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QUARTERLY REPORT
On the consolidated results for the three months ended 31 March 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 31 March 2019
Revenue	A8, A9	**3,006**
Operating expenses		**(2,898)**
Other operating income		**24**
Other gains		**46**
Operating profit	B5, A9	**178**
Share of results of joint ventures		**3**
Share of results of associates		**(1)**
Profit before interest and tax	A9	**180**
Finance income		**3**
Finance costs		**(58)**
Profit before tax		**125**
Tax expense	B6	**(14)**
Profit for the financial period		**111**
Profit for the financial period consist of:		
– recurring activities		**111**
– non-recurring transactions		**-**
		111
Profit for the financial period attributable to:		
– equity holders of the Company		**74**
– Perpetual Sukuk		**31**
– non-controlling interests		**6**
		111
Earnings per share attributable to equity holders of the Company:		
Basic (sen)	B12	**1.1**

There is no comparative for the quarter ended 31 March 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 ended 31 March 2019, being the first quarter of the financial year ending 31 December 2019 is not comparable with that of the first quarter of the previous financial year ended 30 June 2018.

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

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

	Quarter ended 31 March
	2019
Profit for the financial period	**111**
Other comprehensive income/(losses):	
Items that will be reclassified subsequently to profit or loss:	
Currency translation differences gains/(losses):	
– subsidiaries	**143**
– joint ventures and associates	**(6)**
Net change in fair value of:	
– cash flow hedges loss	**(5)**
	132
Other comprehensive income for the financial period	**132**
Total comprehensive income for the financial period	**243**
Total comprehensive income for the financial period attributable to:	
– equity holders of the Company	**199**
– Perpetual Sukuk	**31**
– non-controlling interests	**13**
	243

There is no comparative for the quarter ended 31 March 2019. Due to the change in the financial year end from 30 June to 31 December, the unaudited condensed consolidated statement of comprehensive income for the current quarter ended 31 March 2019, being the first quarter of the financial year ending 31 December 2019 is not comparable with that of the first quarter of the previous financial year ended 30 June 2018.

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

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

	Note	Unaudited As at 31 March 2019	Audited As at 31 December 2018
Non-current assets			
Property, plant and equipment		**16,911**	17,004
Investment properties		**15**	15
Right-of-use assets		**2,440**	2,239
Joint ventures		**443**	447
Associates		**47**	42
Intangible assets		**2,886**	2,893
Investments at fair value through other comprehensive income ("FVOCI")		**29**	29
Deferred tax assets		**568**	509
Tax recoverable		**294**	290
Trade and other receivables		**93**	115
		23,726	23,583
Current assets			
Inventories		**1,749**	1,682
Biological assets		**171**	179
Trade and other receivables		**1,944**	2,203
Tax recoverable		**293**	302
Amounts due from related parties		**4**	2
Derivatives	B9	**48**	59
Bank balances, deposits and cash		**470**	491
		4,679	4,918
Non-current assets held for sale [(1)]		**133**	125
Total assets	A9	**28,538**	28,626
Equity			
Share capital		**1,506**	1,100
Reserves		**12,100**	12,018
Attributable to equity holders of the Company		**13,606**	13,118
Perpetual Sukuk		**2,200**	2,231
Non-controlling interests		**396**	396
Total equity		**16,202**	15,745

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

	Note	Unaudited As at 31 March 2019	Audited As at 31 December 2018
Non-current liabilities			
Retirement benefits		**227**	230
Deferred income		**-** *	- *
Deferred tax liabilities		**2,688**	2,654
Borrowings	B8	**5,148**	5,493
Lease liabilities		**159**	165
Trade and other payables		**69**	64
		8,291	8,606
Current liabilities			
Trade and other payables		**1,357**	1,467
Deferred income		**26**	29
Amounts due to related parties		**41**	61
Retirement benefits		**8**	8
Lease liabilities		**22**	27
Tax payable		**118**	89
Derivatives	B9	**17**	21
Borrowings	B8	**2,324**	1,804
Dividend payable		**117**	748
		4,030	4,254
Liabilities directly associated with non-current assets held for sale (2)		**15**	21
Total liabilities		**12,336**	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:

(1) **Non-current assets held for sale**		
Non-current assets held for sale		
– property, plant and equipment	**-** *	- *
Disposal group held for sale		
– property, plant and equipment	**66**	77
– other assets	**67**	48
	133	125
(2) **Liabilities directly associated with non-current assets held for sale**		
Disposal group held for sale		
– liabilities	**15**	21
	15	21

