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QUARTERLY REPORT
On the consolidated results for the three months ended 30 September 2018

The Directors are pleased to annouce the followings:

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

	Note	Three months ended 30 September 2018	2017	+/(–) %
Revenue	A8, A9	**3,039**	3,541	(14)
Operating expenses		**(2,837)**	(2,924)	
Other operating income		**47**	18	
Other gains		**3**	646	
Operating profit	B5, A9	**252**	1,281	(80)
Share of results of joint ventures		**6**	2	
Share of results of associates		**1**	1	
Profit before interest and tax	A9	**259**	1,284	(80)
Finance income		**4**	12	
Finance costs	B5	**(51)**	(57)	
Profit before tax		**212**	1,239	(83)
Tax expense	B6	**(59)**	(180)	
Profit for the financial period		**153**	1,059	(86)
Profit for the financial period consist of:				
– recurring activities		**153**	310	(51)
– non-recurring transactions		**–**	749	
		153	1,059	(86)
Profit for the financial period attributable to:				
– equity holders of the Company		**115**	1,019	(89)
– Perpetual Sukuk		**32**	32	
– non-controlling interests		**6**	8	
		153	1,059	(86)
Earnings per share attributable to owners of the Company:				
Basic (sen)	B12	**1.7**	15.0	(89)

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 year ended 30 June 2018.

SIME DARBY PLANTATION BERHAD
(Company No.: 647766 V)

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

	Three months ended 30 September		+/(–)
	2018	**2017**	**%**
Profit for the financial period	**153**	1,059	(86)
Other comprehensive income/(loss):			
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences:			
– subsidiaries	**355**	(161)	
– joint ventures and associates	**6**	7	
Cash flow hedge			
– changes in fair value	**(2)**	(1)	
– transfer to profit or loss	**(9)**	–	
	350	(155)	
Items that will be not reclassified subsequently to profit or loss:			
Investments at fair value through other comprehensive income ("FVOCI"):			
– changes in fair value	**2**	–	
	2	–	
Other comprehensive income/(loss) for the financial period	**352**	(155)	
Total comprehensive income for the financial period	**505**	904	
Total comprehensive income for the financial period attributable to:			
– equity holders of the Company	**468**	864	(46)
– Perpetual Sukuk	**32**	32	
– non-controlling interests	**5**	8	
	505	**904**	(44)

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 year ended 30 June 2018.

SIME DARBY PLANTATION BERHAD
(Company No.: 647766 V)

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

	Note	Unaudited As at 30 September 2018	Audited As at 30 June 2018
Non-current assets			
Property, plant and equipment		**16,649**	17,742
Investment properties		**15**	15
Prepaid lease rentals		**–**	529
Right-of-use assets		**2,336**	–
Joint ventures		**456**	437
Associates		**28**	39
Intangible assets		**3,156**	2,825
Available-for-sale investments		**–**	28
Investments at fair value through other comprehensive income ("FVOCI")		**30**	–
Deferred tax assets		**525**	519
Tax recoverable		**262**	275
Trade and other receivables		**86**	109
		23,543	22,518
Current assets			
Inventories		**1,983**	1,571
Biological assets		**169**	152
Trade and other receivables		**2,221**	2,301
Tax recoverable		**312**	307
Amount due from related parties		**4**	3
Derivatives	B9	**73**	57
Bank balances, deposits and cash		**460**	363
		5,222	4,754
Non-current assets held for sale [(a)]		**221**	219
Total assets	A9	**28,986**	27,491
Equity			
Share capital		**1,100**	1,100
Reserves		**12,831**	12,575
Attributable to equity holders of the Company		**13,931**	13,675
Perpetual Sukuk		**2,200**	2,231
Non-controlling interests		**413**	408
Total equity		**16,544**	16,314

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

	Note	Unaudited As at 30 September 2018	Audited As at 30 June 2018
Non-current liabilities			
Retirement benefits		**207**	213
Deferred income		**–**	1
Deferred tax liabilities		**2,614**	2,497
Borrowings	B8	**5,500**	5,395
Lease liabilities		**179**	13
Trade and other payables		**13**	60
		8,513	8,179
Current liabilities			
Trade and other payables		**1,772**	1,588
Deferred income		**20**	19
Amounts due to related parties		**40**	54
Retirement benefits		**10**	10
Lease liabilities		**9**	1
Tax payable		**144**	161
Derivatives	B9	**21**	25
Borrowings	B8	**1,659**	1,094
Dividend payable		**204**	–
		3,879	2,952
Liabilities directly associated with non-current assets held for sale [b]		**50**	46
Total liabilities		**12,442**	11,177
Total equity and liabilities		**28,986**	27,491
Net assets per share attributable to equity holders of the Company (RM)		**2.05**	2.01

Note:

[a] **Assets held for sale**

	As at 30 September 2018	As at 30 June 2018
Non-current assets held for sale		
– property, plant and equipment	**46**	44
Disposal group held for sale		
– property, plant and equipment	**82**	82
– other assets	**93**	93
	221	219

[b] **Liabilities directly associated with assets held for sale**

	As at 30 September 2018	As at 30 June 2018
Disposal group held for sale		
– liabilities	**50**	46
	50	46

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 year ended 30 June 2018.

