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Delivering Sustainable Futures

QUARTERLY REPORT
On the consolidated results for the six months ended 31 December 2018

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 December		+/(–)	Six months ended 31 December		+/(–)
		2018	**2017**	**%**	**2018**	**2017**	**%**
Revenue	A8, A9	**3,504**	4,085	(14)	**6,543**	7,626	(14)
Operating expenses		**(3,348)**	(3,481)		**(6,185)**	(6,405)	
Other operating income		**108**	30		**155**	48	
Other gains		**39**	57		**42**	703	
Operating profit	B5, A9	**303**	691	(56)	**555**	1,972	(72)
Share of results of joint ventures		**(4)**	(9)		**2**	(7)	
Share of results of associates		**1**	(9)		**2**	(8)	
Profit before interest and tax	A9	**300**	673	(55)	**559**	1,957	(71)
Finance income		**4**	5		**8**	17	
Finance costs	B5	**(59)**	(41)		**(110)**	(98)	
Profit before tax		**245**	637	(62)	**457**	1,876	(76)
Tax expense	B6	**(86)**	(160)		**(145)**	(340)	
Profit for the financial period		**159**	477	(67)	**312**	1,536	(80)
Profit for the financial period consist of:							
– recurring activities		**145**	477	(70)	**298**	787	(62)
– non-recurring transactions		**14**	–		**14**	749	
		159	477	(67)	**312**	1,536	(80)
Profit for the financial period attributable to:							
– equity holders of the Company		**129**	429	(70)	**244**	1,448	(83)
– Perpetual Sukuk		**30**	31		**62**	63	
– non-controlling interests		**–**	17		**6**	25	
		159	477	(67)	**312**	1,536	(80)
Earnings per share attributable to equity holders of the Company:							
Basic (sen)	B12	**1.9**	6.3	(70)	**3.6**	21.3	(83)

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.

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

	Quarter ended 31 December		+/(–)	Six months ended 31 December		+/(–)
	2018	**2017**	**%**	**2018**	**2017**	**%**
Profit for the financial period	**159**	477	(67)	**312**	1,536	(80)
Other comprehensive (losses)/income:						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences:						
– subsidiaries	**(185)**	(314)		**170**	(476)	
– joint ventures and associates	**(1)**	11		**5**	(3)	
Cash flow hedge						
– changes in fair value	**(2)**	23		**(4)**	22	
– transfer to profit or loss	**–**	–		**(9)**	–	
Tax expenses relating to components of other comprehensive income	**–**	(1)		**–**	(1)	
	(188)	(281)		**162**	(458)	
Items that will be not reclassified subsequently to profit or loss:						
Investments at fair value through other comprehensive income ("FVOCI"):						
– changes in fair value	**(1)**	–		**1**	–	
	(1)	–		**1**	–	
Other comprehensive (losses)/ income for the financial period	**(189)**	(281)		**163**	(458)	
Total comprehensive (losses)/ income for the financial period	**(30)**	196		**475**	1,078	
Total comprehensive (losses)/ income for the financial period attributable to:						
– equity holders of the Company	**(61)**	164	>(100)	**401**	1,006	(60)
– Perpetual Sukuk	**30**	31		**62**	63	
– non-controlling interests	**1**	1		**12**	9	
	(30)	**196**	>(100)	**475**	**1,078**	(56)

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.

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

	Note	Unaudited As at 31 December 2018	Audited As at 30 June 2018
Non-current assets			
Property, plant and equipment		**17,004**	17,742
Investment properties		**15**	15
Prepaid lease rentals		**–**	529
Right-of-use assets		**2,239**	–
Joint ventures		**447**	437
Associates		**42**	39
Intangible assets		**2,893**	2,825
Available-for-sale investments		**–**	28
Investments at fair value through other comprehensive income ("FVOCI")		**29**	–
Deferred tax assets		**509**	519
Tax recoverable		**290**	275
Trade and other receivables		**115**	109
		23,583	22,518
Current assets			
Inventories		**1,682**	1,571
Biological assets		**179**	152
Trade and other receivables		**2,203**	2,301
Tax recoverable		**302**	307
Amount due from related parties		**2**	3
Derivatives	B9	**58**	57
Bank balances, deposits and cash		**491**	363
		4,917	4,754
Non-current assets held for sale (1)		**124**	219
Total assets	A9	**28,624**	27,491
Equity			
Share capital		**1,100**	1,100
Reserves		**12,018**	12,575
Attributable to equity holders of the Company		**13,118**	13,675
Perpetual Sukuk		**2,231**	2,231
Non-controlling interests		**396**	408
Total equity		**15,745**	16,314

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

	Note	Unaudited As at 31 December 2018	Audited As at 30 June 2018
Non-current liabilities			
Retirement benefits		**230**	213
Deferred income		**–**	1
Deferred tax liabilities		**2,654**	2,497
Borrowings	B8	**5,493**	5,395
Lease liabilities		**165**	13
Trade and other payables		**64**	60
		8,606	8,179
Current liabilities			
Trade and other payables		**1,466**	1,588
Deferred income		**29**	19
Amounts due to related parties		**61**	54
Retirement benefits		**8**	10
Lease liabilities		**27**	1
Tax payable		**89**	161
Derivatives	B9	**21**	25
Borrowings	B8	**1,804**	1,094
Dividend payable		**748**	–
		4,253	2,952
Liabilities directly associated with non-current assets held for sale (2)		**20**	46
Total liabilities		**12,879**	11,177
Total equity and liabilities		**28,624**	27,491
Net assets per share attributable to equity holders of the Company (RM)		**1.93**	2.01

Note:

(1) **Non-current assets held for sale**		
Non-current assets held for sale		
– property, plant and equipment	**–**	44
Disposal group held for sale		
– property, plant and equipment	**77**	82
– other assets	**47**	93
	124	219
(2) **Liabilities directly associated with non-current assets held for sale**		
Disposal group held for sale		
– liabilities	**20**	46
	20	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.

