



**Plantation**

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**QUARTERLY REPORT**

**On the consolidated results for the third quarter ended 30 September 2021**

The Directors are pleased to announce the following:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

Amounts in RM million unless otherwise stated

		Quarter ended 30 September		%	Three quarters ended 30 September		%
	Note	2021	2020	+ / (-)	2021	2020	+ / (-)
<b>Continuing operations</b>							
Revenue	A8, A9	5,061	3,182	59	13,145	9,442	39
Operating expenses		(4,060)	(2,824)		(10,565)	(8,507)	
Other operating income		67	15		248	519	
Other (losses)/gains		(148)	(42)		(189)	63	
<b>Operating profit</b>	B5, A9	<b>920</b>	331	>100	<b>2,639</b>	1,517	74
Share of results of joint ventures		- *	1		(1)	- *	
Share of results of associates		5	-		13	4	
<b>Profit before interest and tax</b>	A9	<b>925</b>	332	>100	<b>2,651</b>	1,521	74
Finance income		3	3		8	9	
Finance costs		(24)	(24)		(59)	(93)	
<b>Profit before tax</b>		<b>904</b>	311	>100	<b>2,600</b>	1,437	81
Tax expense	B6	(208)	(74)		(590)	(360)	
<b>Profit from continuing operations</b>		<b>696</b>	237	>100	<b>2,010</b>	1,077	87
<b>Discontinued operations</b>							
(Loss)/profit from discontinued operations		(25)	-		(55)	74	
<b>Profit for the financial period</b>		<b>671</b>	237	>100	<b>1,955</b>	1,151	70
<b>Profit/(Loss) for the financial period attributable to:</b>							
- equity holders of the Company							
- from continuing operations		635	190		1,844	962	
- from discontinued operations		(25)	-		(55)	74	
		<b>610</b>	190	>100	<b>1,789</b>	1,036	73
- Perpetual Sukuk							
- from continuing operations		31	31		93	93	
		<b>31</b>	31		<b>93</b>	93	
- non-controlling interests							
- from continuing operations		30	16		73	22	
		<b>30</b>	16		<b>73</b>	22	
		<b>671</b>	237	>100	<b>1,955</b>	1,151	70
<b>Basic earnings/(loss) per share attributable to equity holders of the Company (sen):</b>							
- from continuing operations	B13	9.2	2.8		26.7	13.9	
- from discontinued operations	B13	(0.4)	-		(0.8)	1.1	
<b>Total</b>		<b>8.8</b>	2.8	>100	<b>25.9</b>	15.0	73

\* 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 30 September		%	Three quarters ended 30 September		%
	2021	2020		2021	2020	
<b>Profit for the financial period</b>	<b>671</b>	<b>237</b>	>100	<b>1,955</b>	<b>1,151</b>	70
<b><u>Continuing operations</u></b>						
<b>Other comprehensive income/(loss):</b>						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences gains/(losses):						
– subsidiaries	97	(444)		197	(245)	
– joint ventures and associates	-	(1)		(1)	(1)	
Net change in fair value:						
– cash flow hedges loss	(300)	(11)		(701)	(12)	
– transfer to profit or loss	197	-		578	-	*
Tax income relating to components through other comprehensive income						
	27	3		35	3	
	21	(453)		108	(255)	
Items that will be not reclassified subsequently to profit or loss:						
Actuarial loss on defined benefit pension plans						
	-	-		(40)	-	
Tax expenses relating to components through other comprehensive loss						
	(1)	-		(1)	-	
	(1)	-		(41)	-	
	20	(453)		67	(255)	
Other comprehensive loss from discontinued operations						
	-	-		-	(113)	
<b>Total other comprehensive income/(loss)</b>	<b>20</b>	<b>(453)</b>		<b>67</b>	<b>(368)</b>	
<b>Total comprehensive income/(loss) for the financial period</b>	<b>691</b>	<b>(216)</b>		<b>2,022</b>	<b>783</b>	
<b>Total comprehensive income/(loss) for the financial period attributable to:</b>						
– equity holders of the Company						
– from continuing operations	651	(246)	>100	1,905	718	>100
– from discontinued operations	(25)	-	-	(55)	(39)	(41)
	626	(246)		1,850	679	
– Perpetual Sukuk						
– from continuing operations	31	31	-	93	93	-
	31	31		93	93	
– non-controlling interests						
– from continuing operations	34	(1)	>100	79	11	>100
	34	(1)		79	11	
<b>Total</b>	<b>691</b>	<b>(216)</b>	>100	<b>2,022</b>	<b>783</b>	>100