SIME DARBY PLANTATION BERHAD
(Company No.: 647766 V)

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

		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
At 1 July 2018, as previously stated		**1,100**	**13**	**45**	**(18)**	**26**	**450**	**12,059**	**13,675**	**2,231**	**408**	**16,314**
Effects of adopting MFRS 9 and MFRS 16	A15	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(8)**	**–**	**–**	**(8)**
At 1 July 2018, restated		**1,100**	**13**	**45**	**(18)**	**26**	**450**	**12,051**	**13,667**	**2,231**	**408**	**16,306**
Profit for the financial period		**–**	**–**	**–**	**–**	**–**	**–**	**115**	**115**	**32**	**6**	**153**
Other comprehensive (losses)/income for the financial period		**–**	**–**	**(11)**	**–**	**2**	**362**	**–**	**353**	**–**	**(1)**	**352**
Total comprehensive (losses)/income for the financial period		**–**	**–**	**(11)**	**–**	**2**	**362**	**115**	**468**	**32**	**5**	**505**
Transactions with equity holders:												
Dividends		**–**	**–**	**–**	**–**	**–**	**–**	**(204)**	**(204)**	**–**	**–**	**(204)**
Distribution to Perpetual Sukuk holders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(63)**	**–**	**(63)**
At 30 September 2018		**1,100**	**13**	**34**	**(18)**	**28**	**812**	**11,962**	**13,931**	**2,200**	**413**	**16,544**

SIME DARBY PLANTATION BERHAD
(Company No.: 647766 V)

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

	Attributable to equity holders of the Company										
	Share capital	**Capital reserve**	**Hedging reserve**	**Merger server**	**Investments at FVOCI reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Perpetual Sukuk**	**Non-controlling interests**	**Total equity**
At 1 July 2017	600	13	(4)	(18)	76	1,158	10,633	12,458	2,231	434	15,123
Profit for the financial period	–	–	–	–	–	–	1,019	1,019	32	8	1,059
Other comprehensive losses for the financial period	–	–	(1)	–	–	(154)	–	(155)	–	–	(155)
Total comprehensive (losses)/income for the financial period	–	–	(1)	–	–	(154)	1,019	864	32	8	904
Transactions with equity holders:											
Dividends	–	–	–	–	–	–	–	–	–	(6)	(6)
Distribution to Perpetual Sukuk holders	–	–	–	–	–	–	–	–	(63)	–	(63)
At 30 September 2017	600	13	(5)	(18)	76	1,004	11,652	13,322	2,200	436	15,958

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 year ended 30 June 2018.

SIME DARBY PLANTATION BERHAD
(Company No.: 647766 V)

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

		Three months ended 30 September	
	Note	**2018**	**2017**
Cash flows from operating activities			
Profit for the financial period		**153**	1,059
Adjustments for:			
Share of results of joint ventures and associates		**(7)**	(3)
Finance income		**(4)**	(12)
Finance costs		**51**	57
Gain on disposal of:			
– property, plant and equipment	B5	**(14)**	(13)
– non-current assets held for sale	B5	**–**	(676)
Depreciation and amortisation	B5	**267**	268
Property, plant and equipment written off	B5	**13**	8
Fair value (gains)/losses:			
– commodities futures contracts	B5	**(3)**	17
– forward foreign exchange contracts	B5	**(7)**	8
Unrealised exchange losses	B5	**7**	12
Tax expense	B6	**59**	180
Fair value changes on biological assets		**(13)**	(19)
Retirement benefits		**12**	–
Impairment of:			
– trade and other receivables	B5	**2**	2
		516	888
Changes in working capital:			
Inventories		**(427)**	(223)
Trade and other receivables		**218**	29
Trade and other payables		**171**	(61)
Intercompany and related parties balances		**–**	(45)
Cash generated from operations		**478**	588
Tax paid		**(76)**	(47)
Retirement benefits paid		**(11)**	–
Net cash generated from operating activities		**391**	541
Cash flows from investing activities			
Finance income received		**4**	6
Acquisition of subsidiary		**(267)**	–
Purchase of:			
– property, plant and equipment		**(391)**	(327)
– intangibles assets		**(46)**	–
Proceeds from sale of:			
– property, plant and equipment		**19**	15
Net cash used in investing activities		**(681)**	(306)

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

	Note	Three months ended 30 September 2018	2017
Cash flows from financing activities			
Distribution to Perpetual Sukuk holders		**(63)**	(63)
Finance costs paid		**(55)**	(43)
Loans raised		**811**	212
Loan repayments		**(312)**	(106)
Advances from fellow subsidiaries		**–**	287
Dividends paid to non-controlling interests of subsidiaries		**–**	(6)
Net cash generated from financing activities		**381**	281
Net changes in cash and cash equivalents during the financial period		**91**	516
Foreign exchange difference		**3**	(11)
Cash and cash equivalents at beginning of the period		**363**	713
Reclassified to non-current assets held for sale		**3**	–
Cash and cash equivalents at end of the period		**460**	1,218
For the purpose of the statement of cash flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		**460**	1,218

Details of significant non-cash transactions during the financial period are set out in Note A11(f) to the financial statements.