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		**–**	**–**	**–**	**–**	**–**	**–**	**244**	**244**	**62**	**6**	**312**
Other comprehensive (losses)/income for the financial period		**–**	**–**	**(13)**	**–**	**1**	**167**	**2**	**157**	**–**	**6**	**163**
Total comprehensive (losses)/income for the financial period		**–**	**–**	**(13)**	**–**	**1**	**167**	**246**	**401**	**62**	**12**	**475**
Transactions with equity holders:												
Dividends		**–**	**–**	**–**	**–**	**–**	**–**	**(952)**	**(952)**	**–**	**(25)**	**(977)**
Distribution to Perpetual Sukuk holders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(62)**	**–**	**(62)**
Disposal of subsidiary		**–**	**(4)**	**–**	**–**	**–**	**3**	**3**	**2**	**–**	**1**	**3**
At 31 December 2018		**1,100**	**9**	**32**	**(18)**	**27**	**620**	**11,348**	**13,118**	**2,231**	**396**	**15,745**

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	–	–	–	–	–	–	1,448	1,448	63	25	1,536
Other comprehensive losses for the financial period	–	–	21	–	–	(463)	–	(442)	–	(16)	(458)
Total comprehensive (losses)/income for the financial period	–	–	21	–	–	(463)	1,448	1,006	63	9	1,078
Transactions with equity holders:											
Share issue	500	–	–	–	–	–	–	500	–	–	500
Dividends	–	–	–	–	–	–	–	–	–	(56)	(56)
Distribution to Perpetual Sukuk holders	–	–	–	–	–	–	–	–	(63)	–	(63)
At 31 December 2017	1,100	13	17	(18)	76	695	12,081	13,964	2,231	387	16,582

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.

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

	Note	Six months ended 31 December 2018	Six months ended 31 December 2017
Cash flows from operating activities			
Profit for the financial period		**312**	1,536
Adjustments for:			
Share of results of joint ventures and associates		**(4)**	15
Finance income		**(8)**	(17)
Finance costs		**110**	98
Loss/(Gain) on disposal of:			
– property, plant and equipment	B5	**(35)**	(69)
– non-current assets held for sale (net)	B5	**(46)**	(676)
Depreciation and amortisation	B5	**616**	548
Property, plant and equipment written off	B5	**32**	13
Write-down of inventories	B5	**4**	8
Fair value losses/(gains)			
– commodities futures contracts	B5	**6**	15
– forward foreign exchange contracts	B5	**(10)**	13
Unrealised exchange (gains)/losses	B5	**(27)**	18
Tax expense	B6	**145**	340
Fair value changes on biological assets		**(24)**	(10)
Retirement benefits		**13**	25
Impairment of:			
– property, plant and equipment	B5	**18**	–
– trade and other receivables	B5	**2**	1
Write-back of donation		**–**	(95)
Dividend income		**(4)**	(39)
		1,100	1,724
Changes in working capital:			
Inventories		**(103)**	(337)
Trade and other receivables		**112**	(675)
Trade and other payables		**(60)**	395
Intercompany and related parties balances		**7**	272
Cash generated from operations		**1,056**	1,379
Tax paid		**(151)**	(195)
Retirement benefits paid		**(3)**	(7)
Net cash generated from operating activities		**902**	1,177
Cash flows from investing activities			
Finance income received		**8**	17
Acquisition of subsidiary		**(228)**	–
Purchase of:			
– property, plant and equipment		**(803)**	(657)
– intangibles assets		**(3)**	(6)
– prepaid lease rentals		**–**	(22)
– right-of-use assets		**(8)**	–
Proceeds from sale of:			
– property, plant and equipment		**44**	106
– redeemable loan stocks		**–**	333
– non-current assets held for sale		**67**	–
Dividend received from:			
– associates		**4**	–
– available-for-sale investments		**–**	39
Net cash used in investing activities		**(919)**	(190)

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

	Note	Six months ended 31 December 2018	2017
Cash flows from financing activities			
Distribution to Perpetual Sukuk holders		**(62)**	(63)
Finance costs paid		**(118)**	(126)
Loans raised		**1,315**	435
Loan repayments		**(720)**	(583)
Repayment to fellow subsidiary		**–**	(602)
Repayment of lease liabilities		**(11)**	–
Dividends paid to shareholders		**(204)**	–
Dividends paid to non-controlling interests of subsidiaries		**(25)**	(56)
Net cash generated from/(used in) financing activities		**175**	(995)
Net changes in cash and cash equivalents during the financial period		**158**	(8)
Foreign exchange difference		**(30)**	(31)
Cash and cash equivalents at beginning of the period		**363**	713
Cash and cash equivalents at end of the period		**491**	674
For the purpose of the statement of cash flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		**491**	674

Details of significant non-cash transactions during the financial year 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.