* Less than a 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	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
		Attributable to equity holders of the Company										
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		**-**	**-**	**-**	**-**	**-**	**-**	**74**	**74**	**31**	**6**	**111**
Other comprehensive (losses)/income for the financial period		**-**	**-**	**(5)**	**-**	**-**	**130**	**-**	**125**	**-**	**7**	**132**
Total comprehensive (losses)/income for the financial period		**-**	**-**	**(5)**	**-**	**-**	**130**	**74**	**199**	**31**	**13**	**243**
Transactions with equity holders:												
Share issue		**406**	**-**	**-**	**-**	**-**	**-**	**-**	**406**	**-**	**-**	**406**
Dividends		**-**	**-**	**-**	**-**	**-**	**-**	**(117)**	**(117)**	**-**	**(13)**	**(130)**
Distribution to Perpetual Sukuk holders		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(62)**	**-**	**(62)**
At 31 March 2019		**1,506**	**9**	**27**	**(18)**	**27**	**750**	**11,305**	**13,606**	**2,200**	**396**	**16,202**

There is no comparative for the quarter ended 31 March 2019. Due to the change in the financial year end from 30 June to 31 December, the unaudited condensed consolidated statement of changes in equity for the current quarter ended 31 March 2019, being the first quarter of the financial year ending 31 December 2019 is not comparable with that of the first 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	Quarter ended 31 March 2019
Cash flows from operating activities		
Profit for the financial period		**111**
Adjustments for:		
Share of results of joint ventures and associates		**(2)**
Finance income		**(3)**
Finance costs		**58**
Gain on disposal of:		
– property, plant and equipment	B5	**-** *
Depreciation and amortisation	B5	**326**
Property, plant and equipment written off	B5	**8**
Fair value gains:		
– commodities futures contracts	B5	**-** *
– forward foreign exchange contracts	B5	**(5)**
Unrealised foreign exchange gains	B5	**(30)**
Tax expense	B6	**14**
Fair value changes on biological assets		**(3)**
Retirement benefits		**5**
Impairment of:		
– trade and other receivables	B5	**(1)**
		478
Changes in working capital:		
Inventories		**(78)**
Trade and other receivables		**315**
Trade and other payables		**(81)**
Intercompany and related parties balances		**(22)**
Cash generated from operations		**612**
Tax paid		**(10)**
Retirement benefits paid		**(8)**
Net cash generated from operating activities		**594**
Cash flows from investing activities		
Finance income received		**3**
Purchase of:		
– property, plant and equipment		**(383)**
– intangibles assets		**(1)**
– prepaid lease rentals		**-**
– right-of-use assets		**(74)**
Proceeds from sale of:		
– property, plant and equipment		**1**
Net cash used in investing activities		**(454)**

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

	Note	Quarter ended 31 March 2019
Cash flows from financing activities		
Distribution to Perpetual Sukuk holders		**(62)**
Finance costs paid		**(86)**
Loans raised		**667**
Loan repayments		**(363)**
Repayment of lease liabilities		**(9)**
Dividends paid to shareholders		**(342)**
Dividends paid to non-controlling interests of subsidiaries		**(13)**
Net cash used in financing activities		**(208)**
Net changes in cash and cash equivalents during the financial period		**(68)**
Foreign exchange difference		**47**
Cash and cash equivalents at beginning of the period		**491**
Cash and cash equivalents at end of the period		**470**
For the purpose of the statement of cash flows, cash and cash equivalents comprised the following:		
Bank balances, deposits and cash		**470**

* Less than a million

There is no comparative for the quarter ended 31 March 2019. Due to the change in the financial year end from 30 June to 31 December, the unaudited condensed consolidated statement of cash flows for the current quarter ended 31 March 2019, being the first quarter of the financial year ending 31 December 2019 is not comparable with that of the first 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 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 early 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

(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 quarter ended 31 March 2019 are as follows:

	Quarter ended 31 March 2019
In respect of financial year ended 30 June 2018:	
Final single tier dividend of RM0.08 sen per share, paid on 7 January 2019	544
Special final single tier dividend of RM0.03 sen per share, paid on 7 January 2019	204
	748

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.

