Sime Darby Delivering Sustainable Futures
Plantation

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**QUARTERLY REPORT**
**On the consolidated results for the second quarter ended 30 June 2019**

The Directors are pleased to announce the followings:

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

| | Note | Quarter ended 30 June 2019 | Half-year ended 30 June 2019 |
|---|---|---|---|
| **Revenue** | A8, A9 | **2,875** | **5,881** |
| Operating expenses | | **(2,921)** | **(5,819)** |
| Other operating income | | **59** | **83** |
| Other losses and gains | | **(10)** | **36** |
| **Operating profit** | B5, A9 | **3** | **181** |
| Share of results of joint ventures | | **(1)** | **2** |
| Share of results of associates | | **(1)** | **(2)** |
| **Profit before interest and tax** | A9 | **1** | **181** |
| Finance income | | **4** | **7** |
| Finance costs | | **(29)** | **(87)** |
| **(Loss)/Profit before tax** | | **(24)** | **101** |
| Tax income | B6 | **83** | **69** |
| **Profit for the financial period** | | **59** | **170** |
| **Profit for the financial period consist of:** | | | |
| – recurring activities | | **50** | **161** |
| – non-recurring transactions | | **9** | **9** |
| | | **59** | **170** |
| **Profit for the financial period attributable to:** | | | |
| – equity holders of the Company | | **27** | **101** |
| – Perpetual Sukuk | | **31** | **62** |
| – non-controlling interests | | **1** | **7** |
| | | **59** | **170** |
| **Earnings per share attributable to equity holders of the Company:** | | | |
| Basic (sen) | B12 | **0.4** | **1.5** |

There is no comparative for the quarter and half-year 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 half-year ended 30 June 2019, being the second quarter of the financial year ending 31 December 2019 is not comparable with that of the second 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 30 June | Half-year ended 30 June |
|---|---|---|
| | **2019** | **2019** |
| **Profit for the financial period** | **59** | **170** |
| **Other comprehensive (losses)/income:** | | |
| Items that will be reclassified subsequently to profit or loss: | | |
| Currency translation differences (losses)/gains: | | |
| – subsidiaries | (17) | 126 |
| – joint ventures and associates | 6 | - * |
| Net change in fair value: | | |
| – cash flow hedges loss | (10) | (15) |
| – transfer to profit and loss | (4) | (4) |
| **Other comprehensive (losses)/income for the financial period** | **(25)** | **107** |
| **Total comprehensive income for the financial period** | **34** | **277** |
| **Total comprehensive (losses)/income for the financial period attributable to:** | | |
| – equity holders of the Company | 2 | 201 |
| – Perpetual Sukuk | 31 | 62 |
| – non-controlling interests | 1 | 14 |
| | **34** | **277** |

* Less than 1 million

There is no comparative for the quarter and half-year 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 half-year ended 30 June 2019, being the second quarter of the financial year ending 31 December 2019 is not comparable with that of the second 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<br>As at 30 June 2019 | Audited<br>As at 31 December 2018 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **17,104** | 17,004 |
| Investment properties | | **16** | 15 |
| Right-of-use assets | | **2,336** | 2,239 |
| Joint ventures | | **449** | 447 |
| Associates | | **39** | 42 |
| Intangible assets | | **2,878** | 2,893 |
| Investments at fair value through other comprehensive income ("FVOCI") | | **29** | 29 |
| Deferred tax assets | | **646** | 509 |
| Tax recoverable | | **295** | 290 |
| Trade and other receivables | | **98** | 115 |
| | | **23,890** | 23,583 |
| **Current assets** | | | |
| Inventories | | **1,629** | 1,682 |
| Biological assets | | **128** | 179 |
| Trade and other receivables | | **2,162** | 2,203 |
| Tax recoverable | | **273** | 302 |
| Amounts due from related parties | | **3** | 2 |
| Derivatives | B9 | **48** | 59 |
| Bank balances, deposits and cash | | **364** | 491 |
| | | **4,607** | 4,918 |
| **Non-current assets held for sale** [(1)] | | **41** | 125 |
| **Total assets** | A9 | **28,538** | 28,626 |
| **Equity** | | | |
| Share capital | | **1,506** | 1,100 |
| Reserves | | **12,102** | 12,018 |
| Attributable to equity holders of the Company | | **13,608** | 13,118 |
| Perpetual Sukuk | | **2,231** | 2,231 |
| Non-controlling interests | | **369** | 396 |
| **Total equity** | | **16,208** | 15,745 |

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

| | Note | Unaudited As at 30 June 2019 | Audited As at 31 December 2018 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Retirement benefits | | **233** | 230 |
| Deferred income | | **-** * | - * |
| Deferred tax liabilities | | **2,624** | 2,654 |
| Borrowings | B8 | **2,080** | 5,493 |
| Lease liabilities | | **161** | 165 |
| Trade and other payables | | **70** | 64 |
| | | **5,168** | 8,606 |
| **Current liabilities** | | | |
| Trade and other payables | | **1,230** | 1,467 |
| Deferred income | | **27** | 29 |
| Amounts due to related parties | | **20** | 61 |
| Retirement benefits | | **8** | 8 |
| Lease liabilities | | **9** | 27 |
| Tax payable | | **107** | 89 |
| Derivatives | B9 | **22** | 21 |
| Borrowings | B8 | **5,739** | 1,804 |
| Dividend payable | | **-** | 748 |
| | | **7,162** | 4,254 |
| **Liabilities directly associated with non-current assets held for sale** (2) | | **-** * | 21 |
| **Total liabilities** | | **12,330** | 12,881 |
| **Total equity and liabilities** | | **28,538** | 28,626 |
| **Net assets per share attributable to equity holders of the Company (RM)** | | **1.98** | 1.92 |

