



Plantation

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Selangor Darul Ehsan, Malaysia

QUARTERLY REPORT

On the consolidated results for the second quarter ended 30 June 2021

The Directors are pleased to announce the following:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in RM million unless otherwise stated

	Note	Quarter ended 30 June		%	Half year-ended 30 June		%
		2021	2020		2021	2020	
Continuing operations							
Revenue	A8, A9	4,411	3,216	37	8,084	6,260	29
Operating expenses		(3,600)	(2,956)		(6,505)	(5,683)	
Other operating income		22	217		181	504	
Other gains/(losses)		99	68		(41)	105	
Operating profit	B5, A9	932	545	71	1,719	1,186	45
Share of results of joint ventures		- *	(1)		(1)	(1)	
Share of results of associates		6	3		8	4	
Profit before interest and tax	A9	938	547	71	1,726	1,189	45
Finance income		3	3		5	6	
Finance costs		(21)	(31)		(35)	(69)	
Profit before tax		920	519	77	1,696	1,126	51
Tax expense	B6	(217)	(106)		(382)	(286)	
Profit from continuing operations		703	413	70	1,314	840	56
Discontinued operations							
(Loss)/profit from discontinued operations		(30)	-		(30)	74	
Profit for the financial period		673	413	63	1,284	914	40
Profit/(Loss) for the financial period attributable to:							
- equity holders of the Company							
- from continuing operations		647	378		1,209	772	
- from discontinued operations		(30)	-		(30)	74	
		617	378	63	1,179	846	39
- Perpetual Sukuk							
- from continuing operations		31	31		62	62	
		31	31		62	62	
- non-controlling interests							
- from continuing operations		25	4		43	6	
		25	4		43	6	
		673	413	63	1,284	914	63
Basic earnings/(loss) per share attributable to equity holders of the Company (sen):							
- from continuing operations	B13	9.4	5.5		17.5	11.2	
- from discontinued operations	B13	(0.4)	-		(0.4)	1.1	
Total		9.0	5.5	64	17.1	12.3	39

* Less than 1 million

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 31 December 2020.

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

	Quarter ended		%	Half year-ended		%
	30 June			30 June		
	2021	2020	+ / (-)	2021	2020	+ / (-)
Profit for the financial period	673	413	63	1,284	914	40
<u>Continuing operations</u>						
Other comprehensive income/(loss):						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences gains/(losses):						
– subsidiaries	13	593		100	200	
– joint ventures and associates	(1)	-		(1)	-	
Net change in fair value:						
– cash flow hedges loss	(126)	13		(326)	(1)	
– transfer to profit or loss	137	(4)		306	-	*
Tax income relating to components through other comprehensive (loss)/income	(3)	(1)		8	-	*
	20	601		87	199	
Items that will be not reclassified subsequently to profit or loss:						
Actuarial loss on defined benefit pension plans	(47)	-		(40)	-	
Tax expenses relating to components through other comprehensive loss	1	-		-	-	*
	(46)	-		(40)	-	
	(26)	601		47	199	
Other comprehensive loss from discontinued operations	-	-		-	(113)	
Total other comprehensive (loss)/income	(26)	601		47	86	
Total comprehensive income for the financial period	647	1,014		1,331	1,000	
Total comprehensive income/(loss) for the financial period attributable to:						
– equity holders of the Company						
– from continuing operations	621	950	(35)	1,254	964	30
– from discontinued operations	(30)	-	-	(30)	(39)	23
	591	950		1,224	925	
– Perpetual Sukuk						
– from continuing operations	31	31	-	62	62	-
	31	31		62	62	
– non-controlling interests						
– from continuing operations	25	33	(24)	45	13	>100
	25	33		45	13	
Total	647	1,014	(36)	1,331	1,000	33

* Less than 1 million

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 31 December 2020.

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

	<u>Unaudited</u>	<u>Audited</u>
Note	As at 30 June 2021	As at 31 December 2020
Non-current assets		
Property, plant and equipment	17,348	17,283
Investment properties	9	7
Right-of-use assets	2,024	2,063
Joint ventures	34	35
Associates	46	43
Intangible assets	2,838	2,789
Investments at fair value through other comprehensive income ("FVOCI")	27	27
Deferred tax assets	571	621
Tax recoverable	241	265
Trade and other receivables	149	186
	<u>23,287</u>	<u>23,319</u>
Current assets		
Inventories	2,530	1,569
Biological assets	264	224
Trade and other receivables	2,241	2,246
Tax recoverable	98	215
Amounts due from related parties	-	3
Planned assets	-	44
Derivatives	35	68
Bank balances, deposits and cash	801	309
	<u>5,969</u>	<u>4,678</u>
Non-current assets held for sale ⁽¹⁾	346	323
Total assets	29,602	28,320
Equity		
Share capital	1,634	1,506
Reserves	12,853	12,149
Attributable to equity holders of the Company	<u>14,487</u>	<u>13,655</u>
Perpetual Sukuk	2,231	2,231
Non-controlling interests	401	384
Total equity	17,119	16,270

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Amounts in RM million unless otherwise stated

		<u>Unaudited</u>	<u>Audited</u>
		As at	As at
	Note	30 June 2021	31 December 2020
Non-current liabilities			
Retirement benefits		179	277
Deferred income		-	-
Deferred tax liabilities		2,635	2,623
Borrowings	B8	4,088	4,397
Lease liabilities		156	164
Trade and other payables		89	81
		<u>7,147</u>	<u>7,542</u>
Current liabilities			
Trade and other payables		1,609	1,554
Contract liabilities		24	28
Government grants		1	-
Amounts due to related parties		5	18
Retirement benefits		18	18
Lease liabilities		24	26
Tax payable		388	201
Derivatives	B9	284	360
Borrowings	B8	2,959	2,285
		<u>5,312</u>	<u>4,490</u>
Liabilities directly associated with non-current assets held for sale ⁽²⁾		<u>24</u>	<u>18</u>
Total liabilities		<u>12,483</u>	<u>12,050</u>
Total equity and liabilities		<u>29,602</u>	<u>28,320</u>
Net assets per share attributable to equity holders of the Company (RM)		<u>2.09</u>	<u>1.98</u>
Note:			
(1) Non-current assets held for sale			
Non-current assets held for sale			
– property, plant and equipment		30	34
– right-of-use assets		-	-
– joint venture		128	158
Disposal group held for sale			
– property, plant and equipment		130	89
– right of use assets		9	1
– other assets		49	41
		<u>346</u>	<u>323</u>
(2) Liabilities directly associated with non-current assets held for sale			
Disposal group held for sale			
– liabilities		24	18
		<u>24</u>	<u>18</u>

* Less than 1 million

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2020.

