050**	2,515	(18)	**1,432**	1,499	(4)
Continuing operations	**2,007**	2,322	(14)	**7,349**	**7,466**	(2)
Discontinuing operation	**1,929**	2,075	(7)	**73**	61	20
Total	**2,006**	2,320	(14)	**7,422**	7,527	(1)

(i) Upstream Malaysia

Upstream Malaysia registered a 61% decline in PBIT to RM244 million in the period under review, on the back of lower average realised prices for both CPO and PK. The impact of the 15% decline in the average CPO price realised, exacerbated by a 37% fall in average PK realised price, was partially mitigated by the 3% rise in FFB production as well as a 0.57% increase in OER to 21.21% in the current period.

(ii) Upstream Indonesia

Upstream Indonesia reported a PBIT of RM88 million in the 9 months ended 30 September 2019, a 47% decline from the profits registered in the same period last year, mainly attributable to the 8% lower FFB production, coupled with a 6% and a 40% decline in average realised prices for CPO and PK respectively in the period under review. The adverse variances were partially cushioned by the 0.71% rise in OER to 21.81%.

(iii) Upstream PNG/SI

Upstream PNG/SI suffered a loss of RM197 million in the period under review, compared to a PBIT of RM145 million in the corresponding period of the previous year. This was largely due to the 4% lower FFB production, weaker average realised price of CPO which declined by 18%, lower sugar contribution by 77% and 0.35% lower OER which reduced to 21.81%.

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 three quarters ended 30 September 2019 against the previous year corresponding period ended 30 September 2018 (continued)

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

<u>Downstream</u>

Downstream reported a PBIT of RM204 million in the current period, 13% higher than the corresponding period of the previous year. Asia Pacific bulk and differentiated refineries showed improved results mainly due to higher sales volumes and margins. This compensated for the lower PBIT reported by the Europe, Middle East and Africa operations from lower sales volume and margin.

<u>Other operations</u>

For the current period, Other operations reported a marginaly lower PBIT of RM29 million compared to RM30 million recorded in the corresponding period of the previous year due to better results from associates and joint ventures.

<u>Non-recurring transactions</u>

In the current period, the Group non-recurring LBIT of RM35 million recorded by the Group comprised of the impairment of assets in Indonesia of RM19 million and impairment of a loan to a joint venture of RM25 million, and a gain from divestment of a subsidiary in Indonesia of RM9 million.

The net non-recurring LBIT of RM143 million in the same period last year comprised of impairment charges of assets mainly in Indonesia of RM82 million, impairment of a joint venture of RM180 million and a gain on sale of land in Malaysia of RM119 million.

<u>Discontinuing operations</u>

Upstream Liberia reported higher loss of RM311 million, as compared to a loss of RM158 million in the corresponding period of the previous year, mainly due to the impairment charges on its assets in the current period of RM256 million, higher than the RM112 million impairment charges incurred last year.

The joint ventures recognised under discontinuing operations contributed a profit of RM2 million, as compared to a loss of RM5 million in corresponding period of the previous year, due to improvement in oleochemical businesses which compensated for the impairment of a joint venture of RM8 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)

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

	Quarter ended		
	30 Sep 2019	**30 Jun 2019**	**+/(–) %**
Revenue	**2,821**	2,866	(2)
Segment results:			
Upstream Malaysia	**88**	43	>100
Upstream Indonesia	**90**	(11)	>100
Upstream PNG/SI	**(102)**	(76)	(34)
Downstream	**68**	51	34
Other operations	**18**	4	>100
Recurring profit/(loss) before interest and tax	**162**	11	>100
Non-recurring transactions	**(44)**	9	>100
Profit before interest and tax	**118**	20	>100
Finance income	**3**	4	
Finance costs	**(37)**	(29)	(28)
Profit/(Loss) before tax	**84**	(5)	>100
Tax (expense)/income	**(11)**	83	
Profit from continuing operations	**73**	78	>100
Perpetual Sukuk	**(31)**	(31)	
Non-controlling interests	**(10)**	(1)	
Profit from continuing operations attributable to equity holders of the Company	**32**	46	
<u>Discontinuing operation</u>			
Loss from discontinuing operations attributable to equity holders of the Company	**(275)**	(19)	>-100
(Loss)/Profit after tax attributable to equity holders of the Company	**(243)**	27	>100
(Loss)/Profit from discontinuing operations include:			
Segment results:			
– Upstream Liberia	**(271)**	(20)	
– Other operations	**(4)**	1	