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	Quarter ended 31 March 2019
Revenue from contracts with customers	A8(a)	**3,002**
Revenue from other sources	A8(b)	**4**
Total revenue		**3,006**

(a) Disaggregation of revenue from contracts with customers

	2019
Upstream	
– Malaysia	**153**
– Indonesia	**199**
– Papua New Guinea and Solomon Islands ("PNG/SI")	**359**
– Liberia	**7**
Downstream	**2,269**
Other operations	**15**
	3,002
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**2,919**
Freight services	**81**
Tolling services	**2**
	3,002
Timing of revenue recognition	
– at point in time	**2,919**
– over time	**83**
	3,002

(b) Revenue from other sources

	2019
Rental income	**4**
	4

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

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

	Expected timing of recognition During the 3 months ending 30 June 2019
Freight income	**26**

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
Quarter ended 31 March 2019								
Segment revenue:								
External sales	**155**	**199**	**361**	**7**	**2,269**	**15**	**-**	**3,006**
Inter-segment sales	**656**	**276**	**45**	**-**	**880**	**79**	**(1,936)**	**-**
Total revenue	**811**	**475**	**406**	**7**	**3,149**	**94**	**(1,936)**	**3,006**
Segment results:								
Operating profit/(loss) – recurring activities	**113**	**9**	**(19)**	**(20)**	**85**	**10**	**-**	**178**
Share of results of joint ventures and associates	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Profit/(loss) before interest and tax	**113**	**9**	**(19)**	**(20)**	**85**	**12**	**-**	**180**

There is no comparative for the quarter ended 31 March 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 31 March 2019	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Upstream Liberia	Downstream	Other operations	Inter-segment elimination	Total
Segment assets:								
Operating assets	9,261	4,698	8,703	284	3,555	259	-	26,760
Joint ventures and associates	-	-	-	-	-	490	-	490
Non-current assets held for sale	-	133	-	-	-	-	-	133
	9,261	4,831	8,703	284	3,555	749	-	27,383
Tax assets								1,155
Total assets								28,538

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

Amounts in RM million unless otherwise stated

A10. Capital commitments

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

	Unaudited **As at 31 March 2019**	**Audited** **As at 31 December 2018**
Property, plant and equipment		
– contracted	**320**	331
– not contracted	**42**	69
	362	400
Other capital expenditure		
– not contracted	**477**	681
	477	681
	839	1,081

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Quarter ended 31 March **2019**
(a) Transactions with a joint venture	
(i) Sale of goods and tolling services – Emery Oleochemicals (M) Sdn Bhd	**5**
(b) Transactions with associates	
(i) Purchase of goods – Thai Eastern Trat Company Limited	**7**

(c) Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.42% as at 31 March 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

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:

		Quarter ended 31 March 2019
(i)	Payroll, accounting and IT processing costs	
	– Sime Darby Global Services Centre Sdn Bhd	**19**
(ii)	Purchase of heavy equipment, spare parts and services	
	– Sime Darby Industrial Holdings Sdn Bhd	**5**
	– Sime Kubota Sdn Bhd	**1**
(iii)	Lease of agricultural land	
	– Kumpulan Sime Darby Berhad	**2**

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

A13. Commitments and contingent liabilities – unsecured

(a) Guarantees

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

The financial guarantees are as follows:

	As at 31 March 2019
Guarantees in respect of credit facilities granted to:	
– certain associates and a joint venture	**6**
– plasma stakeholders	**43**
	49

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 against corresponding 3 months ended 31 March 2018

	Quarter ended 31 March		+/(–)
	2019	**2018**	**%**
Revenue	**3,006**	3,659	(18)
Segment results:			
Upstream Malaysia	**113**	253	(55)
Upstream Indonesia	**9**	11	(18)
Upstream PNG/SI	**(19)**	38	>(100)
Upstream Liberia	**(20)**	(19)	(5)
Downstream	**85**	65	31
Other operations	**12**	14	(14)
Recurring profit before interest and tax	**180**	362	(50)
Non-recurring transactions	**-**	28	
Profit before interest and tax	**180**	390	(54)
Finance income	**3**	3	
Finance costs	**(58)**	(41)	
Profit before tax	**125**	352	(64)
Tax expense	**(14)**	(67)	
Profit after tax	**111**	285	(61)
Perpetual Sukuk	**(31)**	(30)	
Non-controlling interests	**(6)**	(6)	
Profit after tax attributable to equity holders of the Company	**74**	249	(70)