**Note:**

| | Unaudited As at 30 June 2019 | Audited As at 31 December 2018 |
|---|---|---|
| (1) **Non-current assets held for sale** | | |
| Non-current assets held for sale | | |
| – property, plant and equipment | **41** | - * |
| Disposal group held for sale | | |
| – property, plant and equipment | - | 77 |
| – other assets | **-** | 48 |
| | **41** | 125 |
| (2) **Liabilities directly associated with non-current assets held for sale** | | |
| Disposal group held for sale | | |
| – liabilities | **-** * | 21 |
| | **-** | 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 |
| **Half-year ended 30 June 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 | | **-** | **-** | **-** | **-** | **-** | **-** | **101** | **101** | **62** | **7** | **170** |
| Other comprehensive (losses)/income for the financial period | | **-** | **-** | **(19)** | **-** | **-** | **119** | **-** | **100** | **-** | **7** | **107** |
| Total comprehensive (losses)/income for the financial period | | **-** | **-** | **(19)** | **-** | **-** | **119** | **101** | **201** | **62** | **14** | **277** |
| Transactions with equity holders: | | | | | | | | | | | | |
| Share issue | | **406** | **-** | **-** | **-** | **-** | **-** | **-** | **406** | **-** | **-** | **406** |
| Dividends | | **-** | **-** | **-** | **-** | **-** | **-** | **(117)** | **(117)** | **-** | **(41)** | **(158)** |
| Distribution to Perpetual Sukuk holders | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(62)** | **-** | **(62)** |
| **At 30 June 2019** | | **1,506** | **9** | **13** | **(18)** | **27** | **739** | **11,332** | **13,608** | **2,231** | **369** | **16,208** |

There is no comparative for the quarter and half-year 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 half-year ended 30 June 2019, being the second quarter of the financial year ending 31 December 2019 is not comparable with that of the second 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 | Half-year ended 30 June 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial period | | **170** |
| Adjustments for: | | |
| Share of results of joint ventures and associates | | **-** * |
| Finance income | | **(7)** |
| Finance costs | | **87** |
| Gain on disposal of: | | |
| – property, plant and equipment | B5 | **(40)** |
| – non-current assets held for sale | B5 | **(9)** |
| Depreciation and amortisation | B5 | **610** |
| Fair value gains/(losses): | | |
| – commodities futures contracts | B5 | **(12)** |
| – forward foreign exchange contracts | B5 | **4** |
| Tax expense | B6 | **(69)** |
| Fair value changes on biological assets | | **52** |
| Retirement benefits | | **15** |
| Impairment of: | | |
| – trade and other receivables | B5 | **-** * |
| – non-current assets held for sale | B5 | **6** |
| Reversal of impairment: | | |
| – intangible assets | B5 | **(2)** |
| Write offs: | | |
| – inventories | B5 | **2** |
| – property, plant and equipment | B5 | **12** |
| – right of use assets | B5 | **1** |
| | | **820** |
| Changes in working capital: | | |
| Inventories | | **66** |
| Trade and other receivables | | **13** |
| Trade and other payables | | **(358)** |
| Cash generated from operations | | **541** |
| Tax refund | | **8** |
| Retirement benefits paid | | **(16)** |
| Net cash generated from operating activities | | **533** |
| **Cash flows from investing activities** | | |
| Finance income received | | **7** |
| Purchase of: | | |
| – property, plant and equipment | | **(641)** |
| – intangibles assets | | **-** * |
| Proceeds from sale of: | | |
| – property, plant and equipment | | **63** |
| – non-current assset held for sale | | **103** |
| Net cash used in investing activities | | **(468)** |

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

| | Note | Half-year ended 30 June 2019 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Distribution to Perpetual Sukuk holders | | **(62)** |
| Finance costs paid | | **(137)** |
| Loans raised | | **1,073** |
| Loan repayments | | **(536)** |
| Repayment of lease liabilities | | **(23)** |
| Dividends paid to shareholders | | **(459)** |
| Dividends paid to non-controlling interests of subsidiaries | | **(42)** |
| Net cash used in financing activities | | **(186)** |
| **Net changes in cash and cash equivalents during the financial period** | | **(121)** |
| Foreign exchange difference | | **(6)** |
| **Cash and cash equivalents at beginning of the period** | | **491** |
| **Cash and cash equivalents at end of the period** | | **364** |
| For the purpose of the statement of cash flows, cash and cash equivalents comprised the following: | | |
| Bank balances, deposits and cash | | **364** |

* Less than 1 million

There is no comparative for the quarter and half-year 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 half-year ended 30 June 2019, being the second quarter of the financial year ending 31 December 2019 is not comparable with that of the second 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 RM31 million into property, plant and equipment for the period ended 30 June 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 June 2019 are as follows:

| | **Half-year ended 30 June 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 | Half-year ended 30 June 2019 |
|---|---|---|
| Revenue from contracts with customers | A8(a) | **5,873** |
| Revenue from other sources | A8(b) | **8** |
| Total revenue | | **5,881** |

(a) Disaggregation of revenue from contracts with customers

| | Half-year ended 30 June 2019 |
|---|---|
| Upstream | |
| – Malaysia | **360** |
| – Indonesia | **417** |
| – Papua New Guinea and Solomon Islands ("PNG/SI") | **533** |
| – Liberia | **16** |
| Downstream | **4,518** |
| Other operations | **29** |
| | **5,873** |
| Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products | **5,698** |
| Freight services | **180** |
| Tolling services | **3** |
| | **5,881** |
| Timing of revenue recognition | |
| – at point in time | **5,698** |
| – over time | **183** |
| | **5,881** |

(b) Revenue from other sources

| | Half-year ended 30 June 2019 |
|---|---|
| Rental income | **8** |
| | **8** |

(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 June 2019:

| | **Expected timing of recognition** During the quarter ending 30 September 2019 |
|---|---|
| Freight income | **27** |