The Group's recurring PBIT from continuing operations has improved to RM162 million, compared to RM11 million in the preceding quarter, attributable to the recovery in the Upstream segment and the continued improvement in Downstream operations.

Total non-recurring LBIT for the Group from continuing operations of RM44 million comprised of charges arising from impairment of assets in Indonesia of RM19 million and impairment of a loan to a joint venture of RM25 million in the current quarter, whereas the non-recurring PBIT of RM9 million reported in the preceding quarter arose from gain on divestment of a subsidiary in Indonesia.

The Group reported a net loss of RM243 million for the quarter under review as compared to a net earnings of RM27 million in the preceding quarter, mainly due to the higher loss of RM275 million from the discontinuing operations which largely comprised of the impairment charges on assets of Upstream Liberia of RM256 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 a PBIT of RM76 million, as compared to an LBIT of RM44 million in the preceding quarter, attributable to higher FFB production, a 0.61% improvement in OER to 21.85% in the current quarter and improved contribution from the sugar operations in PNG. The favourable variances negated the impact from lower average realised price of CPO which declined by 2% to RM1,990 per MT.

	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended			Quarter ended		
Segment	**Sept 2019**	**June 2019**	**+/(–) %**	**Sept 2019**	**June 2019**	**+/(–) %**
Upstream Malaysia	**2,028**	2,031	(0)	**1,275**	1,308	(2)
Upstream Indonesia	**1,929**	1,940	(1)	**742**	596	24
Upstream PNG/SI	**1,985**	2,115	(6)	**422**	500	(16)
Continuing operations	**1,990**	2,021	(2)	**2,439**	2,404	1
Discontinuing operati	**1,775**	2,062	(14)	**31**	25	22
Total	**1,988**	2,021	(2)	**2,470**	2,429	2

(i) Upstream Malaysia

Upstream Malaysia registered a PBIT of RM88 million in the current quarter, higher than the preceding quarter of RM43 million, largely attributable to the 7% increase in CPO sales volume, lower operating costs and a 0.62% higher OER which increased to 21.59%. These factors compensated for the impact of the 2% lower FFB production.

(ii) Upstream Indonesia

Upstream Indonesia reported a PBIT of RM90 million in the quarter under review, as compared to a LBIT of RM11 million in the preceding quarter. The improvement in the segment results, attributable to higher FFB production which increased by 24% and the 1.00% rise in OER to 22.19%, compensated for the 1% lower average CPO price realised.

(iii) Upstream PNG/SI

The seasonal decline in FFB production by 16% in PNG for the current quarter as compared to the preceding quarter was exacerbated by the 6% lower average CPO price realised. The adverse variances were partially mitigated by the slight improvement in OER to 22.01% as compared to 21.93% in the last quarter, and the improved contribution from the sugar operation in the current quarter. This resulted in a 34% higher LBIT at RM102 million as compared to the quarter ended 30 June 2019.

Downstream

Downstream operations continued to report higher PBIT in the current quarter of RM68 million, 33% higher than the preceding quarter PBIT of RM51 million, contributed by higher profits from all subsegments, attributable to a surge in bulk product demand from the Indian market and higher margins from differentiated products.

Other operations

Other operations reported higher PBIT of RM18 million as compared to RM4 million in the preceding quarter, due to better results in joint ventures and associates.