The Group posted net earnings of RM74 million for the quarter ended 31 March 2019, a 70% decline as compared to the corresponding quarter of the previous year, mainly attributable to lower profit before interest and tax ("PBIT") and higher finance costs. Recurring PBIT of RM180 million for the quarter was 50% lower than the corresponding quarter of the previous year, mainly due to lower profits from the Upstream operations affected by lower average crude palm oil ("CPO") and palm kernel ("PK") prices realised, but was partially cushioned by the improved performance of Downstream operations. The non-recurring net gain of RM28 million reported in the corresponding quarter of the previous year comprised of a gain on sale of land in Melaka, which offset the impairment of a rubber development in Indonesia and a writedown of an investment in the United States. The Group's finance costs of RM58 million for the quarter under review was higher than the corresponding quarter last year by RM17 million due to higher level of borrowings and higher interest rates.

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 against corresponding 3 months ended 31 March 2018 (continued)

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

Upstream

In the quarter ended 31 March 2019, Upstream operations reported a recurring PBIT of RM83 million in comparison with RM283 million reported in the corresponding quarter of the previous year. PBIT declined by 71% despite improvements in the Group's fresh fruit bunch ("FFB") production and oil extraction rate ("OER") by 8% and 0.38% (from 21.03% to 21.41%) respectively, as compared to the corresponding quarter of the previous year. The weaker performance was largely due to lower average CPO and PK prices realised, which declined by 18% and 43% respectively in the quarter under review.

	CPO price realised (RM per MT)			**FFB production (MT'000)**		
	Quarter ended		**+/(–)**	**Quarter ended**		**+/(–)**
Segment	**Mar 2019**	**Mar 2018**	**%**	**Mar 2019**	**Mar 2018**	**%**
Upstream Malaysia	**1,998**	2,480	(19)	**1,399**	1,367	2
Upstream Indonesia	**2,002**	2,270	(12)	**596**	523	14
Upstream PNG/SI	**2,063**	2,644	(22)	**510**	437	17
Upstream Liberia	**2,070**	2,181	(5)	**16**	12	33
Total	**2,012**	2,452	(18)	**2,521**	2,339	8

(i) Upstream Malaysia

Upstream Malaysia registered a 55% decline in PBIT to RM113 million in the quarter under review, on the back of lower average realised prices for both CPO and PK. The average CPO realised price for the quarter declined by 19% to RM 1,998 per MT whilst the average PK realised price of RM1,322 per MT for the current quarter was 38% lower than the previous corresponding quarter. The adverse price variances were partially mitigated by higher FFB production (2% increase) and OER which increased from 20.48% to 21.09% in the current quarter.

(ii) Upstream Indonesia

Upstream Indonesia recorded a PBIT of RM9 million, a slight decline from RM11 million registered in the same quarter last year. The adverse price impact on PBIT arising from the decline in the average realised prices for CPO (lower by 12%) and PK from RM1,861 per MT to RM994 per MT (lower by 47%) in the quarter under review were cushioned by improvements in FFB production (14% increase) and OER which increased from 21.79% to 21.98%.

(iii) Upstream PNG/SI

Upstream PNG/SI reported a loss before interest and tax ("LBIT") of RM19 million in the quarter under review, compared to a PBIT of RM38 million in the corresponding quarter of the previous year. This was due to the weaker average realised price of CPO (declined by 22%) and lower OER (declined from 22.00% to 21.52%), partially mitigated by a 17% improvement in FFB production.

(iv) Upstream Liberia

Upstream Liberia registered a LBIT of RM20 million in the quarter under review, a slight increase from the loss of RM19 million reported in the corresponding quarter of the previous year. FFB production (increased by 33%) and higher OER (increased from 18.12% to 21.63%) compensated for the lower average realised prices of CPO (declined by 5%) and PK (declined by 71%).

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 against corresponding 3 months ended 31 March 2018 (continued)

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

Downstream

Downstream operations recorded a PBIT of RM85 million in the quarter under review, 31% higher than the corresponding quarter of the previous year. Operations in Asia Pacific (APAC) showed improved performance arising from higher sales volumes and better margins driven by favourable import duties in India as well as zero export levies in Indonesia since December 2018, which compensated for the decline in profits of differentiated businesses in Europe, Middle East, and Africa (EMEA) due to fair value losses in commodity hedges, lower sales volumes and lower margins affected by stiffer competition.