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"

<u>MFRS 9 "Financial Instruments"</u>

The Group has adopted MFRS 9 for the first time in the financial statements, which resulted in changes in accounting policies. The Group has applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 30 June 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cummulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018.

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 previously 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. Any impairment and foreign exchange differences on translation of monetary available-for-sale financial assets are recognised in other comprehensive income from 1 July 2018 onwards.

- Additional provision of RM8 million based on expected credit loss ("ECL") model is recognised in the retained earnings as at 1 July 2018 for the Group. The additional amount is derived from probability-weighted assessments performed on receivables balance carried as at 30 June 2018.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A2. Accounting policies (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)

MFRS 9 "Financial Instruments" (continued)

As permitted by the transitional provision of MFRS 9, the Group has elected to adopt the modified retrospective approach with the following practical expedients:

- Fair value of financial assets and financial liabilities at 1 July 2018 are treated as the new gross carrying amount of that financial assets or the new amortised cost of that financial liabilities at 1 July 2018.
- Prior periods are not restated. Recognition of differences between carrying amount as at 30 June 2018 and the carrying amount upon adoption of the standard are recognised in retained earnings as at 1 July 2018.
- The Group uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised for comparison with the credit risk at 1 July 2018.
- The Group assumes that the credit risk on its financial instruments have not increased significantly since initial recognition even though certain contractual payments may have been due for more than 30 days.

Other than MFRS 9, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future period.

(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 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 for the Group.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A2. Accounting policies (continued)

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

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

<u>MFRS 16 "Leases" (continued)</u>

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt simplified transition approach where cumulative effects of initial application are recognised on 1 July 2018 as an adjustment to the opening balance of retained earnings. The Group has also applied the following practical expedients under MFRS 16:

- No adjustments are made on transition for leases for which the underlying asset is of low value.
- Single discount rate is applied to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which the lease term ends within 12 months from 1 July 2018
- The Group uses hindsight in determining lease term for contracts that contain options for extension or termination.

The financial impact of the adoption of MFRS9 and MFRS16 on the financial statements of the Group are disclosed in Note A15.

(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 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

(ii) 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

(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 six month period ended 31 December 2018 are as follows:

	Six months ended 31 December 2018
In respect of financial year ended 30 June 2018:	
Special interim single tier dividend of 3.0 sen per ordinary share paid on 4 October 2018	204

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	Six months ended 31 December 2018	Six months ended 31 December 2017
Revenue from contracts with customers	A8(a)	**6,530**	7,585
Revenue from other sources	A8(b)	**13**	41
Total revenue		**6,543**	7,626

(a) Disaggregation of revenue from contracts with customers

	2018	2017
Upstream		
– Malaysia	**473**	674
– Indonesia	**469**	379
– Papua New Guinea and Solomon Islands ("PNG/SI")	**582**	782
– Liberia	**24**	18
Downstream	**4,952**	5,703
Other operations	**30**	29
	6,530	7,585
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**6,417**	7,480
Freight services	**108**	100
Tolling services	**5**	5
	6,530	7,585
Timing of revenue recognition		
– at point in time	**6,417**	7,480
– over time	**113**	105
	6,530	7,585

(b) Revenue from other sources

	2018	2017
Dividend (gross) received/receivable from investments	**4**	39
Rental income	**9**	2
	13	41

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

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 31 December 2018:

	Expected timing of recognition During the 3 months ending 31 March 2019
Freight income	**29**

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
Six months ended 31 December 2018								
Segment revenue:								
External sales	**483**	**469**	**584**	**24**	**4,953**	**30**	**–**	**6,543**
Inter-segment sales	**1,307**	**1,598**	**213**	**–**	**1,182**	**145**	**(4,445)**	**–**
Total revenue	**1,790**	**2,067**	**797**	**24**	**6,135**	**175**	**(4,445)**	**6,543**
Segment results:								
Operating profit/(loss)								
– recurring activities	**301**	**68**	**57**	**(41)**	**146**	**10**	**–**	**541**
– non-recurring transactions	**–**	**–**	**–**	**(15)**	**30**	**(1)**	**–**	**14**
Share of results of joint ventures and associates	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**4**
Profit/(loss) before interest and tax	**301**	**68**	**57**	**(56)**	**176**	**13**	**–**	**559**
Six months ended 31 December 2017								
Segment revenue:								
External sales	676	379	782	18	5,703	68	–	7,626
Inter-segment sales	1,784	627	142	–	1,583	332	(4,468)	–
Total revenue	2,460	1,006	924	18	7,286	400	(4,468)	7,626
Segment results:								
Operating profit/(loss)								
– recurring activities	718	261	77	(43)	134	53	–	1,200
– non-recurring transactions	772	–	–	–	–	–	–	772
Share of results of joint ventures and associates	–	–	–	–	–	(15)	–	(15)
Profit/(loss) before interest and tax	1,490	261	77	(43)	134	38	–	1,957