**Amounts in RM million unless otherwise stated**

## A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

### A9. Segment information

| | Upstream Malaysia | Upstream Indonesia | Upstream PNG/SI | Upstream Liberia | Downstream | Other operations | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Half-year ended 30 June 2019** | | | | | | | | |
| **Segment revenue:** | | | | | | | | |
| External sales | **363** | **417** | **536** | **16** | **4,520** | **29** | **-** | **5,881** |
| Inter-segment sales | **1,198** | **493** | **188** | **-** | **1,724** | **143** | **(3,746)** | **-** |
| Total revenue | **1,561** | **910** | **724** | **16** | **6,244** | **172** | **(3,746)** | **5,881** |
| **Segment results:** | | | | | | | | |
| Operating profit/(loss) | | | | | | | | |
| – recurring activities | **156** | **(2)** | **(95)** | **(40)** | **136** | **17** | **-** | **172** |
| – non-recurring transactions | **-** | **9** | **-** | **-** | **-** | **-** | **-** | **9** |
| Share of results of joint ventures and associates | **-** | **-** | **-** | **-** | **-** | **-** * | **-** | **-** * |
| Profit/(loss) before interest and tax | **156** | **7** | **(95)** | **(40)** | **136** | **17** | **-** | **181** |

* Less than 1 million

There is no comparative for the half-year ended 30 June 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)

| **As at 30 June 2019** | **Upstream Malaysia** | **Upstream Indonesia** | **Upstream PNG/SI** | **Upstream Liberia** | **Downstream** | **Other operations** | **Inter-segment elimination** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Segment assets:** | | | | | | | | |
| Operating assets | **9,247** | **4,710** | **8,081** | **277** | **4,228** | **252** | **-** | **26,795** |
| Joint ventures and associates | **-** | **-** | **-** | **-** | **-** | **488** | **-** | **488** |
| Non-current assets held for sale | **41** | **-** | **-** | **-** | **-** | **-** | **-** | **41** |
| | **9,288** | **4,710** | **8,081** | **277** | **4,228** | **740** | **-** | **27,324** |
| Tax assets | | | | | | | | **1,214** |
| Total assets | | | | | | | | **28,538** |

There is no comparative for the half-year ended 30 June 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 June 2019** | **As at 31 December 2018** |
| Property, plant and equipment | | |
| – contracted | **249** | 331 |
| – not contracted | **42** | 69 |
| | **291** | 400 |
| Other capital expenditure | | |
| – not contracted | **208** | 681 |
| | **208** | 681 |
| | **499** | 1,081 |

### A11. Significant related party transactions

Significant related party transactions conducted were as follows:

| | **Half-year ended 30 June** |
|---|---|
| | **2019** |
| (a) Transactions with a joint venture | |
| (i) Sale of goods and tolling services | |
| – Emery Oleochemicals (M) Sdn Bhd | **12** |
| (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 | **21** |

(c) Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.51% as at 30 June 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:

| | Half-year ended 30 June |
|---|---|
| | **2019** |
| (i) Foreign currency payment arrangement | |
| – Hastings Deering (PNG) Limited | **67** |
| (ii) Payroll, accounting and IT processing costs | |
| – DXC.technology (fka. Sime Darby Global Services Centre Sdn Bhd) | **28** |
| (iii) Purchase of heavy equipment, spare parts and services | |
| – Sime Darby Industrial Holdings Sdn Bhd | **14** |
| – Sime Kubota Sdn Bhd | **6** |
| – Hastings Deering (PNG) Limited | **1** |
| (iv) Lease of agricultural land | |
| – Kumpulan Sime Darby Berhad | **3** |

### 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 23 August 2019, being a date not earlier than 7 days from the date of issuance of the report.

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

<u>Disposal of a subsidiary</u>

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

## A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

### 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 June 2019** |
|---|---|
| Guarantees in respect of credit facilities granted to: | |
| – certain associates and a joint venture | **6** |
| – plasma stakeholders | **44** |
| | **50** |

**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 June 2019 against the previous year corresponding quarter ended 30 June 2018**

| | Quarter ended 30 June | | +/(–) |
|---|---|---|---|
| | **2019** | **2018** | **%** |
| **Revenue** | **2,875** | 3,084 | (7) |
| Segment results: | | | |
| Upstream Malaysia | **43** | 243 | (82) |
| Upstream Indonesia | **(11)** | 92 | >(100) |
| Upstream PNG/SI | **(76)** | 77 | >(100) |
| Upstream Liberia | **(20)** | (9) | >(100) |
| Downstream | **51** | 68 | (25) |
| Other operations | **5** | 1 | >100 |
| Recurring (loss)/profit before interest and tax | **(8)** | 472 | >(100) |
| Non-recurring transactions | **9** | (283) | |
| **Profit before interest and tax** | **1** | 189 | >(100) |
| Finance income | **4** | 4 | |
| Finance costs | **(29)** | (44) | |
| **(Loss)/Profit before tax** | **(24)** | 149 | >(100) |
| Tax income/(expense) | **83** | (85) | |
| **Profit after tax** | **59** | 64 | (8) |
| Perpetual Sukuk | **(31)** | (31) | |
| Non-controlling interests | **(1)** | (3) | |
| **Profit after tax attributable to equity holders of the Company** | **27** | 30 | (10) |

For the quarter ended 30 June 2019, the Group reported a net profit of RM27 million, compared to the net profit of RM30 million for the corresponding quarter of the previous year. The decline was largely due to the lower profit before interest and tax ("PBIT") recorded for the current quarter. The adverse results were partially cushioned by a net tax income, mainly arising from recognition of deferred tax asset on losses suffered by subsidiary company, and lower finance costs due to the higher capitalisation of borrowing costs in the current quarter.