Non-recurring

The non-recurring PBIT comprised of impairment charges amounting to RM44 million arising from impairment of assets in Indonesia of RM19 million and impairment of a loan to a joint venture of RM25 million, compared to a gain from divestment of a subsidiary in Indonesia of RM9 million recorded in the preceeding quarter.

Discontinuing operations

Upstream Liberia reported higher LBIT of RM271 million as compared to a LBIT of RM20 million in the preceding quarter, attributable to the impairment charges on the operation's assets of RM256 million in the current quarter.

The loss from joint venture of RM4 million in the current quarter was mainly due to an impairment on a joint venture of RM8 million, partialy mitigated by higher share of profits from the oleochemical business.

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

We expect to benefit from the current upturn of palm product prices in the next financial year. The recent recovery in palm product prices has no significant impact to the Group's results for the financial year ending 31 December 2019, due to the Group's committed forward sales.

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

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

B5. Operating profit and finance costs

Included in the operating profit are:

	Three quarters ended 30 September
	2019
Continuing operation	
Depreciation and amortisation	**(885)**
Fair value gains/(losses):	
– commodities future contracts	**13**
– forward foreign exchange contracts	**(1)**
Gain on disposals of:	
– property, plant and equipment	**42**
– non-current assets held for sale	**9**
Impairment of:	
– trade and other receivables	
– non-recurring transactions	**(34)**
– intangible assets	**-** *
– right-of-use assets	**(19)**
Reversal of impairment:	
– intangible assets	**2**
– trade and other receivables	**1**
Write off of property, plant and equipment	**(16)**
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 operation	
Depreciation and amortisation	**(15)**
Impairment of:	
– property, plant and equipment	**(228)**
– right-of-use assets	**(11)**
– investments of joint ventures	**(8)**
– receivables	**(10)**
– inventories	**(7)**

*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 30 September	Three quarters ended 30 September
	2019	**2019**
Continuing operations		
In respect of current financial year:		
– current tax	**35**	**88**
– deferred tax	**(22)**	**(148)**
	13	**(60)**
In respect of prior financial years:		
– current tax	**(2)**	**2**
Tax expenses/(income)	**11**	**(58)**

For the three quarters ended 30 September 2019, the Group reported a net tax income of RM58 million on the back of a loss before tax of RM219 million (excluding impairment charges which are not tax deductible), 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 23 November 2019.

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 30 September 2019 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	-	877	**877**
Bonds	-	458	**458**
Multi-currency Sukuk	-	513	**513**
Unamortised deferred financing expenses	-	(10)	**(10)**
	-	1,838	**1,838**
Short-term			
Term loans	-	2,197	**2,197**
Revolving credits	-	3,832	**3,832**
Trade facilities	35	-	**35**
Unamortised deferred financing expenses	-	(3)	**(3)**
	35	6,026	**6,061**
Total	35	7,864	**7,899**
Borrowings of the Group consist of:			
– principal	35	7,877	**7,912**
– unamortised deferred financing expenses	-	(13)	**(13)**
	35	7,864	**7,899**

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	458	103	**561**
Ringgit Malaysia	-	1,097	**1,097**
Thailand Baht	34	6	**40**
United States Dollar	1,346	4,855	**6,201**
	1,838	6,061	**7,899**

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 30 September 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	-	2	-	4	**(2)**
Commodity futures contracts	-	34	-	12	**22**
Interest rate swap contracts	-	-	-	1	**(1)**
	-	36	-	17	**19**

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 30 September 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 liabilities
Less than 1 year	540	**(2)**

Commodity futures contracts

Commodity futures contracts were entered into by subsidiaries 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 30 September 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	291,572	351	**(12)**
– Sale contracts	832,702	843	**34**
			22

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 30 September 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 30 September 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 liabilities
Less than 1 year	813	**(1)**

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) PT Sajang Heulang ("PT SHE") vs. PT Anzawara Satria ("PT AS")

On 23 April 2014, PT SHE filed a claim at the District Court of Batulicin against PT AS for the sum of IDR672.8 billion (equivalent to around RM188.9 million) for damages caused by PT AS in executing the an earlier Supreme Court decision which ordered PT SHE to surrender 2,000 hectares of land in Desa Bunati forming part of HGU 35 which measures approximately 2,218 hectares to PT AS.