\* 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 September 2021	As at 31 December 2020
<b>Non-current assets</b>		
Property, plant and equipment	17,307	17,283
Investment properties	9	7
Right-of-use assets	1,990	2,063
Joint ventures	35	35
Associates	49	43
Intangible assets	2,827	2,789
Investments at fair value through other comprehensive income ("FVOCI")	27	27
Deferred tax assets	563	621
Tax recoverable	222	265
Trade and other receivables	124	186
	<u>23,153</u>	<u>23,319</u>
<b>Current assets</b>		
Inventories	2,402	1,569
Biological assets	281	224
Trade and other receivables	2,245	2,246
Tax recoverable	98	215
Amounts due from related parties	-	3
Planned assets	-	44
Derivatives	40	68
Bank balances, deposits and cash	1,522	309
	<u>6,588</u>	<u>4,678</u>
<b>Non-current assets held for sale</b> <sup>(1)</sup>	855	323
<b>Total assets</b>	<u>30,596</u>	<u>28,320</u>
<b>Equity</b>		
Share capital	1,634	1,506
Reserves	12,922	12,149
Attributable to equity holders of the Company	<u>14,556</u>	<u>13,655</u>
Perpetual Sukuk	2,200	2,231
Non-controlling interests	424	384
<b>Total equity</b>	<u>17,180</u>	<u>16,270</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

Amounts in RM million unless otherwise stated

	Unaudited As at 30 September 2021	Audited As at 31 December 2020
<b>Non-current liabilities</b>		
Retirement benefits	172	277
Deferred income	-	-
Deferred tax liabilities	2,652	2,623
Borrowings	4,524	4,397
Lease liabilities	148	164
Trade and other payables	29	81
	<u>7,525</u>	<u>7,542</u>
<b>Current liabilities</b>		
Trade and other payables	1,685	1,554
Contract liabilities	13	28
Government grants	1	-
Amounts due to related parties	4	18
Retirement benefits	21	18
Lease liabilities	23	26
Tax payable	362	201
Derivatives	508	360
Borrowings	2,572	2,285
Dividend payable	546	-
	<u>5,735</u>	<u>4,490</u>
<b>Liabilities directly associated with non-current assets held for sale <sup>(2)</sup></b>	<u>156</u>	<u>18</u>
<b>Total liabilities</b>	<u>13,416</u>	<u>12,050</u>
<b>Total equity and liabilities</b>	<u>30,596</u>	<u>28,320</u>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>	<u>2.10</u>	<u>1.98</u>
<b>Note:</b>		
<b>(1) Non-current assets held for sale</b>		
Non-current assets held for sale		
– property, plant and equipment	19	34
– right-of-use assets	-	-
– joint venture	142	158
Disposal group held for sale		
– property, plant and equipment	283	89
– right of use assets	36	1
– tax assets	106	28
– receivables	108	8
– bank	80	-
– other assets	81	5
	<u>855</u>	<u>323</u>
<b>(2) Liabilities directly associated with non-current assets held for sale</b>		
Disposal group held for sale		
– liabilities	156	18
	<u>156</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
<b>Three quarters ended 30 September 2021</b>											
<b>At 1 January 2021</b>	1,506	9	(194)	(18)	25	463	11,864	13,655	2,231	384	16,270
<b><u>Continuing operations</u></b>											
Profit for the financial period	-	-	-	-	-	-	1,844	1,844	93	73	2,010
Other comprehensive (loss)/income for the financial period	-	-	(88)	-	-	188	(39)	61	-	6	67
Total comprehensive (loss)/income for the financial period	-	-	(88)	-	-	188	1,805	1,905	93	79	2,077
Transactions with equity holders:											
Share issue	128	-	-	-	-	-	-	128	-	-	128
Dividends	-	-	-	-	-	-	(1,077)	(1,077)	-	(39)	(1,116)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(124)	-	(124)
<b><u>Discontinued operations</u></b>											
Total comprehensive loss for the financial period	-	-	-	-	-	-	(55)	(55)	-	-	(55)
<b>At 30 September 2021</b>	<b>1,634</b>	<b>9</b>	<b>(282)</b>	<b>(18)</b>	<b>25</b>	<b>651</b>	<b>12,537</b>	<b>14,556</b>	<b>2,200</b>	<b>424</b>	<b>17,180</b>