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 31 December 2018								
Segment assets:								
Operating assets	**9,168**	**4,402**	**8,164**	**288**	**4,626**	**262**	**–**	**26,910**
Joint ventures and associates	**–**	**–**	**–**	**–**	**–**	**489**	**–**	**489**
Non-current assets held for sale	**–**	**124**	**–**	**–**	**–**	**–**	**–**	**124**
	9,168	**4,526**	**8,164**	**288**	**4,626**	**751**	**–**	**27,523**
Tax assets								**1,101**
Total assets								**28,624**
As at 31 December 2017								
Segment assets:								
Operating assets	9,721	4,741	7,930	403	4,066	376	–	27,237
Joint ventures and associates	–	–	–	–	–	581	–	581
Non-current assets held for sale	29	139	–	–	4	–	–	172
	9,750	4,880	7,930	403	4,070	957	–	27,990
Tax assets								1,183
Total assets								29,173

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 31 December 2018	Audited As at 30 June 2018
Property, plant and equipment		
– contracted	**331**	256
– not contracted	**69**	112
	400	368
Other capital expenditure		
– not contracted	**681**	1,208
	681	1,208
	1,081	1,576

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Six months ended 31 December 2018	 2017
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services		
– Emery Oleochemicals (M) Sdn Bhd	**17**	24
(b) Transactions with associates		
(i) Purchase of latex concentrate		
– Muang Mai Guthrie Public Company Limited	**–**	5
(ii) Purchase of goods		
– Rizhao Sime Darby Oils & Fats Co. Ltd.	**20**	–
– Thai Eastern Trat Company Limited	**30**	49

(c) Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 55.93% as at 31 December 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:

	Six months ended 31 December	
	2018	**2017 ***
(i) Payroll, accounting and IT processing costs		
– Sime Darby Global Services Centre Sdn Bhd	**33**	4
(ii) Purchase of heavy equipment, spare parts and services		
– Sime Darby Industrial Holdings Sdn Bhd	**25**	4
– Sime Kubota Sdn Bhd	**14**	1
(iii) Sale of Redeemable Loan Stocks in Prolintas Expressway Sdn Bhd		
– Permodalan Nasional Berhad	**–**	333
(iv) Lease of agricultural land		
– Kumpulan Sime Darby Berhad	**3**	–
(v) Sales of goods		
– Tesco Stores Malaysia Sdn Bhd	**4**	–

* 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(d).

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

	Six months ended 31 December	
	2018	**2017**
(d) 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	**–**	31
(ii) Management fee expenses		
– Sime Darby Holdings Berhad	**–**	14
(iii) Interest expenses		
– Sime Darby Holdings Berhad	**–**	18
(iv) Purchase of heavy equipment, spare parts and services		
– Sime Darby Industrial Holdings Sdn Bhd	**–**	20
– Sime Kubota Sdn Bhd	**–**	3
(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)

(e) Transactions with former immediate holding company

	Six months ended 31 December	
	2018	**2017**
(i) Issuance of new ordinary shares	–	500

(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:

	Six months ended 31 December	
	2018	**2017**
(i) Proceeds from sale of lands to Sime Darby Property Berhad, a former wholly-owned subsidiary of Sime Darby Berhad	–	690
(ii) Settlement of the net amount owing to Sime Darby Holdings Berhad via issuance of new ordinary shares to Sime Darby Berhad	–	500

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

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

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

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 USD55.0 million (equivalent to approximately RM230.0 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").

(a) Details of the assets and liabilities of the subsidiary acquired are as follows:

	As at the date of completion
Property, plant and equipment and right-of-use assets	326
Trade and other receivables	3
Inventories	2
Cash and bank	2
Deferred tax liabilities	(68)
Trade and other payables	(9)
Borrowings	(35)
Total net assets acquired	221
Purchase consideration	230
Goodwill	9

(b) The cash outflow on the acquisition is as follows:

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	230
Less: Balances acquired	(2)
Net outflow of cash – investing activities	228

As at 31 December 2018, the purchase price allocation exercise on the fair value of net assets acquired and the residual goodwill arising from the acquisition of MFCL is provisional. As permissible under MFRS 3 "Business Combination", the Group has a 12-month period to complete the purchase price allocation to finalise the goodwill amount arising from the acquisition.

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

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A13. Effect of significant changes in the composition of the Group (continued)

Disposal of a subsidiary

On 21 February 2018, the Board of Directors approved a proposed divestment of the entire 51% equity interest in Golden Hope Nhabe Edible Oils Ltd ("GH Nhabe"), a subsidiary of the Group. The disposal of the equity interest in GH Nhabe for a consideration of RM8.2 million (equivalent to 45.9 billion Vietnamese Dong) was completed on 29 November 2018.

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

	As at the date of completion
Property, plant and equipment	5
Receivables	15
Inventories	19
Bank	1
Deferred tax assets	4
Cash and cash equivalents	1
Payables	(66)
Non-controlling interest	(1)
Net assets disposed	(22)
Gain on disposal of a subsidiary	30
Proceeds from disposal, net of transaction costs	8
Less: Cash and cash equivalent in a subsidiary	(1)
Net cash inflow from disposal of a subsidiary	7

A14. Commitments and contingent liabilities – unsecured

(a) Guarantees

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

The financial guarantees are as follows:

	As at 31 December 2018	**As at 30 June 2018**
Guarantees in respect of credit facilities granted to:		
– certain associates and a joint venture	**6**	6
– plasma stakeholders	**45**	50
	51	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 quarter ended against corresponding quarter of the previous year