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

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Half year-ended 30 June 2021											
At 1 January 2021	1,506	9	(194)	(18)	25	463	11,864	13,655	2,231	384	16,270
<u>Continuing operations</u>											
Profit for the financial period	-	-	-	-	-	-	1,209	1,209	62	43	1,314
Other comprehensive (loss)/income for the financial period	-	-	(12)	-	-	97	(40)	45	-	2	47
Total comprehensive (loss)/income for the financial period	-	-	(12)	-	-	97	1,169	1,254	62	45	1,361
Transactions with equity holders:											
Share issue	128	-	-	-	-	-	-	128	-	-	128
Dividends	-	-	-	-	-	-	(520)	(520)	-	(28)	(548)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(62)	-	(62)
<u>Discontinued operations</u>											
Total comprehensive loss for the financial period	-	-	-	-	-	-	(30)	(30)	-	-	(30)
At 30 June 2021	1,634	9	(206)	(18)	25	560	12,483	14,487	2,231	401	17,119

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 reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Half year-ended 30 June 2020											
At 1 January 2020	1,506	9	6	(18)	28	721	11,009	13,261	2,231	369	15,861
<u>Continuing operations</u>											
Profit for the financial period	-	-	-	-	-	-	772	772	62	6	840
Other comprehensive (loss)/income for the financial period	-	-	(1)	-	-	196	-	195	-	6	201
Disposal of subsidiaries	-	-	-	-	-	(3)	-	(3)	-	1	(2)
Total comprehensive (loss)/income for the financial period	-	-	(1)	-	-	193	772	964	62	13	1,039
Transactions with equity holders:											
Dividends	-	-	-	-	-	-	(69)	(69)	-	(17)	(86)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(62)	-	(62)
<u>Discontinued operations</u>											
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	(113)	74	(39)	-	-	(39)
At 30 June 2020	1,506	9	5	(18)	28	801	11,786	14,117	2,231	365	16,713

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 31 December 2020.

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

	Note	Half year-ended 30 June	
		2021	2020
Cash flows from operating activities			
Profit for the financial period from continuing operations		1,314	840
Adjustments for:			
Share of results of joint ventures and associates		(7)	(3)
Finance income		(5)	(6)
Finance costs		35	69
Gain on disposal of:			
– property, plant and equipment	B5	(2)	(9)
– non-current assets held for sale	B5	(125)	(459)
Depreciation and amortisation	B5	655	622
Fair value (gains)/losses:			
– commodities contracts	B5	(53)	(192)
– forward foreign exchange contracts	B5	9	3
Unrealised foreign exchange losses	B5	39	10
Tax expense	B6	382	286
Fair value changes on biological assets		(36)	13
Retirement benefits		(73)	19
Impairment of:			
– right-of-use assets	B5	12	-
– inventories	B5	1	14
– trade and other receivables	B5	15	6
– non-current assets held for sale	B5	1	-
Reversal of impairment:			
– trade and other receivables	B5	(2)	-
Write offs:			
– property, plant and equipment	B5	16	11
– right-of-use assets	B5	-	-
Write back of receivables	B5	(2)	-
Dividend income		(1)	-
		2,173	1,224
Changes in working capital:			
Inventories		(954)	(137)
Trade and other receivables		8	83
Trade and other payables		86	152
Intercompany and related party balances		(10)	(7)
Cash generated from operations		1,303	1,315
Tax paid		(25)	(159)
Retirement benefits paid		(16)	(5)
Operating cash flow from continuing operations		1,262	1,151
Operating cash flow used in discontinued operations		-	-
Net cash generated from operating activities		1,262	1,151
Cash flows from investing activities			
Finance income received		5	6
Purchase of:			
– property, plant and equipment		(574)	(567)
– intangibles assets		(3)	(6)
Proceeds from sale of:			
– non-current assets held for sale		138	475
– property, plant and equipment		4	13
Dividend received from:			
– other investments		1	-
Investing cash flow used in continuing operations		(429)	(79)
Investing cash flow used in discontinued operations		-	(25)
Net cash used in investing activities		(429)	(104)

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

	Note	Half year-ended 30 June	
		2021	2020
Cash flows from financing activities			
Distribution to Perpetual Sukuk holders		(62)	(62)
Finance costs paid		(65)	(106)
Loans raised		3,013	1,104
Loan repayments		(2,805)	(1,574)
Repayment of lease liabilities		(15)	(17)
Dividends paid to shareholders		(392)	(69)
Dividends paid to non-controlling interests of subsidiaries		(28)	(17)
Financing cash flow used in continuing operations		(354)	(741)
Financing cash flow used in discontinued operations		-	-
Net cash used in financing activities		(354)	(741)
Net changes in cash and cash equivalents during the financial period		479	306
Foreign exchange difference		13	5
Cash and cash equivalents at beginning of the period		309	431
Cash and cash equivalents at end of the period		801	742

* Less than 1 million

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 31 December 2020.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

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 ended 31 December 2020.

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 31 December 2020 except as described below.

(a) Accounting pronouncements that are effective and have been adopted in preparing these financial statements:

(i) Interpretation and amendments that are effective on or after 1 June 2020

- Amendment to MFRS 16 "Covid-19 - Related Rent Concessions"

The adoption of this amendment does not have any impact on the current period or any prior periods and is not likely to affect future periods.

(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 April 2021

- Amendment to MFRS 16 "Covid-19 - Related Rent Concessions beyond 30 June 2021"

(i) Interpretation and amendments that are effective on or after 1 January 2022

- Amendments to MFRS 116 "Property, Plant and Equipment: Proceeds before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"
- Amendments to MFRS 141 "Taxation in Fair Value Measurements"

The amendments shall be applied retrospectively.

- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Annual Improvements to MFRS 9 "Fees in the 10% Test for Derecognition of Financial Liabilities"

The amendments shall be applied prospectively.