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 year ended 30 June 2018.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2018
Amounts in RM million unless otherwise stated

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 year 30 June 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 year ended 30 June 2018 except as described below:

(a) New accounting pronouncements that have been adopted in this interim financial report:

(i) New accounting pronouncements with effective date on or after 1 July 2018

- Amendments to MFRS 140 "Classification on 'Change in Use' - Assets Transferred to, or from, Investment Properties"
- IC Interpretation 22 "Foreign Currency Translations and Advance Consideration"
- MFRS 9 "Financial Instruments"

The adoption of the above new accounting pronouncements do not have any significant impact to the Group's financial statements, except as disclosed below:

MFRS 9 "Financial Instruments"

The Group has adopted MFRS 9 "Financial Instruments" on 1 July 2018.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in fair value in other comprehensive income ("OCI") (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature of the Group's disclosure on its financial instruments.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A2. Accounting policies (continued)

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 year ended 30 June 2018 except as described below: (continued)

(a) New accounting pronouncements that have been adopted in this interim financial report: (continued)

(i) New accounting pronouncements with effective date on or after 1 July 2018 (continued)

The Group has assessed the impact of adoption of MFRS 9 on 1 July 2018 and has identified the following:

- The Group's equity instruments that were currently classified as available-for-sale investments satisfy the conditions for classification under FVOCI and hence there will be no change to the accounting treatment of these assets.
- Additional provision of RM8 million based on ECL model is recognised in the retained profits as at 1 July 2018.

As permitted by the transitional provision of MFRS 9, the Group has elected to adopt the modified retrospective approach.

(ii) New accounting pronouncement that has yet to be effective but has been early adopted:

- MFRS 16 "Leases"

The Group has elected to early adopt MFRS 16 "Leases" which will take effect on or after 1 January 2019, on 1 July 2018.

MFRS 16 replaces the guidance in MFRS 117 "Leases", IC Interpretation 4: Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases – Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 "Property, Plant and Equipment" whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made.

Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

As permitted by the transitional provision of MFRS 16, the Group has elected to recognise the cumulative effects of the initial application of the standard at the date of initial application.

As a result, leasehold land and prepaid lease rentals have been reclassified to ROU assets together with a recognition of additional RM187 million of ROU assets on 1 July 2018.

The financial impact of the adoption of MFRS 9 and MFRS 16 on the financial statements of the Group are disclosed in Note A15.

(b) Accounting pronouncements that are yet to be effective and have not been early adopted are set out below:

- 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 Group is in the process of assessing the impact arising from adoption of the above pronouncements.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A2. Accounting policies (continued)

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 year ended 30 June 2018 except as described below: (continued)

(c) Accounting pronouncement where the effective date has been deferred to a date to be determined by 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.

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

No dividend was paid during the period under review.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A8. Revenue

The Group derived the following types of revenue:

	Note	Three months ended 30 September 2018	2017
Revenue from contracts with customers	A8(a)	**3,037**	3,540
Revenue from other sources	A8(b)	**2**	1
Total revenue		**3,039**	3,541

(a) Disaggregation of revenue from contracts with customers

	2018	2017
Upstream		
– Malaysia	**155**	322
– Indonesia	**165**	171
– Papua New Guinea and Solomon Islands ("PNG/SI")	**368**	411
– Liberia	**10**	10
Downstream	**2,320**	2,610
Other operations	**19**	16
	3,037	3,540
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**2,989**	3,498
Freight services	**45**	40
Tolling services	**3**	2
	3,037	3,540
Timing of revenue recognition		
– at point in time	**2,989**	3,498
– over time	**48**	42
	3,037	3,540

(b) Revenue from other sources

	2018	2017
Rental income	**2**	1
	2	1

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

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 30 September 2018:

	Expected timing of recognition During the 3 months ending 31 December 2018
Freight income	**20**