	Quarter ended 31 December		+/(–)
	2018	**2017**	**%**
Revenue	**3,504**	4,085	(14)
Segment results:			
Upstream Malaysia	**176**	414	(57)
Upstream Indonesia	**5**	144	(97)
Upstream PNG/SI	**27**	39	(31)
Upstream Liberia	**(23)**	(20)	(15)
Downstream	**98**	64	53
Other operations	**3**	32	(91)
Recurring profit before interest and tax	**286**	673	(58)
Non-recurring transactions	**14**	–	
Profit before interest and tax	**300**	673	(55)
Finance income	**4**	5	
Finance costs	**(59)**	(41)	
Profit before tax	**245**	637	(62)
Tax expense	**(86)**	(160)	
Profit after tax	**159**	477	(67)
Perpetual Sukuk	**(30)**	(31)	
Non-controlling interests	**–**	(17)	
Profit after tax attributable to equity holders of the Company	**129**	429	(70)

The Group posted net earnings of RM129 million for the quarter ended 31 December 2018, a 70% decline as compared to the corresponding quarter of the previous year, which was mainly attributable to lower average realised prices of crude palm oil ("CPO") and palm kernel ("PK") which affected the performance of all Upstream segments. This was partially cushioned by an improvement in fresh fruit bunches ("FFB") production, earnings improvement from the Downstream segment, and a net non-recurring gain of RM14 million in the current quarter mainly arising from a gain on disposal of a subsidiary in Vietnam of RM30 million offset by an impairment of assets in Liberia of RM15 million. The Group's finance costs were higher due to the higher level of borrowings during the quarter under review.

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 quarter of the previous year (continued)

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

Upstream

In the quarter ended 31 December 2018, Upstream operations reported a recurring profit before interest and tax ("PBIT") of RM185 million in comparison with RM577 million reported in the corresponding quarter last year. The weaker performance was largely due to lower average CPO and PK prices realised, which declined by 30% and 49% respectively in the quarter under review. However, the Group's FFB production and oil extraction rate ("OER") improved by 2% and 0.28% (from 21.00% to 21.28%) respectively, as compared to the same quarter last year.

	CPO price realised (RM per MT)			**FFB production (MT'000)**		
Segment	**Q2 Dec 2018**	**Q2 Dec 2017**	**+/(–) %**	**Q2 Dec 2018**	**Q2 Dec 2017**	**+/(–) %**
Upstream Malaysia	**1,939**	2,706	(28)	**1,505**	1,694	(11)
Upstream Indonesia	**1,663**	2,533	(34)	**794**	710	12
Upstream PNG/SI	**2,155**	2,713	(21)	**481**	342	41
Upstream Liberia	**1,840**	2,275	(19)	**26**	15	73
Total	**1,870**	2,654	(30)	**2,806**	2,761	2

(i) Upstream Malaysia

Upstream Malaysia registered a 57% decline in PBIT to RM176 million in the quarter under review, on the back of lower realised prices for CPO (declined by 28%) and PK (declined by 47%), as well as lower FFB production (declined by 11%) as compared to the bumper harvest experienced in the previous year. Nevertheless OER has improved from 20.21% to 20.68% in the current quarter.

(ii) Upstream Indonesia

Upstream Indonesia recorded a PBIT of RM5 million in the current quarter as compared to RM144 million registered in the same quarter last year, primarily due to the significant decline in the average realised prices for CPO (declined by 34%) and PK (declined by 51%). The prices were driven below global market prices due to the bumper crop and high inventory levels in Indonesia. The adverse impact from lower realised prices and OER which decreased to 21.24% from 21.87% recorded in the last year corresponding quarter was partially mitigated by the higher FFB production.

(iii) Upstream PNG/SI

Upstream PNG/SI reported a PBIT of RM27 million in the quarter under review, a 31% decline against RM39 million in the corresponding quarter of the previous year. This was due to the weaker average realised price of CPO (declined by 21%), which was partially compensated by the significant 41% improvement in FFB production as the segment recovered from the low harvest in the previous year corresponding quarter. OER for the segment was at 22.95%, higher than the 22.71% registered in the same quarter of the previous year.

(iv) Upstream Liberia

Upstream Liberia registered a higher loss before interest and tax of RM23 million in the quarter under review as compared to a loss of RM20 million reported in the corresponding quarter of the previous year. Improvement in FFB yield from maturing palm trees was not sufficient to cushion the impact of lower average realised prices for CPO (declined by 19%).

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 quarter of the previous year (continued)

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

Downstream

Downstream operations recorded a PBIT of RM98 million in the quarter under review which was 53% higher than the corresponding quarter of the previous year. Both bulk and differentiated product businesses in Asia Pacific ("APAC") registered improved results mainly due to higher sales volume and better margins. This compensated for the lower profits from differentiated businesses in Europe, Middle East and Africa ("EMEA") which were impacted by lower demand.

Other operations

Despite lower share of losses from associates and joint ventures, the PBIT of other operations declined to RM3 million from RM32 million recorded in the corresponding quarter of the previous year. The decline was due to a one off dividend income of RM39 million received from an investment recognised in the same quarter of the previous year.