(ii) Interpretation and amendments that are effective on or after 1 January 2023

- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
- Amendments to MFRS 101 "Disclosure of Accounting Policies"
- Amendments to MFRS 108 "Definition of Accounting Estimates"
- Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments shall be applied retrospectively.

(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.

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 quarter under review.

A5. Material changes in estimates

There were no material effects from estimates made in prior periods or previous year.

A6. Debt and equity securities

Save for the following, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

Share capital

On 3 June 2021, the Company issued and allotted 31,139,318 new ordinary shares pursuant to the Dividend Reinvestment Plan ("DRP") for the Special Final Dividend at RM4.10 per new ordinary share. Following the allotment of new SDP shares, the Company's issued and paid-up capital has increased from 6,884,575,283 ordinary shares to 6,915,714,601 ordinary shares.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021
Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A7. Dividends paid

Dividends paid during the quarter ended 30 June 2021 are as follows:

	Quarter ended 30 June 2021
In respect of financial year ended 31 December 2020:	
- Final dividend of RM5.42 sen per share, paid on 12 May 2021	373
- Special final dividend of RM2.13 sen per share, paid on 3 June 2021	147
	520

The final dividend in respect of the financial year ended 31 December 2020 of RM373.2 million was paid in cash on 12 May 2021.

The FYE 31 December 2020 Special Final Dividend of RM146.6 million was paid on 3 June 2021, of which RM127.7million was satisfied by the issuance of 31,139,318 new SDP shares pursuant to the DRP and cash of RM18.9 million.

A8. Revenue

The Group derived the following types of revenue:

	Note	Half year-ended 30 June	
		2021	2020
<u>Continuing operations</u>			
Revenue from contracts with customers	A8(a)	8,076	6,255
Revenue from other sources	A8(b)	8	5
		8,084	6,260
<u>Discontinued operations</u>			
Revenue from contracts with customers		-	-
Total revenue		8,084	6,260
 (a) Disaggregation of revenue from contracts with customers			
<u>Continuing operations</u>			
Upstream			
– Malaysia		208	395
– Indonesia		538	390
– Papua New Guinea and Solomon Islands ("PNG/SI")		471	550
Downstream		6,825	4,887
Other operations		34	33
		8,076	6,255
 <u>Continuing operations</u>			
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products		7,985	6,137
Freight services		89	114
Tolling services		2	4
		8,076	6,255
 <u>Continuing operations</u>			
Timing of revenue recognition			
– at point in time		7,985	6,137
– over time		91	118
		8,076	6,255
 (b) Revenue from other sources			
Dividend (gross) received/receivable from investments		1	-
Rental income		7	5
		8	5
 (c) Revenue expected to be recognised in relation to unsatisfied performance obligations			

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 30 June 2021:

	Expected timing of recognition During the quarter ending 30 September 2021
Freight income	24

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information

	Continuing operations							Discontinued operations	Total
	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter-segment elimination	Total		
Half year-ended 30 June 2021									
Segment revenue:									
External sales	216	538	471	6,825	34	-	8,084	-	8,084
Inter-segment sales	1,876	628	701	73	134	(3,412)	-	-	-
Total revenue	2,092	1,166	1,172	6,898	168	(3,412)	8,084	-	8,084
Segment results:									
Operating profit:									
– recurring activities	390	511	431	253	21	-	1,606	-	1,606
– non-recurring transactions	125	-	(12)	-	-	-	113	-	113
Share of results of joint ventures and associates	-	-	-	-	7	-	7	(30)	(23)
Profit before interest and tax	515	511	419	253	28	-	1,726	(30)	1,696
Half year-ended 30 June 2020									
Segment revenue:									
External sales	399	390	518	4,920	33	-	6,260	-	6,260
Inter-segment sales	1,211	396	297	52	119	(2,075)	-	-	-
Total revenue	1,610	786	815	4,972	152	(2,075)	6,260	-	6,260
Segment results:									
Operating profit:									
– recurring activities	375	132	97	113	10	-	727	-	727
– non-recurring transactions	403	-	56	-	-	-	459	74	533
Share of results of joint ventures and associates	-	-	-	-	3	-	3	-	3
Profit before interest and tax	778	132	153	113	13	-	1,189	74	1,263

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information (continued)

	Continuing operations						Discontinued operations		Total
	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter-segment elimination	Total	Total	
As at 30 June 2021									
Segment assets:									
Operating assets	9,710	5,272	8,066	4,974	244	-	28,266	-	28,266
Joint ventures and associates	-	-	-	-	80	-	80	-	80
Non-current assets held for sale	29	187	-	-	2	-	218	128	346
	9,739	5,459	8,066	4,974	326	-	28,564	128	28,692
Tax assets							910		910
Total assets							29,474		29,602

	Continuing operations						Discontinued operations		Total
	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter-segment elimination	Total	Total	
As at 30 June 2020									
Segment assets:									
Operating assets	9,416	4,915	8,304	4,456	216	-	27,307	-	27,307
Joint ventures and associates	-	-	-	-	78	-	78	-	78
Non-current assets held for sale	32	136	-	-	-	-	168	394	562
	9,448	5,051	8,304	4,456	294	-	27,553	394	27,947
Tax assets							1,241		1,241
Total assets							28,794		29,188

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021
Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A10. Capital commitments

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

	Unaudited	Audited
	As at 30 June 2021	As at 31 December 2020
Property, plant and equipment		
– contracted	249	209
– not contracted	464	102
	713	311
Other capital expenditure		
– not contracted	398	732
	398	732
	1,111	1,043

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Half year-ended 30 June	
	2021	2020
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services		
– Emery Oleochemicals (M) Sdn Bhd	7	22
(b) Transactions with associates		
(i) Purchase of palm oil		
– Rizhao Sime Darby Oils & Fatz Co. Ltd.	-	29
– Thai Eastern Trat Company Limited	42	14

(c) Transactions with related parties

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.51% as at 30 June 2021 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 is 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.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021
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 related parties (continued)

Transactions entered into with Government related entities include the following:

	Half year-ended 30 June	
	2021	2020
(i) Foreign currency payment arrangement – Hastings Deering (PNG) Limited	-	57
(ii) Purchase of heavy equipment, spare parts and services – Sime Darby Industrial Holdings Sdn Bhd	7	5
– Sime Kubota Sdn Bhd	3	-
– Hastings Deering (PNG) Limited	-	1
(iv) Lease of agricultural land – Kumpulan Sime Darby Berhad	6	4
(d) Transactions entered into with person connected to a former director		
(i) Provision of freight services – Rosely Kusip	-	2

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

There were no material events in the interval between the end of the current quarter under review and 11 August 2021 being a date not earlier than 7 days from the date of issuance of the report.