Other operations

Other operations reported a PBIT of RM12 million, slightly lower than RM14 million recorded in the corresponding quarter of the previous year. Despite better results reported by associates and joint ventures in the current quarter, PBIT was still higher in the corresponding quarter of the previous year due to the one-off dividend income recorded in that 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)

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

	Quarter ended		
	31 Mar 2019	**31 Dec 2018**	**+/(–) %**
Revenue	**3,006**	3,504	(14)
Segment results:			
Upstream Malaysia	**113**	176	(36)
Upstream Indonesia	**9**	5	80
Upstream PNG/SI	**(19)**	27	>(100)
Upstream Liberia	**(20)**	(23)	13
Downstream	**85**	98	(13)
Other operations	**12**	3	>100
Recurring profit before interest and tax	**180**	286	(37)
Non-recurring transactions	**-**	14	
Profit before interest and tax	**180**	300	(40)
Finance income	**3**	4	
Finance costs	**(58)**	(59)	(2)
Profit before tax	**125**	245	(49)
Tax expense	**(14)**	(86)	
Profit after tax	**111**	159	(30)
Perpetual Sukuk	**(31)**	(30)	
Non-controlling interests	**(6)**	-	
Profit after tax attributable to equity holders of the Company	**74**	129	(43)

The Group recorded a recurring PBIT of RM180 million as compared to RM286 million in the preceding quarter, mainly attributable to the lower contribution from Upstream operations, adversely affected by lower FFB production and lower average PK prices realised, exacerbated by reduced contribution from the Downstream operations. Higher CPO prices and OER mitigated the decline in the Group PBIT.

The Group's net earnings for the current quarter decreased by 43% to RM74 million, compared to the preceding quarter net earnings of RM129 million mainly due to reduction in recurring PBIT by 37%. Tax expense for the quarter which translates into an effective tax rate of 11.2% reduced the impact of lower net earnings. Please refer to B6 for explanation on tax 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 Upstream operations registered a recurring PBIT of RM83 million in the current quarter, 55% lower compared to RM185 million in the preceding quarter, attributable to lower FFB production and average PK prices realised (both declined by 10%). However, higher average CPO realised prices (increased by 8%) as well as the increase in OER from 21.28% to 21.41% cushioned the decline in the Upstream PBIT.

	CPO price realised (RM per MT)			**FFB production (MT'000)**		
	Quarter ended			**Quarter ended**		
Segment	**Mar 2019**	**Dec 2018**	**+/(–) %**	**Mar 2019**	**Dec 2018**	**+/(–) %**
Upstream Malaysia	**1,998**	1,939	3	**1,399**	1,505	(7)
Upstream Indonesia	**2,002**	1,663	20	**596**	794	(25)
Upstream PNG/SI	**2,063**	2,155	(4)	**510**	481	6
Upstream Liberia	**2,070**	1,840	13	**16**	26	(38)
Total	**2,012**	1,870	8	**2,521**	2,806	(10)

(i) Upstream Malaysia

Upstream Malaysia registered a PBIT of RM113 million in the current quarter, 36% lower than the preceding quarter attributable to the 7% lower FFB production and 8% lower average PK realised price at RM1,322 per MT (declined from RM1,434 per MT). These adverse impact on PBIT were partially mitigated by higher average realised price of CPO (increased by 3%) and higher reported OER of 21.09% compared to 20.68% in the preceding quarter.

(ii) Upstream Indonesia

In contrast to Upstream operations in other territories which recorded lower profit in the current quarter, Upstream Indonesia reported a higher PBIT for the quarter at RM9 million, compared to the preceding quarter PBIT of RM5 million. The significant increase in average CPO price realised (20%) in the current quarter offset the lower FFB production (declined by 25%), lower average PK realised price (declined by 13%) and the decline in OER, from 21.10% in the preceding quarter to 21.03% in the current quarter.

(iii) Upstream PNG/SI

Upstream PNG/SI reported an LBIT of RM19 million, as compared to the preceding quarter PBIT of RM27 million mainly due to the decline in OER which fell from 22.95% to 21.52% due to the rainy season particularly in West New Britain, and lower average CPO realised price which declined by 4% in the quarter under review. In contrast to other Upstream segments, FFB production in PNG/SI for this quarter is higher by 6%.