Amounts in RM million unless otherwise stated

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

B1. Review of group performance (continued)

(b) Current six months ended 31 December 2018 against the previous year six months ended 31 December 2017

	Six months ended 31 December		+/(–)
	2018	**2017**	**%**
Revenue	6,543	7,626	(14)
Segment results:			
Upstream Malaysia	**301**	718	(58)
Upstream Indonesia	**68**	261	(74)
Upstream PNG/SI	**57**	77	(26)
Upstream Liberia	**(41)**	(43)	5
Downstream	**146**	134	9
Other operations	**14**	38	(63)
Recurring profit before interest and tax	**545**	1,185	(54)
Non-recurring transactions	**14**	772	
Profit before interest and tax	**559**	1,957	(71)
Finance income	**8**	17	
Finance costs	**(110)**	(98)	
Profit before tax	**457**	1,876	(76)
Tax expense	**(145)**	(340)	
Profit after tax	**312**	1,536	(80)
Perpetual Sukuk	**(62)**	(63)	
Non-controlling interests	**(6)**	(25)	
Profit after tax attributable to equity holders of the Company	**244**	1,448	(83)

For the six months ended 31 December 2018, the Group reported a net profit of RM244 million, compared to the net profit of RM1,448 million for the corresponding period of the previous year. The decline was largely due to the non-recurring net profit of RM749 million recorded in the previous year relating to the gain on sale of land to a related party and a one-off writeback of donation to Yayasan Sime Darby, as well as lower recurring PBIT.

The Group registered recurring PBIT of RM545 million which was 54% lower than RM1,185 million recorded in the corresponding period of the previous year, on the back of weaker average CPO and PK prices realised. However, improved operational statistics of the Upstream segments and continued earnings improvement from its Downstream operations partially mitigated the impact of lower CPO and PK prices.

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

B1. Review of group performance (continued)

(b) Current six months ended 31 December 2018 against the previous year six months ended 31 December 2017 (continued)

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

Upstream

The total recurring PBIT of the Group's Upstream operations fell by 62% to RM385 million in the six month period ended 31 December 2018, from RM1,013 million registered in the same period last year, wholly attributable to the sharp decline in the CPO and PK prices by 26% and 38% respectively in the current period. The adverse price impact was partially mitigated by a 2% year-on-year rise in FFB production.

	CPO price realised (RM per MT)			FFB production (MT'000)		
	6 months ended 31 Dec		+/(–)	6 months ended 31 Dec		+/(–)
Segment	**2018**	**2017**	**%**	**2018**	**2017**	**%**
Upstream Malaysia	**2,072**	2,717	(24)	**2,798**	3,248	(14)
Upstream Indonesia	**1,712**	2,580	(34)	**1,713**	1,435	19
Upstream PNG/SI	**2,213**	2,701	(18)	**994**	746	33
Upstream Liberia	**1,874**	2,243	(16)	**51**	29	76
Total	**1,974**	2,672	(26)	**5,556**	5,458	2

(i) Upstream Malaysia

PBIT of Upstream Malaysia declined by 58% to RM301 million for the period under review. The decline in PBIT was mainly attributable to the lower average CPO and PK prices realised (declined by 24% and 35%, respectively) as well as lower FFB production (declined by 14%). OER for the six months ended 31 December 2018 improved to 20.67% as compared to 20.21% recorded in the same period of the previous year.

(ii) Upstream Indonesia

Upstream Indonesia reported a PBIT of RM68 million, significantly lower than the corresponding period of the previous year of RM261 million, largely due to lower average realised prices of CPO (declined by 34%) and PK (declined by 43%). The adverse impact of lower prices was partially mitigated by the 19% increase in FFB production during the period under review.

(iii) Upstream PNG/SI

PBIT of RM57 million recorded by Upstream PNG/SI was 26% lower as compared to RM77 million in the previous year corresponding period, also not spared by lower average CPO price realised which declined by 18% year-on-year. Nevertheless, the improvement in FFB production of 33% as compared to the same period last year has cushioned the adverse impact from lower prices.

(iv) Upstream Liberia

Upstream Liberia operations reported a loss of RM41 million, marginally lower than a loss of RM43 million in the corresponding period last year, least impacted by the lower CPO realised prices due to the significantly higher FFB production in the current period.

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

B1. Review of group performance (continued)

(b) Current six months ended 31 December 2018 against the previous year six months ended 31 December 2017 (continued)

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

Downstream

Downstream operations registered a PBIT of RM146 million, 9% higher than the previous year corresponding period of RM134 million. Bulk businesses showed improved results, contributed by higher sales volumes and better margins. This compensated for the lower profits from differentiated businesses in APAC and EMEA which suffered from slower demand and declining margins from specialty products.

Other operations

Other operations reported a PBIT of RM14 million as compared to RM38 million in the corresponding period of the previous year. The lower share of losses from associates and joint ventures in the current period partially compensated the decline in profits due to the recognition of RM39 million one-off dividend income received from an investment in the previous year.

Amounts in RM million unless otherwise stated

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

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

	Quarter ended		
	31 Dec 2018	**30 Sep 2018**	**+/(–) %**
Revenue	**3,504**	3,039	15
Segment results:			
Upstream Malaysia	**176**	125	41
Upstream Indonesia	**5**	63	(92)
Upstream PNG/SI	**27**	30	(10)
Upstream Liberia	**(23)**	(18)	(28)
Downstream	**98**	48	>100
Other operations	**3**	11	(73)
Recurring profit before interest and tax	**286**	259	10
Non-recurring transactions	**14**	–	
Profit before interest and tax	**300**	259	16
Finance income	**4**	4	
Finance costs	**(59)**	(51)	16
Profit before tax	**245**	212	16
Tax expense	**(86)**	(59)	
Profit after tax	**159**	153	4
Perpetual Sukuk	**(30)**	(32)	
Non-controlling interests	**–**	(6)	
Profit after tax attributable to equity holders of the Company	**129**	115	12

The Group's net earnings for the current quarter increased by 12% to RM129 million, with revenue rising by 15% to RM3.5 billion.