A13. Commitments and contingent liabilities – unsecured

(a) Guarantees

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

The financial guarantees are as follows:

	As at 30 June 2021	As at 31 December 2020
Guarantees in respect of credit facilities granted to:		
– a joint venture	4	5
– plasma stakeholders	67	55
	71	60

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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 30 June 2021 against the previous year corresponding quarter ended 30 June 2020

	Quarter ended 30 June		+/(–) %
	2021	2020	
<u>Continuing operations</u>			
Revenue	4,411	3,216	37
Segment results:			
Upstream Malaysia	270	200	35
Upstream Indonesia	321	93	>100
Upstream PNG/SI	198	23	>100
Downstream	146	24	>100
Other operations	14	10	40
Recurring profit before interest and tax	949	350	>100
Non-recurring transactions	(11)	197	<100
Profit before interest and tax	938	547	71
Finance income	3	3	0
Finance costs	(21)	(31)	32
Profit before tax	920	519	77
Tax expense	(217)	(106)	
Profit from continuing operations	703	413	70
Perpetual Sukuk	(31)	(31)	
Non-controlling interests	(25)	(4)	
Profit from continuing operations attributable to equity holders of the Company	647	378	71
<u>Discontinued operations</u>			
Loss from discontinued operations attributable to equity holders of the Company	(30)	-	
Profit after tax attributable to equity holders of the Company	617	378	63
Loss from discontinued operations include:			
Segment results:			
– Other operations	(30)	-	

For the quarter ended 30 June 2021, the Group registered a net profit from continuing operations of RM647 million, 71% higher than the corresponding quarter of the previous year, driven by stronger recurring profit before interest and tax ("PBIT") from both Upstream and Downstream segments which compensated for the non-recurring loss reported in the current quarter.

The non-recurring loss of RM11 million reported during the current quarter was mainly due to an impairment charge on idle land, as compared to a non-recurring PBIT of RM197 million recorded in the previous year corresponding quarter arising from divestment gains.

The Group's finance costs of RM21 million was significantly lower as compared to the corresponding quarter of the previous year, attributed to the lower interest rates, as well as lower average borrowing levels in the current quarter.

During the quarter under review, the Group recognised a loss on discontinued operations arising from additional provision for impairment of RM30 million on its joint venture, Emery Oleochemicals (M) Sdn Bhd.

As a result, total net profit for the Group of RM617 million was 63% higher than the corresponding quarter of the previous year.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

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)

(a) Current quarter ended 30 June 2021 against the previous year corresponding quarter ended 30 June 2020 (continued)

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

Upstream

The Group's Upstream operations reported a stronger PBIT of RM789 million, more than double the PBIT of RM316 million recorded in the previous year corresponding quarter, primarily due to the following factors:

- (i) higher average CPO and PK prices realised, which increased by 54% and 85%, respectively;
- (ii) improved oil extraction rate ("OER"), which increased from 21.29% to 21.63%; and
- (iii) a gain from the retirement benefit plan of RM99 million, pursuant to amendments implemented by the Omnibus Law in Indonesia.

The above key drivers compensated for the slight decline in fresh fruit bunches ("FFB") production during the current quarter. In addition, the Upstream segment reported an unrealised foreign currency exchange gain of RM60 million in the previous year corresponding quarter mainly attributed to the depreciation of USD against IDR of 13%, as compared to minimal movement in the current quarter.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended 30 June		+/(-)	Quarter ended 30 June		+/(-)
	2021	2020	%	2021	2020	%
Upstream Malaysia	3,584	2,310	55	1,274	1,387	(8)
Upstream Indonesia	3,109	2,221	40	671	563	19
Upstream PNG/SI	4,396	2,566	71	510	520	(2)
Total	3,632	2,361	54	2,455	2,470	(1)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended 30 June		+/(-)	Quarter ended 30 June		+/(-)
	2021	2020	%	2021	2020	
Upstream Malaysia	2,648	1,396	90	21.02	20.60	0.42
Upstream Indonesia	1,899	1,024	85	21.87	21.80	0.07
Upstream PNG/SI	-	-	-	22.69	22.40	0.29
Total	2,383	1,286	85	21.63	21.29	0.34

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

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)

(a) Current quarter ended 30 June 2021 against the previous year corresponding quarter ended 30 June 2020 (continued)

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

Downstream

The Group's Downstream PBIT increased significantly from RM24 million to RM146 million in the current quarter, attributed to the improved results from its Asia Pacific bulk operations as well as its refineries in Europe and Africa.

The Asia Pacific bulk operations reported improved performance, driven by rising margins and market prices, coupled with price premiums from Roundtable on Sustainable Palm Oil ("RSPO") products, despite lower sales volumes. This compensated for the lower PBIT reported by the differentiated refineries in Asia Pacific which suffered lower sales margin and volumes.

The Group's refineries in Europe and Africa recorded improved sales margins due to higher selling prices and stringent cost control measures. The European region also recorded higher fair value gains on commodity hedges as compared to the same quarter last year.

Other operations

Other operations reported a PBIT of RM14 million for the current quarter, versus a PBIT of RM10 million in the same quarter last year, mainly due to higher share of results of associates.

Non-recurring transactions

The non-recurring loss of RM11 million reported during the current quarter was mainly due to impairment charge on idle land in Papua New Guinea ("PNG"). During the same quarter last year, the Group recorded a non-recurring PBIT of RM197 million, comprised of gains from the sale of land in Malaysia and the Group's subsidiaries, Verdant Bioscience Pte Ltd and PT Timbang Deli.