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2018
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
Three months ended 30 September 2018								
Segment revenue:								
External sales	**157**	**165**	**368**	**10**	**2,320**	**19**	**–**	**3,039**
Inter-segment sales	**696**	**155**	**36**	**–**	**25**	**77**	**(989)**	**–**
Total revenue	**853**	**320**	**404**	**10**	**2,345**	**96**	**(989)**	**3,039**
Segment results:								
Operating profit/(loss)								
– recurring activities	**125**	**63**	**30**	**(18)**	**48**	**4**	**–**	**252**
Share of results of joint ventures and associates	**–**	**–**	**–**	**–**	**–**	**7**	**–**	**7**
Profit/(loss) before interest and tax	**125**	**63**	**30**	**(18)**	**48**	**11**	**–**	**259**
Three months ended 30 September 2017								
Segment revenue:								
External sales	322	38	412	10	2,743	16	–	3,541
Inter-segment sales	742	612	155	–	110	68	(1,687)	–
Total revenue	1,064	650	567	10	2,853	84	(1,687)	3,541
Segment results:								
Operating profit/(loss)								
– recurring activities	304	117	38	(23)	70	3	–	509
– non-recurring transactions	772	–	–	–	–	–	–	772
Share of results of joint ventures and associates	–	–	–	–	–	3	–	3
Profit/(loss) before interest and tax	1,076	117	38	(23)	70	6	–	1,284

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2018
Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information (continued)

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Upstream Liberia	Downstream	Other operations	Inter-segment elimination	Total
As at 30 September 2018								
Segment assets:								
Operating assets	**9,001**	**4,410**	**8,755**	**307**	**4,414**	**295**	**–**	**27,182**
Joint ventures and associates	**–**	**–**	**–**	**–**	**–**	**484**	**–**	**484**
Non-current assets held for sale	**44**	**133**	**–**	**–**	**44**	**–**	**–**	**221**
	9,045	**4,543**	**8,755**	**307**	**4,458**	**779**	**–**	**27,887**
Tax assets								**1,099**
Total assets								**28,986**
As at 30 September 2017								
Segment assets:								
Operating assets	9,814	4,556	8,403	414	3,902	429	–	27,518
Joint ventures and associates	–	–	–	–	–	620	–	620
Non-current assets held for sale	28	135	–	–	4	331	–	498
	9,842	4,691	8,403	414	3,906	1,380	–	28,636
Tax assets								1,312
Total assets								29,948

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 As at 30 September 2018	Audited As at 30 June 2018
Property, plant and equipment		
– contracted	**314**	256
– not contracted	**119**	112
	433	368
Other capital expenditure		
– contracted	**1**	–
– not contracted	**798**	1,208
	799	1,208
	1,232	1,576

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Three months ended 30 September	
	2018	**2017**
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services – Emery Oleochemicals (M) Sdn Bhd	**6**	13
(b) Transactions with associates		
(i) Purchase of latex concentrate – Muang Mai Guthrie Public Company Limited	**–**	3
(ii) Purchase of CPO – Thai Eastern Trat Company Limited	**12**	23

(c) Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 53.71% as at 30 September 2018 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and the Company.

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A11. Significant related party transactions (continued)

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

(c) Transactions with shareholders and Government (continued)

Transactions entered into with government related entities include the following:

	Three months ended 30 September	
	2018	**2017**
(i) Payroll, accounting and IT processing costs *		
– Sime Darby Global Services Centre Sdn Bhd	**13**	–
(ii) Purchase of heavy equipment, spare parts and services *		
– Sime Darby Industrial Holdings Sdn Bhd	**11**	–
– Sime Kubota Sdn Bhd	**6**	–
(iii) Lease of agricultural land		
– Kumpulan Sime Darby Berhad	**2**	–

* Prior to demerger of Sime Darby Berhad in November 2017, these transactions and related balances were previously included as transactions with former fellow subsidiaries in Note A11(e).

These related party transactions were entered into in the ordinary course of business on normal trade terms and conditions.

	Three months ended 30 September	
	2018	**2017**
(d) Transactions with former immediate holding company (Sime Darby Berhad)		
(i) Payment on behalf	**–**	145
(e) Transactions with former fellow subsidiaries of Sime Darby Berhad (prior to demerger in November 2017)		
(i) Payroll, accounting and IT processing costs		
– Sime Darby Global Services Centre Sdn Bhd	**–**	18
(ii) Management fee expenses		
– Sime Darby Holdings Berhad	**–**	10
(iii) Interest expenses		
– Sime Darby Holdings Berhad	**–**	14
(iv) Purchase of heavy equipment, spare parts and services		
– Sime Darby Industrial Holdings Sdn Bhd	**–**	12
– Sime Kubota Sdn Bhd	**–**	2
(v) Gain on sale of lands		
– Sime Darby Property Berhad	**–**	676

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)

(f) Significant non-cash transactions

The significant non-cash related party transactions as set out below were entered into to settle against the amount due to Sime Darby Holdings Berhad, a wholly-owned subsidiary of Sime Darby Berhad:

	Three months ended 30 September	
	2018	**2017**
Proceeds from sale of lands to Sime Darby Property Berhad, a former wholly-owned subsidiary of Sime Darby Berhad	–	690