Included in the net earnings of the Group, a non-recurring PBIT of RM9 million arising from disposal of the entire shareholding in a wholly-owned subsidiary, PT Mitra Austral Sejahtera, as compared to a non-recurring loss of RM283 milion mainly due to impairment charges 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 June 2019 against the previous year corresponding quarter ended 30 June 2018 (continued)

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

Upstream

The Group's Upstream operations reported a total recurring LBIT of RM64 million in the quarter ended 30 June 2019, as compared to a total recurring PBIT of RM403 million registered in the corresponding quarter last year, mainly attributable to the 15% and 39% decline in the average CPO and PK prices realised, respectively, and lower sales volumes.

| | CPO price realised (RM per MT) | | | FFB production (MT'000) | | |
|---|---|---|---|---|---|---|
| | 3 months ended 30 June | | +/(–) | 3 months ended 30 June | | +/(–) |
| **Segment** | **2019** | **2018** | **%** | **2019** | **2018** | **%** |
| Upstream Malaysia | **2,031** | 2,415 | (16) | **1,308** | 1,208 | 8 |
| Upstream Indonesia | **1,940** | 2,161 | (10) | **596** | 657 | (9) |
| Upstream PNG/SI | **2,115** | 2,590 | (18) | **500** | 549 | (9) |
| Upstream Liberia | **2,062** | 2,203 | (6) | **25** | 23 | 8 |
| Total | **2,021** | 2,379 | (15) | **2,430** | 2,437 | (0) |

(i) Upstream Malaysia

Upstream Malaysia registered an 82% decline in PBIT to RM43 million in the quarter under review, on the back of lower average realised prices and sales volumes for both CPO and PK despite higher fresh fruit bunch ("FFB") production in the current quarter. The average CPO realised price for the quarter declined by 16% to RM 2,031 per MT whilst the average PK realised price of RM1,103 per MT was 37% lower than the previous corresponding quarter. The adverse variances were partially mitigated by the 8% improvements in FFB production attributable to a higher percentage of trees moving into prime maturity, and the 0.18% increase in oil extraction rates ("OER") to 20.97% due to higher oil to bunch ratio from prime maturity palms.

(ii) Upstream Indonesia

Upstream Indonesia suffered a LBIT of RM11 million, as compared to a PBIT of RM92 million registered in the same quarter last year. The decline was largely due to the 10% and 38% lower average realised prices for CPO and PK, respectively, and 9% lower FFB production in the quarter under review. The adverse variances were partially cushioned by the 0.55% improvement in OER which increased to 21.19%, driven by better crop quality delivered to mills.

(iii) Upstream PNG/SI

Upstream PNG/SI experienced a decline of 18% on the average CPO price realised year-on-year, 9% decline in FFB production and 0.40% lower OER which reduced to 21.93%, given heavy rainfall that has hindered crop evacuation. This resulted in an LBIT of RM76 million for the segment as compared to PBIT of RM77 million in the previous year corresponding quarter.

(iv) Upstream Liberia

Upstream Liberia operations recorded a 8% higher FFB production and 2.95% increase in OER to 24.54% in the current quarter, but the operations reported a loss of RM20 million, as compared to a loss of RM9 million in the corresponding quarter last year, due to a 6% drop in average CPO price realised.

## 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 June 2019 against the previous year corresponding quarter ended 30 June 2018 (continued)**

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

Downstream

Downstream operations registered a PBIT of RM51 million, 25% lower than the previous year corresponding quarter of RM68 million. The lower profit was attributable to weaker contribution from the differentiated businesses in Asia Pacific, Middle East and Africa due to competitive market environment. The decline in PBIT was partially compensated by improved results from the bulk businesses, which experienced higher sales volumes and better margins resulting from lower feedstock costs in the current quarter.

Other operations

Other operations reported a higher PBIT of RM5 million compared to RM1 million recorded in the corresponding quarter of the previous year due to the lower share of losses from a joint venture in the current quarter.

**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 half-year ended 30 June 2019 against the previous year corresponding period ended 30 June 2018**

| | Half-year ended 30 June | | +/(–) |
|---|---|---|---|
| | **2019** | **2018** | **%** |
| **Revenue** | **5,881** | 6,743 | (13) |
| Segment results: | | | |
| Upstream Malaysia | **156** | 496 | (69) |
| Upstream Indonesia | **(2)** | 103 | >(100) |
| Upstream PNG/SI | **(95)** | 115 | >(100) |
| Upstream Liberia | **(40)** | (28) | (43) |
| Downstream | **136** | 133 | 2 |
| Other operations | **17** | 14 | 21 |
| Recurring profit before interest and tax | **172** | 833 | (79) |
| Non-recurring transactions | **9** | (255) | |
| **Profit before interest and tax** | **181** | 578 | (69) |
| Finance income | **7** | 7 | |
| Finance costs | **(87)** | (85) | |
| **Profit before tax** | **101** | 500 | (80) |
| Tax income/(expense) | **69** | (152) | |
| **Profit after tax** | **170** | 348 | (51) |
| Perpetual Sukuk | **(62)** | (61) | |
| Non-controlling interests | **(7)** | (9) | |
| **Profit after tax attributable to equity holders of the Company** | **101** | 278 | (64) |

The Group posted net earnings of RM101 million for the period ended 30 June 2019, a 64% decline as compared to the corresponding period of the previous year, mainly attributable to lower contribution from the Upstream segment, partially compensated by the net tax income of RM69 million reported for the period under review. The Group's finance costs of RM87 million was higher than the corresponding period last year by RM2 million due to higher level of borrowings during the period under review but compensated by higher borrowing costs capitalised during the period.

Recurring PBIT of RM172 million for the period was 79% lower than the corresponding period of the previous year, mainly due to lower profits from the Upstream operations impacted by the lower average CPO and PK prices realised, partially cushioned by the improved FFB production in the current period.