Discontinued operations

The Group made a provision for impairment of RM30 million on the carrying amount of its joint venture, Emery Oleochemicals (M) Sdn Bhd, which had been classified as an asset held for sale.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021
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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Current half-year ended 30 June 2021 against the previous half-year ended 30 June 2020

	Half year-ended 30 June		+/(–) %
	2021	2020	
<u>Continuing operations</u>			
Revenue	8,084	6,260	29
Segment results:			
Upstream Malaysia	390	375	4
Upstream Indonesia	511	132	>100
Upstream PNG/SI	431	97	>100
Downstream	253	113	>100
Other operations	28	13	>100
Recurring profit before interest and tax	1,613	730	>100
Non-recurring transactions	113	459	(75)
Profit before interest and tax	1,726	1,189	45
Finance income	5	6	
Finance costs	(35)	(69)	
Profit before tax	1,696	1,126	51
Tax expense	(382)	(286)	
Profit from continuing operations	1,314	840	56
Perpetual Sukuk	(62)	(62)	
Non-controlling interests	(43)	(6)	
Profit from continuing operations attributable to equity holders of the Company	1,209	772	57
<u>Discontinued operations</u>			
(Loss)/profit from discontinuing operations attributable to equity holders of the Company	(30)	74	(141)
Profit after tax attributable to equity holders of the Company	1,179	846	39
Profit/(loss) from discontinued operations include:			
Segment results:			
– Upstream Liberia	-	74	
– Other operations	(30)	-	

For the period ended 30 June 2020, the Group posted net earnings from continuing operations of RM1.21 billion, as compared to RM772 million recorded in the corresponding period of the previous year, due to higher recurring PBIT contributed by all segments which compensated for the lower PBIT from non-recurring activities.

The Group's finance costs of RM35 million was significantly lower than the previous year corresponding period, a result of the decline in benchmark lending rates and lower borrowing levels.

During the period under review, the Group recognised a loss on discontinued operations arising from additional provision for impairment of RM30 million on its joint venture, Emery Oleochemicals (M) Sdn Bhd.

As a result, the Group reported a total net earnings of RM1.18 billion, 39% higher than the RM846 million recorded in the same period last year.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

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 half-year ended 30 June 2021 against the previous half-year ended 30 June 2020 (continued)

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

Upstream

For the period ended 30 June 2021, the Group's Upstream segment reported a recurring PBIT of RM1.33 billion, as compared to the RM604 million reported in the corresponding period of the previous year. The strong performance was largely due to:

- (i) higher average CPO and PK prices realised, which increased by 38% and 66% respectively in the current period; and
- (ii) higher Group FFB production which increased by 2%, driven by improvement in Indonesia;
- (iii) a gain from the retirement benefit plan of RM99 million, pursuant to the amendments introduced by the Omnibus Law in Indonesia.

The above factors had offset the marginal decline in OER to 21.50% in the current period. In addition, the Upstream Malaysia segment reported an unrealised gain of RM128 million in the previous year corresponding period arising from fair value of commodity hedges.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Half-year ended 30 June		+/(–) %	Half-year ended 30 June		+/(–) %
	2021	2020		2021	2020	
Upstream Malaysia	3,347	2,391	40	2,326	2,461	(5)
Upstream Indonesia	2,993	2,439	23	1,363	1,141	19
Upstream PNG/SI	4,147	2,677	55	974	986	(1)
Total	3,422	2,475	38	4,663	4,588	2

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Half-year ended 30 June		+/(–) %	Half-year ended 30 June		+/(–) %
	2021	2020		2021	2020	
Upstream Malaysia	2,588	1,517	71	20.83	20.80	0.03
Upstream Indonesia	1,873	1,137	65	21.65	22.38	(0.73)
Upstream PNG/SI	-	-	-	22.69	22.40	0.29
Total	2,312	1,394	66	21.50	21.58	(0.08)

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

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

B1. Review of group performance (continued)

(b) Current half-year ended 30 June 2021 against the previous half-year ended 30 June 2020 (continued)

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

Downstream

The Group's Downstream segment reported a PBIT of RM253 million, significantly higher than the previous year corresponding period PBIT of RM113 million, driven by improvements in Asia Pacific.

The operations in Asia Pacific recorded higher sales margins and volumes, benefitting from favourable price movements and higher exports to destination markets. Although the Group's European and African refineries reported improved margins amid higher selling prices and stringent cost control measures, the results were weighed down by lower sales volumes and lower unrealised gain on the fair value of commodity hedges reported in the current period.

Other operations

Other operations registered a higher PBIT of RM28 million as compared to RM13 million in the corresponding period of the previous year, mainly due to lower unrealised foreign currency exchange losses, higher sales of harvesting poles and pest control services, and higher share of profits from associates.

Non-recurring transactions

The total non-recurring PBIT in the current period of RM113 million, comprised of gains from the disposal of land in Malaysia, which compensated for the impairment charge on idle land in PNG. During the corresponding period last year, the Group recorded gains from land sale in Malaysia and divestment of subsidiaries of RM406 million and RM53 million, respectively.

Discontinued operations

As stated above, the Group made a provision for impairment of RM30 million on the carrying amount of its joint venture, Emery Oleochemicals (M) Sdn Bhd which had been classified as an asset held for sale. During the corresponding period of the previous year, the Group recognised a gain of RM74 million on the disposal of its Liberian operation.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

Amounts in RM million unless otherwise stated

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

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

	Quarter ended		+/(–) %
	30 Jun 2021	31 Mar 2021	
<u>Continuing operations</u>			
Revenue	4,411	3,673	20
Segment results:			
Upstream Malaysia	270	120	>100
Upstream Indonesia	321	190	69
Upstream PNG/SI	198	233	(15)
Downstream	146	107	36
Other operations	14	14	0
Recurring profit before interest and tax	949	664	43
Non-recurring transactions	(11)	124	(109)
Profit before interest and tax	938	788	19
Finance income	3	2	
Finance costs	(21)	(14)	
Profit before tax	920	776	19
Tax expense	(217)	(165)	
Profit from continuing operations	703	611	15
Perpetual Sukuk	(31)	(31)	
Non-controlling interests	(25)	(18)	
Profit from continuing operations attributable to equity holders of the Company	647	562	15
<u>Discontinued operations</u>			
Loss from discontinued operations attributable to equity holders of the Company	(30)	-	
Profit after tax attributable to equity holders of the Company	617	562	10
Loss from discontinued operations include:			
Segment result:			
– Other operations	(30)	-	

The Group reported a net profit from continuing operations of RM647 million, a 15% improvement as compared to the preceding quarter, driven by both the Upstream and Downstream segments, which compensated for the loss from non-recurring transactions.