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

There were no material events in the interval between the end of the period under review and 16 November 2018, 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

Acquisition of a subsidiary

New Britain Palm Oil Limited ("NBPOL"), a wholly-owned subsidiary of the Company, had on 23 August 2018, completed the acquisition of a 100% equity interest in Markham Farming Company Limited ("MFCL") for a total cash consideration estimated at USD52.6 million (equivalent to approximately RM215.6 million), from Markham Agro Pte. Ltd. ("MAPL") pursuant to a Share Sale and Purchase Agreement ("SPA") entered into between NBPOL and MAPL on 23 August 2018 ("the Acquisition"). In addition to this, NBPOL has also assumed outstanding net debt of MFCL and MAPL totalling approximately USD11.0 million. The Group is currently in the process of assessing the Purchase Price Allocation (PPA) on the acquisition.

There were no other significant changes in the composition of the Group during the period under review.

A14. Commitments and contingent liabilities – unsecured

(a) Guarantees

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

The financial guarantees are as follows:

	As at 30 September 2018	**As at 30 June 2018**
Guarantees in respect of credit facilities granted to:		
– certain associates and a joint venture	**6**	6
– plasma stakeholders	**46**	50
	52	56

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A15. Effect on adoption of MFRS 9 and MFRS 16

The adoption of MFRS 9 "Financial Instruments" and the early adoption of MFRS 16 "Leases" have resulted in changes in the Group's accounting policies. The effect arising from these changes on the statement of financial position of the Group are as follow:

	As at 30 June 2018	Effects on adoption of MFRS 9	Effects on adoption of MFRS 16	As at 1 July 2018
Non-current assets				
Property, plant and equipment	17,742	–	(1,462)	**16,280**
Prepaid lease rentals	529	–	(529)	**–**
Right of use assets	–	–	2,178	**2,178**
Available-for-sale investments	28	(28)	–	**–**
Investments at fair value through other comprehensive income ("FVOCI")	–	28	–	**28**
Deferred tax assets	519	1	–	**520**
Current assets				
Trade and other receivables	2,301	(11)	(1)	**2,289**
Non-current assets held for sale	219	–	2	**221**
Non-current liabilities				
Deferred tax liabilities	2,497	(2)	–	**2,495**
Lease liabilities	13	–	175	**188**
Current liabilities				
Lease liabilities	1	–	11	**12**
Liabilities associated with assets held for sale	46	–	2	**48**
Equity				
Retained profits	12,059	(8)	–	**12,051**

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

(a) Current period ended against corresponding period of the previous year

	Three months ended 30 September		+/(–)
	2018	**2017**	**%**
Revenue	**3,039**	3,541	(14)
Segment results:			
Upstream Malaysia	**125**	304	(59)
Upstream Indonesia	**63**	117	(46)
Upstream PNG/SI	**30**	38	(21)
Upstream Liberia	**(18)**	(23)	22
Downstream	**48**	70	(31)
Other operations	**11**	6	83
Recurring profit before interest and tax	**259**	512	(49)
Non-recurring transactions	**–**	772	
Profit before interest and tax	**259**	1,284	(80)
Finance income	**4**	12	
Finance costs	**(51)**	(57)	
Profit before tax	**212**	1,239	(83)
Tax expense	**(59)**	(180)	
Profit after tax	**153**	1,059	(86)
Perpetual Sukuk	**(32)**	(32)	
Non-controlling interests	**(6)**	(8)	
Profit after tax attributable to equity holders of the Company	**115**	1,019	(89)

Group revenue for the three month period ended 30 September 2018 was lower by 14% compared to the corresponding period of the previous year. Excluding the non-recurring profit of RM772 million in corresponding period of the previous year, the recurring profit before interest and tax ("PBIT") of RM259 million in the period under review was 49% lower mainly attributable to lower average prices realised for crude palm oil ("CPO") of RM2,117 per MT (2017: RM2,693 per MT) and palm kernel ("PK") of RM1,649 per MT (2017: RM2,109 per MT) and reduced profits contribution from differentiated products business. The decline was partially mitigated by the 2% increase in FFB production from 2.70 million MT in the previous corresponding period to 2.75 million MT in the period under review. The Group's finance cost is lower by RM6 million as compared to the corresponding period of the previous year reflecting the lower borrowings of RM7,159 million (2017: RM8,815 million).

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 period ended against corresponding period of the previous year (continued)

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

Upstream

	CPO price realised (RM per MT)			FFB production (MT'000)		
Segment	Three months ended 30 September		+/(–)	Three months ended 30 September		+/(–)
	2018	**2017**	**%**	**2018**	**2017**	**%**
Upstream Malaysia	**2,223**	2,730	(19)	**1,293**	1,553	(17)
Upstream Indonesia	**1,803**	2,635	(32)	**919**	725	27
Upstream PNG/SI	**2,289**	2,690	(15)	**513**	404	27
Upstream Liberia	**1,918**	2,220	(14)	**26**	14	86
Total	**2,117**	2,693	(21)	**2,751**	2,696	2

(i) Upstream Malaysia

Upstream Malaysia registered a PBIT of RM125 million in the period under review, which represents a decrease of 59% against the corresponding period of the previous year. This was mainly due to the impact of lower average CPO and PK realised prices which declined by 19% and 18% respectively, as well as lower FFB production against the same period of the previous year.