## 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 half-year ended 30 June 2019 against the previous year corresponding period ended 30 June 2018 (continued)

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

Upstream

In the period ended 30 June 2019, Upstream operations reported a recurring PBIT of RM19 million in comparison with RM686 million reported in the corresponding period of the previous year, despite the 4% improvement in the Group's FFB production and higher OER which increased from 21.09% to 21.34%. The weaker performance was largely due to lower average CPO and PK prices realised, which declined by 16% and 41% respectively in the period under review.

| | CPO price realised (RM per MT) | | | FFB production (MT'000) | | |
|---|---|---|---|---|---|---|
| | Half-year ended | | +/(–) | Half-year ended | | +/(–) |
| **Segment** | **June 2019** | **June 2018** | **%** | **June 2019** | **June 2018** | **%** |
| Upstream Malaysia | **2,014** | 2,448 | (18) | **2,707** | 2,575 | 5 |
| Upstream Indonesia | **1,972** | 2,209 | (11) | **1,193** | 1,180 | 1 |
| Upstream PNG/SI | **2,088** | 2,612 | (20) | **1,010** | 985 | 3 |
| Upstream Liberia | **2,066** | 2,197 | (6) | **42** | 35 | 19 |
| Total | **2,016** | 2,414 | (16) | **4,952** | 4,775 | 4 |

(i) Upstream Malaysia

Upstream Malaysia registered a 69% decline in PBIT to RM156 million in the period under review, on the back of lower average realised prices for both CPO and PK. The impact of the 18% decline in the average CPO price realised, exacerbated by a 38% fall in average PK realised price, was partially mitigated by the 5% rise in FFB production as well as a 0.4% increase in OER to 21.03% in the current period.

(ii) Upstream Indonesia

Upstream Indonesia posted a loss of RM2 million in the half year ended 30 June 2019, a significant deterioration from a PBIT of RM103 million registered in the same period last year, mainly attributable to the 11% and 42% decline in the average realised prices for CPO and PK, respectively in the period under review. The adverse variances were partially cushioned by the 1% improvement in FFB production and 0.45% higher OER which increased to 21.59%.

(iii) Upstream PNG/SI

Upstream PNG/SI suffered a loss of RM95 million in the period under review, compared to a PBIT of RM115 million in the corresponding period of the previous year. This was largely due to the weaker average realised price of CPO which declined by 20% and a 0.45% lower OER which reduced to 21.73%, partially mitigated by a 3% improvement in FFB production.

(iv) Upstream Liberia

Upstream Liberia reported a 19% higher FFB production and 3.03% higher OER, but suffered the impact of a 6% and 68% lower average realised prices of CPO and PK, respectively. This resulted in the operations reporting higher loss of RM40 million in the period under review as compared to the loss of RM28 million reported in the corresponding period 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)

#### (b) Current half-year ended 30 June 2019 against the previous year corresponding period ended 30 June 2018 (continued)

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

Downstream

Downstream operations recorded a PBIT of RM136 million in the period under review, 2% higher than the corresponding period of the previous year. This is mainly due to better margins in Asia Pacific (APAC) due to lower feedstock costs. This compensated for the decline in profits of differentiated businesses in Europe, Middle East, and Africa (EMEA) impacted by lower sales volumes and lower margins.

Other operations

Other operations reported a PBIT of RM17 million, as compared to the RM14 million recorded in the corresponding period of the previous year, due to better results by associates and joint ventures.

**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 Jun 2019** | **31 Mar 2019** | **+/(–) %** |
| **Revenue** | **2,875** | 3,006 | (4) |
| Segment results: | | | |
| Upstream Malaysia | **43** | 113 | (62) |
| Upstream Indonesia | **(11)** | 9 | >(100) |
| Upstream PNG/SI | **(76)** | (19) | >(100) |
| Upstream Liberia | **(20)** | (20) | 0 |
| Downstream | **51** | 85 | (40) |
| Other operations | **5** | 12 | (58) |
| Recurring (loss)/profit before interest and tax | **(8)** | 180 | >(100) |
| Non-recurring transactions | **9** | - | |
| **Profit before interest and tax** | **1** | 180 | (99) |
| Finance income | **4** | 3 | |
| Finance costs | **(29)** | (58) | 50 |
| **(Loss)/Profit before tax** | **(24)** | 125 | >(100) |
| Tax income/(expense) | **83** | (14) | |
| **Profit after tax** | **59** | 111 | (47) |
| Perpetual Sukuk | **(31)** | (31) | |
| Non-controlling interests | **(1)** | (6) | |
| **Profit after tax attributable to equity holders of the Company** | **27** | 74 | (64) |

The Group reported a PBIT of RM1 million for the quarter under review mainly arising from the non-recurring PBIT of RM9 million (gain on disposal of a subsidiary).

A recurring LBIT of RM8 million was recorded during the current quarter as compared to a PBIT of RM180 million in the preceding quarter, mainly attributable to the losses registered by Upstream operations, adversely affected by lower FFB production, lower average PK price realised and higher production cost, exacerbated by reduced contribution from the Downstream operations.

The Group's net earnings for the current quarter decreased to RM27 million, compared to the preceding quarter net earnings of RM74 million mainly due to reduction in recurring PBIT but partially compensated by lower finance costs due to higher capitalisation of borrowing costs, and a net tax income reported during the current quarter as compared to the net tax expense in the preceding quarter. Please refer to B6 for explanation on tax income and expense.

## 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 average CPO price realised by the Group in the current quarter was marginally higher at RM2,021 per MT. However, Upstream operations registered a recurring LBIT of RM64 million in the current quarter, compared to a recurring PBIT of RM83 million in the preceding quarter because FFB production and average PK realised price declined by 4% and 15% respectively, and a lower fair value of biological assets recognised resulted in a charge of RM41 million in this quarter.

| | CPO price realised (RM per MT) | | | FFB production (MT'000) | | |
|---|---|---|---|---|---|---|
| | Quarter ended | | | Quarter ended | | |
| **Segment** | **June 2019** | **Mar 2019** | **+/(–) %** | **June 2019** | **Mar 2019** | **+/(–) %** |
| Upstream Malaysia | **2,031** | 1,998 | 2 | **1,308** | 1,399 | (6) |
| Upstream Indonesia | **1,940** | 2,002 | (3) | **596** | 596 | (0) |
| Upstream PNG/SI | **2,115** | 2,063 | 2 | **500** | 510 | (2) |
| Upstream Liberia | **2,062** | 2,070 | (0) | **25** | 16 | 54 |
| Total | **2,021** | 2,012 | 0 | **2,430** | 2,521 | (4) |

(i) Upstream Malaysia

Upstream Malaysia registered a PBIT of RM43 million in the current quarter, 62% lower than the preceding quarter attributable to the 6% lower FFB production and 17% lower average PK realised price which was partially mitigated by a 2% higher average realised price of CPO.