Finance costs increased in the current quarter, attributed to higher loan balances as compared to the preceding quarter and lower borrowing cost capitalised.

The loss from discontinued operations of RM30 million, comprised of additional provision for the impairment of Emery Oleochemicals (M) Sdn Bhd.

The Group reported a total earnings of RM617 million for the quarter ended 30 June 2021, 10% higher than the preceding quarter.

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

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

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

Upstream

The Upstream segment reported a PBIT of RM789 million, 45% higher than the preceding quarter, driven by the following key drivers:

- (i) higher average CPO and PK prices realised, which increased by 14% and 7% respectively;
- (ii) higher Group FFB production which increased by 11%;
- (iii) improved oil extraction rate ("OER"), which increased from 21.35% to 21.63%; and
- (iv) a gain from the retirement benefit plan of RM99 million, pursuant to the amendments introduced by the Omnibus Law in Indonesia.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Jun 2021	Mar 2021	%	Jun 2021	Mar 2021	%
Upstream Malaysia	3,584	3,026	18	1,274	1,052	21
Upstream Indonesia	3,109	2,886	8	671	692	(3)
Upstream PNG/SI	4,396	3,890	13	510	463	10
Total	3,632	3,185	14	2,455	2,207	11

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Jun 2021	Mar 2021	%	Jun 2021	Mar 2021	
Upstream Malaysia	2,648	2,511	5	21.02	20.60	0.42
Upstream Indonesia	1,899	1,848	3	21.87	21.44	0.43
Upstream PNG/SI	-	-	-	22.69	22.70	(0.01)
Total	2,383	2,230	7	21.63	21.35	0.28

Downstream

The Downstream segment reported a PBIT of RM146 million, 36% higher as compared to the preceding quarter. This was mainly attributed to higher profits registered by the European and African refineries, with the Asia Pacific operations reporting similar performance as the preceding quarter.

The improved performance of the Group's European and African refineries was on the back of higher sales margins, due to higher selling prices, stringent cost control measures and slightly higher sales volume. The Asia Pacific operations recorded higher sales volumes which compensated for the lower sales margins affected by the fluctuations in CPO prices. The Downstream segment also recognised higher gain from fair value of commodity hedges in the current quarter.

Other operations

Other operations reported a PBIT of RM14 million for the current quarter, similar to the preceding quarter.

Non-recurring

The Group incurred a non-recurring loss of RM11 million during the current quarter, mainly due to impairment charge on idle land in PNG, as compared to a non-recurring PBIT of RM124 million reported in the preceding quarter comprised of land disposal gains.

Discontinued operations

In the current quarter, the Group incurred additional provision for impairment of RM30 million on the carrying amount of its joint venture, Emery Oleochemicals (M) Sdn Bhd which had been classified as an asset held for sale.

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

B3. Prospects

The global supply of vegetable oils is expected to rise from the current tight position driven by an anticipated boost in production from larger planting areas seen this cycle, particularly for soybean and corn as producers look to take advantage of the demand support from the green energy sector as well as the high prices. The Group expects its Indonesia and Papua New Guinea operations to register higher FFB production this year supported by better weather conditions. This is expected to mitigate the impact of the prolonged labour shortages at its Malaysia plantations. Thus, FFB production for the financial year 2021 is expected to remain comparable to FY2020. With the prevailing labour shortages in Malaysia and tight global vegetable oil inventory levels, the Group expects prices to remain firm for the rest of the year.

On the demand front, the Group is cautiously optimistic of a recovery in demand as more countries achieve higher vaccination rates which would allow for the easing of COVID-19 restrictions and the resumption of more business activities as well as travels.

In Malaysia, the Group has fast-tracked COVID-19 vaccinations which should help ease the labour shortage.

Barring any unforeseen circumstances, the Group expects its performance for the financial year ending 31 December 2021 to be promising.

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

There was no profit forecast or profit guarantee issued during the quarter under review.

B5. Operating profit and finance costs

Included in the operating profit are:

	Quarter ended		Half year-ended	
	30 June		30 June	
	2021	2020	2021	2020
<u>Continuing operations</u>				
Depreciation and amortisation	(336)	(309)	(655)	(622)
Fair value gains/(losses):				
– commodities contracts	55	(6)	53	192
– forward foreign exchange contracts	2	21	(9)	(3)
Gain on disposals of:				
– property, plant and equipment	2	7	2	9
– non-current assets held for sale	1	197	125	459
Impairment of:				
– non-current assets held for sale	(1)	-	(1)	-
– trade and other receivables	(14)	(6)	(15)	(6)
– right-of-use assets	(12)	-	(12)	-
– inventories	- *	(14)	(1)	(14)
– non-current assets held for sale				-
Unrealised foreign exchange losses	(7)	53	(39)	(10)
Reversal of impairment:				
– property, plant and equipment	3	-	-	-
– trade and other receivables	-	-	2	-
Write off of:				
– property, plant and equipment	(7)	(6)	(16)	(11)
Write back of receivables	3	-	2	-
Included in finance costs is:				
Finance costs on interest rate swap contracts	(1)	- *	(3)	- *
<u>Discontinued operations</u>				
Impairment on a joint venture	(30)	-	(30)	-
Gain on disposal of non-current assets held for sale	-	-	-	74

* Less than 1 million.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B6. Tax expense**

	Quarter ended 30 June		Half year-ended 30 June	
	2021	2020	2021	2020
<u>Continuing operations</u>				
In respect of current financial period:				
– current tax	193	81	343	203
– deferred tax	22	20	33	83
	215	101	376	286
In respect of prior financial years:				
– current tax	2	5	6	-
Tax expenses	217	106	382	286

For the quarter ended 30 June 2021, the Group reported a total tax expense of RM217 million on the back of a profit before tax from continuing operations of RM920 million, with the effective tax rate at 24%. The effective tax rate in the corresponding quarter of the previous year was at 20%, lower than the statutory tax rate mainly due to the RM197 million gains on land sale which were subjected to lower tax rate and gains on divestment of subsidiaries which was not subjected to corporate income tax.