The recurring PBIT of RM286 million was 10% higher than the preceding quarter, mainly attributable to the increased contribution from the Downstream operations which registered better margins and higher sales volumes. The improved performance of the Downstream segment compensated for the decline in PBIT of the Upstream operations which was adversely impacted by lower CPO and PK prices realised in the current quarter.

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' recurring PBIT decreased marginally by 8% to RM185 million in the current quarter, as compared to RM200 million registered in the preceding quarter, attributable to the lower CPO and PK prices which fell by 12% and 19% respectively. The adverse impact from lower CPO and PK realised prices was reduced by the higher FFB production as well as higher OER, which improved from 21.06% to 21.28% in the current quarter.

	CPO price realised (RM per MT)			**FFB production (MT'000)**		
	Quarter ended			**Quarter ended**		
Segment	**Q2 Dec 2018**	**Q1 Sep 2018**	**+/(–) %**	**Q2 Dec 2018**	**Q1 Sep 2018**	**+/(–) %**
Upstream Malaysia	**1,939**	2,223	(13)	**1,505**	1,293	16
Upstream Indonesia	**1,663**	1,803	(8)	**794**	919	(14)
Upstream PNG/SI	**2,155**	2,289	(6)	**481**	513	(6)
Upstream Liberia	**1,840**	1,918	(4)	**26**	26	0
Total	**1,870**	2,117	(12)	**2,806**	2,751	2

(i) Upstream Malaysia

Upstream Malaysia registered a PBIT of RM176 million for the current quarter, 41% higher than the preceding quarter, attributable to the 16% higher FFB production. The higher crop compensated the impact from the lower realised prices of CPO (declined by 13%) and PK (declined by 19%). The segment reported OER of 20.68% which was similar to the preceding quarter.

(ii) Upstream Indonesia

Upstream Indonesia reported a PBIT of RM5 million, significantly lower than the preceding quarter PBIT of RM63 million. The lower PBIT impacted by the 14% lower FFB production was exacerbated by the decline in CPO and PK realised prices in the current quarter. PK prices were lower by 15% than the preceding quarter. Nevertheless, the segment's OER has improved from 21.04% to 21.24% in the current quarter.

(iii) Upstream PNG/SI

This segment's current quarter PBIT of RM27 million was 10% lower than the profit of RM30 million registered in the preceding quarter. The lower PBIT was primarily due to the reduction in FFB production of 6% as well as a similar decline in CPO prices, partially compensated by the improvement in OER in the current quarter. Upstream PNG/SI reported increased OER of 22.95% compared to 22.11% in the preceding quarter.

(iv) Upstream Liberia

Upstream Liberia operation reported a loss before interest and tax of RM23 million as compared to RM18 million loss registered in the preceding quarter, largely attributable to the lower average price realised for CPO and PK.

Downstream

Downstream operations recorded a PBIT of RM98 million in the quarter under review as compared to RM48 million reported in the preceding quarter. Both bulk and differentiated product businesses reported better results largely due to higher sales volumes and better margins.

Other operations

PBIT of other operations in the current quarter declined to RM3 million from RM11 million recorded in the preceding quarter. This was mainly due to higher losses incurred by associates and joint ventures.

Amounts in RM million unless otherwise stated

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

B3. Prospect

Save for any extreme weather abnormalities, the Group expects FFB production to improve in the financial year ending 31 December 2019. CPO prices will likely remain flat in the near term. However, slower production growth and higher demand from China and India, could lend support to CPO prices.

Other factors such as the movement of crude oil prices and the Ringgit, the revision of biodiesel rules in Malaysia and Indonesia, tax regulations in major consuming countries and competition from other edible oils may influence the market prices of CPO and other palm products.

Barring any unforeseen circumstances, the Group expects its recurring operating performance for the financial year ending December 2019 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:

	Quarter ended 31 December		**Six months ended 31 December**	
	2018	**2017**	**2018**	**2017**
Depreciation and amortisation	**(349)**	(289)	**(616)**	(548)
Fair value (losses)/gains:				
– commodities future contracts	**(9)**	2	**(6)**	(15)
– forward foreign exchange contracts	**3**	(5)	**10**	(13)
Gain on disposals of:				
– property, plant and equipment				
– recurring activities	**21**	(10)	**35**	69
– non-current assets held for sale				
– non-recurring transactions	**46**	–	**46**	676
Impairment of:				
– property, plant and equipment				
– non-recurring transactions	**(18)**	–	**(18)**	–
– trade and other receivables	**–**	(1)	**(2)**	(1)
Unrealised foreign exchange gains/(losses)	**20**	(6)	**27**	(18)
Write-down of inventories	**(4)**	(8)	**(4)**	(8)
Write off of property, plant and equipment	**(19)**	(5)	**(32)**	(13)

Included in finance costs is:

Finance costs on interest rate swap contracts	**1**	3	**–**	1

Amounts in RM million unless otherwise stated

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

B6. Tax expense

	Quarter ended 31 December		Six months ended 31 December	
	2018	**2017**	**2018**	**2017**
In respect of current financial period:				
– current tax	**13**	140	**72**	283
– deferred tax	**67**	14	**67**	53
	80	154	**139**	336
In respect of prior financial years:				
– current tax	**6**	6	**6**	4
	86	160	**145**	340

The effective tax rate of 31.7% for the quarter under review was higher than the statutory tax rate, mainly due to unrecognised deferred taxes on losses suffered by certain subsidiaries in Indonesia and Liberia.