(iv) Upstream Liberia

Upstream Liberia operation reported an LBIT of RM20 million, lower than RM23 million loss registered in the preceding quarter, attributable to the higher average price realised for CPO which mitigated the impact of lower FFB production.

Downstream

Downstream operations recorded a PBIT of RM85 million in the quarter under review as compared to RM98 million reported in the preceding quarter. The decline in profits reported by EMEA, impacted by lower margins and sales volumes and fair value loss on commodity hedges, was partially mitigated by the higher profits registered by APAC as the differentiated and bulk operations reported better margins and higher volume.

Other operations

PBIT of other operations in the current quarter increased to RM12 million from RM3 million recorded in the preceding quarter. This was mainly due to the net share in profits of associates and joint ventures reported in the current quarter, as compared to the net share of losses incurred in the preceding 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)

B3. Prospect

Barring any extreme weather abnormalities, the Group expects FFB production to improve in the financial year ending 31 December 2019. CPO prices are expected to strengthen in the second half of 2019, as demand picks up in anticipation of higher biodiesel mandates in Malaysia and Indonesia.

Other factors such as the movement of crude oil prices and the Ringgit, the on-going 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.

In light of the current business environment for the palm oil industry, the Group expects its recurring operating performance for the financial year ending 31 December 2019 to remain challenging.

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:

	Quarter ended 31 March
	2019
Depreciation and amortisation	**(326)**
Fair value gains:	
– commodities future contracts	**-** *
– forward foreign exchange contracts	**5**
Gain on disposals of:	
– property, plant and equipment	
– recurring activities	**-** *
Impairment of:	
– trade and other receivables	**1**
Unrealised foreign exchange gains	**30**
Write off of property, plant and equipment	**(8)**

Included in finance costs is:

Finance costs on interest rate swap contracts	**2**

*Less than a million.

Amounts in RM million unless otherwise stated

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

B6. Tax expense

	Quarter ended 31 March
	2019
In respect of current financial year:	
– current tax	**47**
– deferred tax	**(28)**
	19
In respect of prior financial years:	
– current tax	**(5)**
	14

The effective tax rate of 11.2% for the quarter under review was lower than the statutory tax rate, mainly due to recognition of RM33 million deferred tax assets 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.

B7. Status of announced corporate proposals

There are no corporate proposals announcement but not completed as at 24 May 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 31 March 2019 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	-	2,737	**2,737**
Revolving credits	-	1,469	**1,469**
Bonds	-	459	**459**
Multi-currency Sukuk	-	500	**500**
Unamortised deferred financing expenses	-	(17)	**(17)**
	-	5,148	**5,148**
Short-term			
Term loans	-	579	**579**
Revolving credits	-	1,733	**1,733**
	12	2,312	**2,324**
Total	12	7,460	**7,472**
Borrowings of the Group consist of:			
– principal	12	7,477	**7,489**
– unamortised deferred financing expenses	-	(17)	**(17)**
	12	7,460	**7,472**

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	459	81	**540**
Ringgit Malaysia	-	862	**862**
Thailand Baht	35	6	**41**
United States Dollar	4,654	1,375	**6,029**
	5,148	2,324	**7,472**

Amounts in RM million unless otherwise stated

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

B9. Derivatives

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

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

	Classification in Statement of Financial Position				
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	Net fair value
Forward foreign exchange contracts	-	6	-	1	**5**
Commodity futures contracts	-	31	-	16	**15**
Interest rate swap contracts	-	11	-	-	**11**
	-	48	-	17	**31**

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

Forward foreign exchange contracts

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

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

As at 31 March 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	498	**5**

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 31 March 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	93,693	232	**(17)**
– Sale contracts	260,354	367	**32**
			15

Amounts in RM million unless otherwise stated

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

B9. Derivatives (continued)

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

Interest rate swap contracts

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

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

The outstanding interest rate swap contracts, all plain vanilla, as at 31 March 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 31 March 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	951	**11**

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. As at the report date, the decision of the judicial review is pending.

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 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. The JR will be heard on a date to be fixed by the Court.

[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 31 March
	2019
Profit for the financial period	**74**
Weighted average number of ordinary shares in issue (million units)	**6,885**
Basic earnings per share (sen)	**1.1**

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 3 months from 1 January 2019 to 31 March 2019 being the first quarter of the financial year ending 31 December 2019.

Due to the change in the financial year, the performance of the current quarter ended 31 March 2019 is not comparable with the first 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
31 May 2019