(ii) Upstream Indonesia

Upstream Indonesia reported a LBIT of RM11 million for the quarter, compared to the preceding quarter PBIT of RM9 million, mainly attributable to the 3% and 13% lower average CPO and PK prices realised, respectively and the 0.79% decline in OER to 21.19%.

(iii) Upstream PNG/SI

Upstream PNG/SI suffered higher losses at RM76 million, as compared to the preceding quarter LBIT of RM19 million mainly due to the lower fair value of biological assets in sugar cane which resulted in a charge of RM41 million, a 2% lower FFB production and higher production cost in the current quarter. The 2% higher average realised price of CPO and the 0.41% improvement in OER to 21.93% have partially mitigated the adverse impact on the recurring losses.

(iv) Upstream Liberia

Upstream Liberia operation reported an LBIT of RM20 million, similar to the preceding quarter. The impact from marginally lower average CPO price realised was mitigated by the higher FFB production.

Downstream

Downstream operations recorded a 40% lower PBIT of RM51 million in the quarter under review as compared to RM85 million reported in the preceding quarter, attributable to lower sales volumes and lower margins for both bulk and differentiated subsegments, due to higher feedstock costs and lower selling prices.

Other operations

Other operations reported lower PBIT of RM5 million, compared to RM12 million recorded in the preceding quarter. This was mainly due to the higher share of losses in a joint venture.

**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

Barring any extreme weather abnormalities, the Group expects FFB production to continue improving for the remainder of the financial year ending 31 December 2019. CPO prices are expected to remain relatively flat, mainly attributed to an expected rise in production levels due to seasonal factors, offset by a higher demand in anticipation of higher biodiesel mandates in Malaysia and Indonesia.

Other factors such as the movement of crude oil prices and the Ringgit, the heightened US-China trade tension, tax regulations in major consuming countries and competition from other edible oils are also likely to influence the market prices of CPO and other palm products.

The Group expects the business environment for the palm oil industry to remain challenging for the rest of financial year ending December 2019.

### 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:

| | Half-year ended 30 June |
|---|---|
| | **2019** |
| Depreciation and amortisation | **(610)** |
| Fair value gains/(losses): | |
| – commodities future contracts | **12** |
| – forward foreign exchange contracts | **(4)** |
| Gain on disposals of: | |
| – property, plant and equipment | **40** |
| – non-current assets held for sale | **9** |
| Impairment of: | |
| – non-current assets held for sale | **(6)** |
| – trade and other receivables | **-** * |
| Reversal of impairment: | |
| – intangible assets | **2** |
| Write off of property, plant and equipment | **(12)** |
| Write off of rights-of-use assets | **(1)** |
| Write off of inventories | **(2)** |

Included in finance costs is:

| | |
|---|---|
| Finance costs on interest rate swap contracts | **(4)** |

*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 June | Half-year ended 30 June |
|---|---|---|
| | **2019** | **2019** |
| In respect of current financial year: | | |
| – current tax | **6** | **53** |
| – deferred tax | **(98)** | **(126)** |
| | **(92)** | **(73)** |
| In respect of prior financial years: | | |
| – current tax | **9** | **4** |
| Tax income | **(83)** | **(69)** |

For the half-year ended 30 June 2019, the Group reported a net tax income of RM69 million on the back of a profit before tax of RM101 milion, mainly due to the recognition of deferred tax asset on losses suffered by the holding company of PT Mitra Austral Sejahtera ("PT MAS") on the disposal of PT MAS during the 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 August 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 June 2019 are as follows:

| | Secured | Unsecured | Total |
|---|---|---|---|
| **Long-term** | | | |
| Term loans | - | 1,112 | **1,112** |
| Bonds | - | 471 | **471** |
| Multi-currency Sukuk | - | 508 | **508** |
| Unamortised deferred financing expenses | - | (11) | **(11)** |
| | - | 2,080 | **2,080** |
| **Short-term** | | | |
| Term loans | - | 3,665 | **3,665** |
| Revolving credits | - | 2,007 | **2,007** |
| Trade facilities | 71 | - | **71** |
| Unamortised deferred financing expenses | - | (4) | **(4)** |
| | 71 | 5,668 | **5,739** |
| **Total** | 71 | 7,748 | **7,819** |
| **Borrowings of the Group consist of:** | | | |
| – principal | 71 | 7,763 | **7,834** |
| – unamortised deferred financing expenses | - | (15) | **(15)** |
| | 71 | 7,748 | **7,819** |

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 | 471 | 142 | **613** |
| Ringgit Malaysia | - | 967 | **967** |
| Thailand Baht | 36 | 6 | **42** |
| United States Dollar | 1,573 | 4,624 | **6,197** |
| | 2,080 | 5,739 | **7,819** |

**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 June 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 | - | 6 | - | 3 | **3** |
| Commodity futures contracts | - | 37 | - | 19 | **18** |
| Interest rate swap contracts | - | 5 | - | - | **5** |
| | - | 48 | - | 22 | **26** |

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 June 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 | 2,761 | **3** |

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 June 2019 that were not held for the purpose of physical delivery are as follows:

| Maturity tenor | Quantity (metric tonne) | Notional amount | Net fair value assets/ (liabilities) |
|---|---|---|---|
| Less than 1 year: | | | |
| – Purchase contracts | - | 187 | **(19)** |
| – Sale contracts | 1 | 475 | **37** |
| | | | **18** |