The effective tax rate of 18.1% for the corresponding quarter in the previous year was lower than the statutory tax rate primarily due to the disposal of the Malaysian Vision Valley land to Sime Darby Property Berhad which were not subjected to tax.

B7. Status of announced corporate proposals

The shareholders of the Company have approved the proposed Dividend Reinvestment Plan ("DRP") announced by the Group on 31 October 2018 during an Extraordinary General Meeting ("EGM") held on 21 November 2018.

Subsequent to the approval by shareholders and relevant authorities, the Company has issued and allotted 83,735,906 new ordinary shares on 7 January 2019 in respect of the final single tier dividend and the special final single tier dividend (8.0 sen and 3.0 sen per ordinary share respectively) for the financial year ended 30 June 2018.

Amounts in RM million unless otherwise stated

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

B8. Borrowings and debt securities

Borrowings of the Group as at 31 December 2018 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	–	3,033	**3,033**
Revolving credits	–	1,496	**1,496**
Bonds	–	475	**475**
Multi-currency Sukuk	–	509	**509**
Unamortised deferred financing expenses	–	(20)	**(20)**
	–	5,493	**5,493**
Short-term			
Term loans	–	588	**588**
Revolving credits	–	1,216	**1,216**
	–	1,804	**1,804**
Total	–	7,297	**7,297**
Borrowings of the Group consist of:			
– principal	–	7,317	**7,317**
– unamortised deferred financing expenses	–	(20)	**(20)**
	–	7,297	**7,297**

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	475	215	**690**
Ringgit Malaysia	–	450	**450**
Thailand Baht	37	6	**43**
United States Dollar	4,981	1,133	**6,114**
	5,493	1,804	**7,297**

Amounts in RM million unless otherwise stated

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

B9. Derivatives

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

The fair values of these derivatives as at 31 December 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	–	8	–	4	**4**
Commodity futures contracts	–	32	–	17	**15**
Interest rate swap contracts	–	18	–	–	**18**
	–	58	–	21	**37**

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 31 December 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 assets
Less than 1 year	1,201	**4**

<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 31 December 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	103,834	256	**(17)**
– Sale contracts	249,516	390	**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 December 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 31 December 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	1,130	**18**

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 RM8.3 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 RM191.8 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 RM19.9 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 RM88.0 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 RM37.9 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 executed an application for the official copy of the SABL which was lodged with the registrar of titles on 10 January 2019. NBPOL will make the application for registration of the SLA entered into between NBPOL and Meloks after it has obtained the official copy of the SABL.

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

B10. Material litigation (continued)

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

(b) New Britain Palm Oil Limited (“NBPOL”) vs. Masile Incorporated Land Group (“Masile”), Rikau Incorporated Land Group (“Rikau”) & Meloks Incorporated Land Group (“Meloks”) (collectively, “Defendants”) (continued)

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.

(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 RM57.0 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.

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 RM70.4 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM39.1 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM71.3 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM142.6 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM284.2 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. PT MAP, PT PS and 3 others 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 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.

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 Unimills B. V. ("SD Unimills") (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 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 RM53.7 million). However Chantico subsequently dropped some of their claims and this amount was reduced to EUR6.0 million (equivalent to around RM28.5 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 RM39.9 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 RM28.5 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.

(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 RM44.2 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 RM46.1 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 RM2.8 million) for the 7 European cargo owners, of which SD Unimills' share is 27.25% or EUR158,867.50 (equivalent to around RM755,264). 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 RM10.0 million) for Lawsuit 1 and EUR145,000.00 including interest (equivalent to around RM689,337) 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

A final single tier dividend of 1.7 sen per share in respect of the financial period ended 31 December 2018, which is not taxable in the hands of the shareholders pursuant to the paragraph 12B of Schedule 6 of the Income Tax Act 1967 has been declared and will be paid on 21 May 2019. The entitlement date for the dividend payment is 10 May 2019.

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

(i) shares deposited into the depositor's securities account before 12.30 p.m. on 8 May 2019 in respect of shares which are exempted from mandatory deposit;

(ii) shares transferred into the depositor's securities account before 4.00 p.m. on 10 May 2019 in respect of transfers; and

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

B12. Earnings per share

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

	Quarter ended 31 December		Six months ended 31 December	
	2018	**2017**	**2018**	**2017**
Profit for the financial period	**129**	429	**244**	1,448
Weighted average number of ordinary shares in issue (million units)	**6,801**	6,801	**6,801**	6,801
Basic earnings per share (sen)	**1.9**	6.3	**3.6**	21.3

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.

By Order of the Board

Norzilah Megawati Abdul Rahman
Mazlina Mohd Zain
Company Secretaries

Petaling Jaya
28 February 2019