For the period ended 30 June 2021, the Group's effective tax rate was at 23% mainly due to RM122 million gain on government acquisition of land which was not subject to tax. The effective tax rate in the previous year corresponding period stood at 25%, mainly affected by the RM74 million writedown of deferred tax assets pursuant to the reduction in the corporate tax rates in Indonesia, partially mitigated by gains on land sale which were subjected to lower tax rate as well as gains on divestment of subsidiaries not subjected to tax.

B7. Status of announced corporate proposals

There are no corporate proposals announced but not completed as at 18 August 2021.

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

B8. Borrowings and debt securities

Borrowings of the Group as at 30 June 2021 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	-	1,484	1,484
Revolving credits-i	-	1,619	1,619
Bonds	-	494	494
Multi-currency Sukuk	-	509	509
Unamortised deferred financing expenses	-	(18)	(18)
	<hr/>	<hr/>	<hr/>
	-	4,088	4,088
Short-term			
Term loans	-	763	763
Revolving credits	-	2,126	2,126
Trade facilities	7	-	7
Trust receipts	-	64	64
Unamortised deferred financing expenses	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
	7	2,952	2,959
Total	<hr/>	<hr/>	<hr/>
	7	7,040	7,047
Borrowings of the Group consist of:			
– principal	7	7,059	7,066
– unamortised deferred financing expenses	-	(19)	(19)
	<hr/>	<hr/>	<hr/>
	7	7,040	7,047

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	494	82	576
Ringgit Malaysia	500	1,083	1,583
Thailand Baht	-	64	64
United States Dollar	3,094	1,676	4,770
Sterling Pound	-	54	54
	<hr/>	<hr/>	<hr/>
	4,088	2,959	7,047

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2021

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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 forward, futures and options contracts to manage its exposure to various financial risks.

The fair values of these derivatives as at 30 June 2021 are as follows:

	Classification in Statement of Financial Position				Net fair value
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	
Forward foreign exchange contracts	-	6	-	12	(6)
Commodities contracts	-	29	-	268	(239)
Interest rate swap contracts	-	-	-	4	(4)
	-	35	-	284	(249)

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

Forward foreign exchange contracts

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

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

As at 30 June 2021, 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	1,352	(6)

Commodities contracts

Commodity forward and futures contracts were entered into by the Group 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 contracts as at 30 June 2021 that were not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	Notional amount	Net fair value assets/ (liabilities)
Less than 1 year:			
– Purchase contracts	22,715	76	29
– Sale contracts	528,755	1,702	(268)
			(239)

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B9. Derivatives (continued)**

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

Interest rate swap contracts

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

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

The outstanding interest rate swap contracts, all plain vanilla, as at 30 June 2021 are as follows:

Effective period	Notional amount (USD'mil)	All-in swap rate per annum (%)
17 February 2021 to 17 August 2021	77	1.30%-1.89%

As at 30 June 2021, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

Maturity tenor	Notional amount	Net fair value liabilities
Less than 1 year	322	(4)

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.

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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) **New Britain Palm Oil Limited ("NBPOL") v. Masile Incorporated Land Group ("Masile"), NBPOL v. Rikau Incorporated Land Group ("Rikau") & NBPOL v. Meloks Incorporated Land Group ("Meloks") (collectively, "Defendants")**

NBPOL, a wholly-owned subsidiary of SDP, had on 31 August 2011 initiated 3 separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea (Court). All 3 actions relate to the same cause of action whereby the Defendants had defaulted in their obligations to surrender their Special Agricultural Business Leases (SABL) to NBPOL for registration of the sub-leases despite having received benefits from NBPOL under the sub-lease agreements (SLA). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL (Land), royalties for the FFB harvested from the Land, and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

On 25 June 2018, the Court rendered its decision on NBPOL's claims against Meloks in NBPOL's favour. In its decision, the Court declared the SLA entered into between NBPOL and Meloks to be valid and an order of specific performance was made against Meloks to deliver the SABL to NBPOL and to do all acts and things necessary to enable NBPOL to register the SLA entered into between NBPOL and Meloks. On 10 October 2018, Meloks surrendered the SABL to NBPOL. However, in view that Meloks had laminated the SABL, Meloks had to execute an application for the official copy of the SABL which NBPOL lodged with the registrar of titles together with NBPOL's application for registration of the SLA. The laminated plastic has since dislodged from Melok's SABL. However NBPOL and Meloks are in the process of executing a new SLA to facilitate the registration of the SLA as the date of the SLA has to be the same or after the date of the SABL.

Masile and Rikau were considering whether to continue defending against NBPOL's claims in view of the Court's decision on the trial relating to NBPOL's claims against Meloks or to conclude on the same basis as Meloks given that the facts, issues and evidences are similar. Parties then agreed to enter into Consent Court Orders (CCOs) on terms similar to the order made in respect of Meloks and the CCOs were formally endorsed by the Court on 15 December 2020. Masile and Rikau surrendered their respective SABLs to NBPOL on 30 July 2020. However, the SABL received from Masile was laminated whilst the SABL received from Rikau is a copy and therefore NBPOL is in the process of obtaining an official copy of the SABLs and compiling the relevant documents (including execution of new SLAs) before it can proceed with the registration of the SLAs.

(b) **PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH")**

PT MGG and PT ASM, both indirect wholly-owned subsidiaries of SDP, and PT ITH, a 50%-owned subsidiary of the SDP Group, are involved in a lawsuit brought by Yayasan Kartika Eka Paksi (YKEP) against PT MAP, PT PS and others. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest. YKEP holds the remaining 50% share in PT ITH.

YKEP sold and transferred its shares in PT ITH to PT MAP in December 2008 but thereafter YKEP filed a lawsuit to invalidate and nullify the transfer of shares as it is against law and regulations. The purchase of shares in PT ITH by PT MAP was funded by PT PS. Subsequently, on 31 May 2016, the Supreme Court decided the Judicial Review (1st Judicial Review Decision) application by Darsono CS (ex-officer of YKEP) in favour of YKEP. This decision reinforced the earlier District Court decision which had invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP.

In that regard, YKEP then filed a petition at the Central Jakarta District Court to execute the 1st Judicial Review Decision, 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 RM57.3 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 1st Judicial Review Decision.