On 20 January 2015, the District Court of Batulicin decided in favour of PT SHE and awarded damages in the sum of IDR69.9 billion (equivalent to around RM19.6 million) to be paid by PT AS, but on appeal on 19 November 2015, the Banjarmasin High Court ruled in favour of PT AS.

On 22 February 2016, PT SHE filed an appeal to the Supreme Court against the decision of the Banjarmasin High Court but the Supreme Court rejected PT SHE's appeal. Following that, on 5 March 2018, PT SHE filed a judicial review against the decision of the Supreme Court. On 9 July 2019, PT SHE received the official notice of the Supreme Court rejecting PT SHE's judicial review application.

In February 2018, PT SHE received a copy of a notice from the Provincial Land Office in Kalimantan Selatan dated 3 January 2018 addressed to the Central Land Office in Jakarta on an application to annul PT SHE's HGU 35. PT SHE filed a written objection to the Central Land Office in Jakarta in respect of the said application. Subsequently, vide a letter for the Kabupaten Tanah Bumbu Land Office dated 23 July 2019, it came to PT SHE's attention that a portion of PT SHE's HGU 35 measuring approximately 1,580 hectares had been cancelled as PT SHE was instructed to surrender its HGU 35 certificate to Kaupaten Tanah Bumbu Land Office. After having further assessed and considered the matter, PT SHE has since decided not to pursue the matter. Such annulment does not have a material impact on the Group as substantial impairments have been made in the Group's financial statements.

(b) 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. 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) 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 PT MAP and PT PS. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest. Yayasan Kartika Eka Paksi (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. On 31 May 2016, the Supreme Court issued a decision that invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP (Judicial Review Decision).

In that regard, YKEP then filed a petition to execute the Judicial Review Decision to the Central Jakarta District Court, 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 Judicial Review Decision.

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition (Gugatan Perlawan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the 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 is conflicting decision on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the 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 was 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 (Gugatan Perlawanan) by the former officers of YKEP. The former officers 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 existence of the Judicial Review Decision, PT MAP and PT PS still filed a lawsuit 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, has rejected PT MAP and PT PS's lawsuit by referring to the Judicial Review Decision. In response, PT MAP and PT PS have filed an appeal to the Supreme Court. The Supreme Court has rejected PT MAP and PT PS' appeal. PT MAP and PT PS have filed a judicial review in the Supreme Court of Jakarta against the Supreme Court's 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)

(d) 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)

(e) 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 are exploring settlement and pending such 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

No dividend declared by the Company during the quarter under review.

B12. Earnings per share

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

	Quarter ended 30 September	Three quarters ended 30 September
	2019	**2019**
Profit/(Loss) for the financial period		
- from continuing operations	**32**	**167**
- from discontinuing operations	**(275)**	**(309)**
	(243)	**(142)**
Weighted average number of ordinary shares in issue (million units)	**6,885**	**6,885**
Basic earnings per share (sen)		
- from continuing operations	0.5	2.4
- from discontinuing operations	(4.0)	(4.5)

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 9 months from 1 January 2019 to 30 September 2019 being the three quarters of the financial year ending 31 December 2019.

Due to the change in the financial year, the performance of the current quarter and three quarters ended 30 September 2019 is not comparable with the three quarters of the previous financial year ended 30 June 2018.

By Order of the Board

Norzilah Megawati Abdul Rahman
Mazlina Mohd Zain
Company Secretaries

Petaling Jaya
29 November 2019