(ii) Upstream Indonesia

Upstream Indonesia recorded a 46% lower PBIT of RM63 million in the period under review as compared to RM117 million registered in the same period last year. This was primarily due to the significant decline in the average realised prices for CPO and PK which were 32% and 30% lower respectively than the corresponding period of the previous year. Higher FFB production partially mitigated the impact of the lower average prices for CPO and PK.

(iii) Upstream PNG/SI

Upstream PNG/SI reported a PBIT of RM30 million in the period under review against RM38 million recorded in the previous year corresponding period. This was mainly due to the decline in the average realised price of CPO from RM2,690 per MT to RM2,289 per MT which was partially mitigated by higher FFB production of 0.51 million MT compared to 0.40 million MT in the same period of the previous year.

(iv) Upstream Liberia

Upstream Liberia registered a lower loss before interest and tax of RM18 million in the period under review as compared to a loss of RM23 million reported in the corresponding period of the previous year. This was mainly due to the higher FFB production and lower production costs which cushioned the impact of lower average realised prices for CPO and PK in the period under review.

Downstream

Downstream operations recorded a PBIT of RM48 million in the period under review as compared to RM70 million registered in the same period of the previous year, mainly due to lower profit contribution from differentiated products attributable to lower sales volumes on the back of higher competition and lower seasonal demand. The decline was partially mitigated by better margins generated from the bulk product business especially in Indonesia.

Other operations

Other operations reported a PBIT of RM11 million as compared to RM6 million recorded in the corresponding period of the previous year mainly contributed by lower share of losses from associates.

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 period as compared with the immediate preceding period

	Three months ended		
	30 Sep 2018	**30 Jun 2018**	**+/(–) %**
Revenue	**3,039**	3,084	(1)
Segment results:			
Upstream Malaysia	**125**	243	(49)
Upstream Indonesia	**63**	92	(32)
Upstream PNG/SI	**30**	77	(61)
Upstream Liberia	**(18)**	(9)	(100)
Downstream	**48**	68	(29)
Other operations	**11**	1	>100
Recurring profit before interest and tax	**259**	472	(45)
Non-recurring transactions	**–**	(283)	
Profit before interest and tax	**259**	189	37
Finance income	**4**	4	
Finance costs	**(51)**	(44)	16
Profit before tax	**212**	149	42
Tax expense	**(59)**	(85)	
Profit after tax	**153**	64	>100
Perpetual Sukuk	**(32)**	(31)	
Non-controlling interests	**(6)**	(3)	
Profit after tax attributable to equity holders of the Company	**115**	30	>100

Group revenue decreased by 1% as compared to the preceding period. Recurring PBIT decreased by 45% due to the lower contribution from the Upstream and Downstream segments attributable to lower selling prices of CPO and PK, and lower margin from differentiated products which was partially mitigated by the higher FFB production in the current period. There was no non-recurring items reported in the current period as compared to a non-recurring loss of RM283 million relating to impairment charges recognised in the previous period. Finance costs increased by 16% due to the higher level of borrowings relating to working capital for inventories as compared to the preceding period. Net earnings for the Group of RM115 million in the current period was significantly higher than the immediate preceding period due to the higher profit before tax and lower 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 period as compared with the immediate preceding period

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

Upstream

	CPO price realised (RM per MT)			FFB production (MT'000)		
	Three months ended			Three months ended		
	30 Sep	30 Jun	+/(–)	30 Sep	30 Jun	+/(–)
Segment	**2018**	**2018**	**%**	**2018**	**2018**	**%**
Upstream Malaysia	**2,223**	2,415	(8)	**1,293**	1,208	7
Upstream Indonesia	**1,803**	2,161	(17)	**919**	657	40
Upstream PNG/SI	**2,289**	2,590	(12)	**513**	549	(7)
Upstream Liberia	**1,918**	2,203	(13)	**26**	23	13
Total	**2,117**	2,379	(11)	**2,751**	2,437	13

(i) Upstream Malaysia

Upstream Malaysia registered a PBIT of RM125 million for the current three month period, 49% lower than the preceding period, attributable to the lower average realised price of CPO at RM2,223 per MT (2017: RM2,415 per MT) which was partially mitigated by higher FFB production.

(ii) Upstream Indonesia

Upstream Indonesia reported a PBIT of RM63 million, 32% lower than the preceding period's PBIT of RM92 million, due to the lower average realised prices of CPO and PK and lower CPO sales volume. These were partially cushioned by the 40% increase in FFB production.