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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) 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)

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition Suit (Gugatan Perlawanan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards both the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the 1st 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 are conflicting decisions on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the 1st 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 were 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 Suit (Gugatan Perlawanan) by the former officers of YKEP. The former officers of YKEP then filed an appeal at the Jakarta High Court against the decision of the Central Jakarta District Court. On 4 March 2019, PT ITH was notified that the former officers' appeal was rejected by the Jakarta High Court.

Despite the 1st Judicial Review Decision, PT MAP and PT PS still filed a lawsuit at the South Jakarta District Court seeking compensation from the defendants (and a number of individuals), individually or jointly and severally, namely PT ITH, PT MGG, PT ASM and YKEP. The compensation sought by PT MAP and PT PS comprised of: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM70.8 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM39.3 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM71.7 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM143.3 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM285.7 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, the South Jakarta District Court and the Jakarta High Court, which previously adjudicated and examined this case, rejected PT MAP and PT PS's lawsuit. In response, PT MAP and PT PS filed an appeal to the Supreme Court which was subsequently rejected. PT MAP and PT PS then filed a judicial review (Jakarta Selatan Judicial Review) in the Supreme Court against the Supreme Court's decision. As at the reporting date, parties are awaiting the official decision of the Jakarta Selatan Judicial Review by the Supreme Court.

Separately, PT PS filed a judicial review in the Supreme Court against the 1st Judicial Review. As at the reporting date, the matter is still before the Supreme Court.

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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) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Oils Zwijndrecht Refinery B.V. (formerly known as Sime Darby Unimills B.V.) ("SDOZR")

SDOZR, an indirect wholly-owned subsidiary of SDP, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners including SDOZR, and 2 Algerian cargo owners). The percentage of SDOZR's cargo on board was about 14.4%. The vessel was auctioned and in April 2011 was sold to Chantico. All cargo were eventually discharged in April/May 2013. Beginning in 2012, Chantico started various proceedings against the cargo owners.

The following two lawsuits proceeded to trial:

(i) Proceedings before the Court of Piraeus which started in October 2014 ("Lawsuit 1")

The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the current total amount claimed from all 9 cargo owners, jointly and severally, is EUR6 million (approximately RM29.6 million). The hearing for Lawsuit 1 concluded on 25 September 2018.

(ii) Proceedings before the Court of Piraeus which started in December 2015 ("Lawsuit 2")

The claim in these proceedings is based on the alleged damage to the vessel and loss of profit caused by the alleged actions in tort during transshipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (approximately RM46 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1.9 million) for port and anchorage dues. The hearing for Lawsuit 2 concluded on 25 September 2018.

On 25 November 2020 the Court of Piraeus rendered its judgement dismissing all of Chantico's claims in Lawsuit 1 and Lawsuit 2. Chantico is able to appeal against the judgments however the time limit of 60 days to file an appeal from the date of service of judgment was suspended due to Covid-19 restrictions in Greece. When the Greek courts re-opened in early of May 2021, the judgements were served on Chantico and Chantico has since filed a timely appeal in the Piraeus Court of Appeal against the judgments. The appeal is set for hearing on 20 October 2022. SDOZR's Greek lawyer estimates the exposure of SDOZR (and all of the other 8 cargo owners, jointly and severally) at EUR2.1 million (approximately RM10.4 million) for Lawsuit 1 and EUR145,000 (approximately RM0.7 million) for Lawsuit 2, all amounts inclusive of interest. As at this juncture, adequate provision has been made.

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

B11. Withhold Release Order (WRO) issued by the U.S. Customs and Border Protection (US CBP)

In July 2020, a non-governmental organisation, Liberty Shared (“the petitioner”), made public a summary of a petition it had filed against the Group to the United States Customs and Border Protection (“USCBP”). Subsequently, the Group engaged the petitioner and the USCBP, seeking clarification on the allegations and appropriate next steps.

In October 2020, the Group appointed a consulting firm to engage with the petitioner. The Group also engaged the USCBP providing details of existing policies and procedures, and periodic updates of ongoing initiatives that are part of the Group’s commitment to continuous improvement.

On 30 December 2020 the USCBP issued a press release stating that a Withhold Release Order (WRO) had been imposed on palm products produced in the Group’s Malaysian operations. During engagements, the USCBP indicated that it would not release any further details.

On 1 March 2021, the Group appointed ethical trade consultancy Impactt Limited (Impactt) to conduct a comprehensive third-party evaluation of labour practices across its Malaysian operations, mapped against the International Labour Organisation’s 11 indicators of forced labour. Currently, the Group’s Board Sustainability Committee has an oversight role in this exercise.

Meanwhile, the Group continues to review its operations and is committed to implement the necessary improvements to the living and working conditions for its workforce.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B12. Dividend**

The Board has declared an interim dividend of 7.90 sen per share in respect of the financial year ending 31 December 2021. The interim dividends which are not taxable in the hands of the shareholders pursuant to the paragraph 12B of Schedule 6 of the Income Tax Act 1967 will be paid on 12 November 2021 and the entitlement date for the dividend payment is 28 October 2021.

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 27 October 2021 in respect of shares which are exempted from mandatory deposit;
- (ii) shares transferred into the depositor's securities account before 4:30 p.m. on 28 October 2021 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.

The interim dividends for the financial year ending 31 December 2021 is as follow:

	Year ending 31 December 2021		Year ended 31 December 2020	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	7.90	546	2.57	177
Special interim dividend	-	-	1.45	100
Final dividend	-	-	5.42	373
Special final dividend	-	-	2.13	147
	7.90	546	11.57	797

B13. Earnings per share

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

	Quarter ended 30 June		Half year-ended 30 June	
	2021	2020	2021	2020
Profit/(loss) for the financial period				
- from continuing operations	647	378	1,209	772
- from discontinued operations	(30)	-	(30)	74
	617	378	1,179	846
Weighted average number of ordinary shares in issue (million units)	6,916	6,885	6,916	6,885
Basic earnings/(loss) per share (sen)				
- from continuing operations	9.4	5.5	17.5	11.2
- from discontinued operations	(0.4)	-	(0.4)	1.1

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

By Order of the Board

Petaling Jaya
18 August 2021

Azrin Nashiha Abdul Aziz
Group Secretary