**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 June 2019 are as follows:

| **Effective period** | **Notional amount (USD'mill.)** | **All-in swap rate per annum (%)** |
|---|---|---|
| 19 February 2019 to 19 August 2019 | 233 | 1.75%-3.85% |

As at 30 June 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 | 966 | **5** |

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 11 May 2006, PT SHE, an indirect wholly-owned subsidiary of SDP, filed a legal action against PT AS in the District Court of Kotabaru (District Court), claiming for the surrender of around 60 hectares of land forming part of the Right to Cultivate (Hak Guna Usaha) Certificate No. 35 dated 14 May 2002 (HGU 35) belonging to PT SHE on which PT AS had allegedly carried out illegal coal mining activities. PT SHE's HGU 35 measures about 2,218 hectares. If it loses this claim, PT SHE could potentially lose HGU 35, the net book value (NBV) of which is about IDR29.0 billion (equivalent to around RM8.1 million). In addition, PT SHE would also lose the potential income from HGU 35.

On 5 December 2006, the District Court ruled in favour of PT AS and declared that HGU 35 was defective and had no force in law and that PT AS had the right to conduct mining activities on the said land (District Court Decision). PT SHE appealed to the Banjarmasin High Court against the District Court Decision. On 4 December 2007, the Banjarmasin High Court upheld the District Court Decision (1st High Court Decision). On 12 February 2008, PT SHE appealed to the Supreme Court of Indonesia (Supreme Court) against the 1st High Court Decision. On 10 March 2011, the Supreme Court ruled in favour of PT AS and ordered PT SHE to surrender 2,000 hectares of land in Desa Bunati forming part of HGU 35 to PT AS (1st Judicial Review Decision).

Meanwhile, on 24 May 2006, PT AS claimed in the State Administration Court of Banjarmasin (State Court) for an order that the mining rights held by PT AS superseded the HGU 35 held by PT SHE and that the said HGU 35 was improperly issued to PT SHE. On 26 September 2006, the State Court ruled in favour of PT SHE and dismissed PT AS's claim (State Court Decision). PT AS appealed to the Jakarta High Court of State Administration (Jakarta High Court) against the State Court Decision. On 19 February 2007, the Jakarta High Court ruled in favour of PT AS and nullified PT SHE's HGU 35 (2nd High Court Decision). On 9 December 2009, PT SHE appealed to the Supreme Court against the 2nd High Court Decision. On 26 October 2010, the Supreme Court declared PT SHE as the lawful owner of HGU 35 (2nd Judicial Review Decision).

On 7 November 2011, PT SHE filed judicial review proceedings (3rd Judicial Review) before the Supreme Court seeking a decision on the conflicting decisions of the 1st Judicial Review Decision and 2nd Judicial Review Decision. On 28 December 2012, the Supreme Court dismissed the 3rd Judicial Review on the grounds that the application cannot be determined by another judicial review decision.

On 27 March 2013, PT AS commenced execution of the 1st Judicial Review Decision and in carrying out the execution proceedings, oil palm trees were cut down and buildings and infrastructure were destroyed, resulting in damages on around 1,500 hectares of land. 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 loss and/or damage caused by PT AS in executing the 1st Judicial Review Decision.

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 and on 13 February 2015 issued a written decision (Batulicin District Court Decision). On 29 January 2015, PT AS filed an appeal to the Banjarmasin High Court against the Batulicin District Court Decision.

On 19 November 2015, the Banjarmasin High Court ruled in favour of PT AS based on the grounds that the 1st Judicial Review Decision had been deliberated and decided by the Banjarmasin High Court and Supreme Court. Thus, PT SHE is not entitled to bring the same action before the District Court of Batulicin (3rd High Court Decision).

On 22 February 2016, PT SHE filed an appeal to the Supreme Court against the 3rd High Court Decision. On 28 March 2016, PT AS filed its reply to PT SHE's appeal. The Supreme Court has rejected PT SHE's appeal and 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.

## 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)

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

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 has filed a written objection to the Central Land Office in Jakarta in respect of the said application. As at the report date, the said application to annul PT SHE's HGU 35 is still pending.

**(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")**

Prior to the SDP Group's acquisition of NBPOL, a wholly-owned subsidiary of SDP (which was completed on 2 March 2015), NBPOL, 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.

The term of the sub-leases is 25 years commencing from 2005 and expiring in 2030. NBPOL could potentially lose access to and possession over these sub-leases if it loses these claims. The potential loss to the Group is the value of the Land, which is around PGK71.3 million (equivalent to around RM87.8 million) based on the NBV of buildings, infrastructures and bearer plants on the Land. In addition, NBPOL would also lose the potential income from the Land.

NBPOL sought orders for specific performance requiring the Defendants to deliver to NBPOL their SABLs to enable the sub-leases to be registered in accordance with the Land Registration Act 1981 of PNG. In the alternative, NBPOL claimed for compensation for costs incurred by NBPOL in developing the Land into an oil palm estate totalling around PGK30.7 million (equivalent to around RM37.8 million), compensation for the appreciation of the value of the Land due to the development done by NBPOL, and compensation for the 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants pursuant to the SLAs.

The Defendants in turn cross-claimed, among others, that the SLAs were unfair and inequitable, and should be declared invalid, void and of no effect. The Defendants also claimed for damages for environmental damage and trespass to property by NBPOL.

Trial relating to NBPOL's claims against Meloks was concluded on 2 November 2016. During the submissions stage, NBPOL advised the Court that it will not pursue the alternate reliefs of compensation claimed against Meloks. 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. The Court dismissed Meloks' cross-claims. 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 will proceed with trial in respect of the claims against Rikau and Masile.