(iii) Upstream PNG/SI

For the three month period under review, Upstream PNG/SI reported a 61% lower PBIT of RM30 million as compared to RM77 million recorded in the preceding period, primarily due to the 12% decline in the average CPO price realised and 7% lower FFB production in the period under review.

(iv) Upstream Liberia

Liberia operation reported a loss before interest and tax of RM18 million as compared to RM9 million loss registered in the preceding period. This was mainly contributed by the lower average price realised for CPO which partially mitigated by the increase in FFB production.

Downstream

Downstream operations recorded a PBIT of RM48 million in the current period under review as compared to RM68 million reported in the preceding period, attributable to the lower sales volume of differentiated products mentioned earlier which was partially mitigated by improved margin from the bulk product business.

Other operations

Other operations reported a PBIT of RM11 million as compared to RM1 million registered in the preceding period due to lower share of losses in 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)

B3. Prospect

Barring any extreme weather conditions, the Group expects FFB production to improve in the six month period ending 31 December 2018 as compared to the corresponding period last year. CPO prices are expected to remain under pressure, mainly due to the seasonal rise in production, higher inventories and sluggish export demand. However, the ongoing US-China trade war and a weaker ringgit could improve demand and lend support to CPO prices.

Other factors such as the movement of crude oil prices, the revision of biodiesel rules in Indonesia, tax regulations in major consuming countries, competition from other edible oils and a potential reemergence of El Nino are also likely to influence the market prices of CPO and other palm products.

Save for implications from the challenges above, the Group expects its recurring operating performance for the financial period ending December 2018 to be satisfactory.

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

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

B5. Operating profit and finance costs

Included in the operating profit are:

	Three months ended 30 September	
	2018	**2017**
Depreciation and amortisation	**(267)**	(268)
Fair value gains/(losses):		
– commodities future contracts	**3**	(17)
– forward foreign exchange contracts	**7**	(8)
Gain on disposals of:		
– property, plant and equipment		
– recurring activities	**14**	13
– non-current assets held for sale		
– non-recurring transactions	**–**	676
Impairment of:		
– trade and other receivables	**(2)**	(2)
Unrealised foreign exchange losses	**(7)**	(12)
Write off of property, plant and equipment	**(13)**	(8)

Included in finance costs is:

Finance costs on interest rate swap contracts	**(1)**	(2)

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

	Three months ended 30 September	
	2018	**2017**
In respect of current financial year:		
– current tax	**59**	143
– deferred tax	*****	39
	59	182
In respect of prior financial years:		
– current tax	**–**	(2)
	59	180

* Less than 1 million.

The effective tax rate of 27.8% for the period under review was higher than the statutory tax rate, mainly due to certain finance costs which were not tax deductible.

The effective tax rate of 14.5% for the corresponding period in the previous year was lower than the statutory tax rate primarily due to the gain on disposal of the Malaysian Vision Valley land to Sime Darby Property Berhad which was not subjected to tax.

B7. Status of announced corporate proposals

The Group has made an announcement on 31 October 2018 in relation to the Dividend Reinvestment Plan ("DRP") which will provide the shareholders of the Company with an option to elect to reinvest their dividend in new shares of the Company.

An Extraordinary General Meeting ("EGM") was held on 21 November 2018 and the shareholders of the Company have approved the following resolutions by way of poll:

1. the DRP; and

2. the issuance of new shares pursuant to the DRP.

The results of the poll were duly verified by Deloitte Risk Advisory Sdn Bhd (formerly known as Deloitte Enterprise Risk Services Sdn Bhd), the Independent Scrutineer appointed by the Company.

Amounts in RM million unless otherwise stated

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

B8. Borrowings and debt securities

Borrowings of the Group as at 30 September 2018 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	–	3,042	**3,042**
Revolving credits	–	1,485	**1,485**
Bonds	–	485	**485**
Multi-currency Sukuk	–	507	**507**
Unamortised deferred financing expenses	–	(19)	**(19)**
	–	5,500	**5,500**
Short-term			
Term loans	–	586	**586**
Revolving credits	–	1,054	**1,054**
Trade facilities	19	–	**19**
	19	1,640	**1,659**
Total	19	7,140	**7,159**
Borrowings of the Group consist of:			
– principal	19	7,159	**7,178**
– unamortised deferred financing expenses	–	(19)	**(19)**
	19	7,140	**7,159**

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	485	92	**577**
Ringgit Malaysia	–	370	**370**
Thailand Baht	39	6	**45**
United States Dollar	4,976	1,191	**6,167**
	5,500	1,659	**7,159**

Amounts in RM million unless otherwise stated

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

B9. Derivatives

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

The fair values of these derivatives as at 30 September 2018 are as follows:

	Classification in Statement of Financial Position				
	Assets		Liabilities		Net
	Non-current	Current	Non-current	Current	fair value
Forward foreign exchange contracts	–	9	–	10	**(1)**
Commodity futures contracts	–	39	–	11	**28**
Interest rate swap contracts	–	25	–	–	**25**
	–	73	–	21	**52**

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

<u>Forward foreign exchange contracts</u>

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

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

As at 30 September 2018, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

Maturity tenor	Notional amount	Net fair value liabilities
Less than 1 year	1,359	**(1)**

<u>Commodity futures contracts</u>

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

The outstanding commodity futures contracts as at 30 September 2018 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	93,017	226	**(9)**
– Sale contracts	135,815	393	**37**
			28

Amounts in RM million unless otherwise stated

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

B9. Derivatives (continued)

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

Interest rate swap contracts

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

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

The outstanding interest rate swap contracts, all plain vanilla, as at 30 September 2018 are as follows:

Effective period	**Notional amount (USD'mill.)**	**All-in swap rate per annum (%)**
17 August 2018 to 19 February 2019	272	1.75% to 3.61%

As at 30 September 2018, 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	1,127	**25**

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, a wholly-owned subsidiary of the Group, filed legal action against PT AS in the District Court of Kotabaru ("District Court"), claiming for the surrender of around 60 Ha 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 Ha. If it loses this claim, PT SHE could potentially lose HGU 35, the 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 of 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 Ha 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 tree were cut down and buildings and infrastructure were destroyed, resulting in damages on around 1,500 Ha 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”) vs. Masile Incorporated Land Group (“Masile”), Rikau Incorporated Land Group (“Rikau”) & Meloks Incorporated Land Group (“Meloks”) (collectively, “Defendants”)

Prior to the Group's acquisition of NBPOL (which was completed on 2 March 2015), a wholly-owned subsidiary, NBPOL, had on 31 August 2011 initiated three separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea (“Court”). All three 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 (“SLAs”). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL (“Land”), royalties for the fresh fruit bunches 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 SABL to enable the sub-leases to be registered in accordance with the Land Registration Act 1981 of PNG. In the alternative, NBPOL also 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. NBPOL's counsel is of the view that the Defendants’ cross-claims are unlikely to succeed.

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. NBPOL’s claims against Rikau and Masile are pending trial which the parties agreed to be decided after the decision on NBPOL’s claims against Meloks is delivered by the Court. Masile and Rikau are now considering whether to continue defending NBPOL’s claims in view of the Court’s decision on the trial relating to NBPOL’s claims against Meloks.

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, wholly-owned subsidiaries of the Group, and PT ITH, a subsidiary of the 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 officers 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 officers of YKEP who entered into the earlier sale was PT MAP's shareholder and member of PT MAP's 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 had 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 have since filed an appeal against the decision of the Central Jakarta District Court and as the report date, the appeal is on-going.

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.

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)

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, South Jakarta District Court and Jakarta High Court, which previously adjudicated and examined this case, had rejected PT MAP and PT PS's lawsuit by referring to the Judicial Review Decision. In response, PT MAP and PT PS filed an appeal to the Supreme Court but the Supreme Court rejected PT MAP and PT PS' appeal. As at the reporting date, neither PT MAP nor PT PS have filed a judicial review against the decision of the Supreme Court.

(d) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Unimills B. V. ("SD Unimills")

SD Unimills, a wholly-owned subsidiary of the Group, 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 SD Unimills. The percentage of SD Unimills' 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 in 2012 Chantico started various proceedings against cargo owners.

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 was served on only 4 European (including SD Unimills) 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 SD Unimills), 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 cargo owner's assets, and the total amount claimed from SD Unimills 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 SD Unimills (and of the other 8 cargo owners, jointly and severally) under Lawsuit 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 will bewas 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.

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)

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

The writ has been served on SD Unimills 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) and 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 with the Court of Piraeus. The potential exposure of SD Unimills (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 SD Unimills of any adjudged part of the joint and several EUR9.7 million claim, would give SD Unimills 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 SD Unimills, 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 SD Unimills' share is 27.25% or EUR158,867.50 (equivalent to around RM744,496). The Group's Greek counsel estimates the exposure of SD Unimills (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)

B11. Dividend

The Board does not recommend any dividend for the three months ended 30 September 2018.

No dividend has been declared or paid for the period under review.

B12. Earnings per share

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

	Three months ended 30 September		
	2018	**2017**	
Profit for the financial period	**115**	1,019	
Weighted average number of ordinary shares in issue (million units)	**6,801**	6,801	*
Basic earnings per share (sen)	**1.7**	15.0	

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.

* The number of ordinary shares has been restated for the issuance and share split carried out in November 2017.

By Order of the Board

Norzilah Megawati Abdul Rahman
Mazlina Mohd Zain
Company Secretaries

Petaling Jaya
23 November 2018