## 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.

PT MAP became the shareholder of PT ITH after purchasing 6,200 ordinary shares of PT ITH (representing 50% equity interest in PT ITH as of December 2008, which was funded by PT PS) from Yayasan Kartika Eka Paksi (YKEP). Once the former officer of YKEP for the term of 2004 to 2009 was dismissed, the newly elected officer of YKEP realised that the transfer of shares from YKEP to PT MAP is a violation of the prohibition for any direct or indirect transfer of assets of a foundation (Yayasan) to its affiliated parties. The former officer of YKEP who entered into the earlier sale was PT MAP’s shareholder and member of the Board of Directors and Board of Commissioners.

In response, the newly elected officer of YKEP tried to repurchase such shares which had already been sold to PT MAP with the same price as when PT MAP purchased it from YKEP. However, PT MAP refused such offer. YKEP then filed a lawsuit to invalidate and nullify this transfer of shares. 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.

## 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") (continued)**

Despite the existence of the Judicial Review Decision, PT MAP and PT PS still filed a lawsuit seeking compensation from all defendants, individually or jointly and severally, namely (i) PT ITH as Defendant I; (ii) PT MGG as Defendant II; (iii) PT ASM as Defendant III; (iv) Razman Bin Abdul Rahman as Defendant IV; (v) Ir. Achmad Ansori, S.H as Defendant V; (vi) Minwar Hidayat as Defendant VI; (vii) Ismail Bin Ali as Defendant VII; (viii) Ir. Safwani as Defendant VIII; (ix) Hersuhasto as Defendant IX; (x) Ir. Kurniawanto Setiadi as Defendant X; and (xi) YKEP as Defendant XI.

The compensation sought by PT MAP and PT PS comprise: (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.

**(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 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 voyage of this vessel was interrupted in Greece in June 2010, when the vessel owners declared themselves unable to continue the voyage to Bejaia, Barcelona, Lisbon and Rotterdam due to financial reasons, and the vessel was anchored in Psachna, Greece. The vessel was auctioned and in April 2011 sold to Chantico Shipmanagement Ltd. All cargoes were eventually discharged in May/April 2013. Beginning 2012, Chantico started various proceedings against cargo owners.

**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") (continued)**

The following two lawsuits are still pending:

(i) Proceedings before the Court of Piraeus, started in October 2014 (Lawsuit 1), which replaced the previous proceedings that commenced in 2012.

The writ has been served on only 4 European (including SDOZR) and 2 Algerian cargo owners so far and has yet to be served on the 3 other cargo owners. The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the total amount claimed from all 9 cargo owners (one of which is SDOZR), jointly and severally, was initially EUR11.3 million (equivalent to around RM53.0 million). However, Chantico subsequently dropped some of their claims and this amount was reduced to EUR6.0 million (equivalent to around RM28.1 million). In addition, Chantico claimed a storage fee from each cargo owner based on Chantico's alleged management of the cargo owner's assets, and the total amount claimed from SDOZR was EUR8.4 million (equivalent to around RM39.3 million). The claim for the storage fee was also subsequently dropped by Chantico. The potential exposure of SDOZR (and of the other 8 cargo owners, jointly and severally) under Lawsuit 1 is around EUR6.0 million (equivalent to around RM28.1 million), being the total of Chantico's reduced claims under Lawsuit 1. The hearing in respect of the 4 European cargo owners that have been served with a writ commenced on 12 June 2018 before the Court of Piraeus and was continued on 25 September 2018. Following the hearing on 25 September 2018, the final submissions for the case was drafted and filed with the Court of Piraeus.

(ii) Proceedings before the Court of Piraeus, started in December 2015 (Lawsuit 2) and filed against the same 9 cargo owners, including SDOZR, and a third party.

The writ has been served on SDOZR and the other cargo owners. The claim in these proceedings is based on alleged damage to the vessel and loss of profit caused by alleged actions in tort during transhipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (equivalent to around RM43.6 million). An additional claim was filed against all cargo owners, jointly and severally, of EUR380,000.00 (equivalent to around RM1.8 million) for port and anchorage dues. The hearing for these proceedings commenced on 12 June 2018 and was continued on 25 September 2018. Following the hearing on 25 September 2018, the final submissions for the case was drafted and filed in the Court of Piraeus. The potential exposure of SDOZR (and of the other 8 cargo owners, jointly and severally) under Lawsuit 2 could be up to around EUR9.7 million (equivalent to around RM45.5 million), being the total of Chantico's claims under Lawsuit 2. Also in this case, any full payment by SDOZR of any adjudged part of the joint and several EUR9.7 million claim, would give SDOZR the right to claim in recourse from the other Defendants their contribution.

Settlement negotiations in respect of Lawsuit 1 and Lawsuit 2 thus far have not led to fruitful results.

The cargo underwriters for the 7 European cargo owners, including SDOZR, had in January 2014 raised doubts on the coverage under the cargo insurance certificates for the claims under Lawsuit 1 and Lawsuit 2, but are still prepared to contribute to a settlement in Lawsuit 1 with a total sum of EUR583,000 (equivalent to around RM2.7 million) for the 7 European cargo owners, of which SDOZR's share is 27.25% or EUR158,867.50 (equivalent to around RM744,496). Our Greek counsel estimates the exposure of SDOZR (and of the other 8 cargo owners, jointly and severally) at EUR2.1 million including interest (equivalent to around RM9.8 million) for Lawsuit 1 and EUR145,000.00 including interest (equivalent to around RM679,509) for Lawsuit 2.

## 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.

[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 June | Half-year ended 30 June |
|---|---|---|
| | **2019** | **2019** |
| Profit for the financial period | **27** | **101** |
| Weighted average number of ordinary shares in issue (million units) | **6,885** | **6,885** |
| Basic earnings per share (sen) | **0.4** | **1.5** |

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 6 months from 1 January 2019 to 30 June 2019 being the second quarter of the financial year ending 31 December 2019.

Due to the change in the financial year, the performance of the current quarter and half-year ended 30 June 2019 is not comparable with the second quarter 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
30 August 2019