**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
<b>Three quarters ended 30 September 2020</b>											
<b>At 1 January 2020</b>	1,506	9	6	(18)	28	721	11,009	13,261	2,231	369	15,861
<b><u>Continuing operations</u></b>											
Profit for the financial period	-	-	-	-	-	-	962	962	93	22	1,077
Other comprehensive (loss)/income for the financial period	-	-	(9)	-	-	(235)	-	(244)	-	(12)	(256)
Disposal of subsidiaries	-	-	-	-	-	(3)	-	(3)	-	1	(2)
Total comprehensive (loss)/income for the financial period	-	-	(9)	-	-	(238)	962	715	93	11	819
Transactions with equity holders:											
Dividends	-	-	-	-	-	-	(346)	(346)	-	(25)	(371)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(124)	-	(124)
Change in ownership	-	-	-	-	-	-	-	-	-	3	3
<b><u>Discontinued operations</u></b>											
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	(113)	74	(39)	-	-	(39)
<b>At 30 September 2020</b>	1,506	9	(3)	(18)	28	370	11,699	13,591	2,200	358	16,149

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	Three quarters ended 30 September	
		2021	2020
<b>Cash flows from operating activities</b>			
Profit for the financial period from continuing operations		2,010	1,077
Adjustments for:			
Share of results of joint ventures and associates		(12)	(4)
Finance income		(8)	(9)
Finance costs		59	93
Gain on disposal of:			
– property, plant and equipment	B5	(40)	(1)
– non-current assets held for sale	B5	(126)	(461)
Depreciation and amortisation	B5	985	936
Fair value (gains)/losses:			
– commodities contracts	B5	17	(155)
– forward foreign exchange contracts	B5	(3)	2
Unrealised foreign exchange losses	B5	50	36
Tax expense	B6	590	360
Fair value changes on biological assets		(53)	7
Retirement benefits		(72)	27
Net impairment of:			
– property, plant and equipment	B5	19	2
– right-of-use assets	B5	12	-
– inventories	B5	20	18
– trade and other receivables	B5	-	4
– non-current assets held for sale	B5	1	17
Write offs:			
– property, plant and equipment	B5	20	17
Dividend income		(1)	-
		<b>3,468</b>	<b>1,966</b>
Changes in working capital:			
Inventories		(871)	(112)
Trade and other receivables		(9)	(60)
Trade and other payables		235	293
Intercompany and related party balances		(11)	(3)
Cash generated from operations		<b>2,812</b>	<b>2,084</b>
Tax paid		(259)	(57)
Retirement benefits paid		(18)	(19)
Operating cash flow from continuing operations		<b>2,535</b>	<b>2,008</b>
Operating cash flow used in discontinued operations		-	-
<b>Net cash generated from operating activities</b>		<b>2,535</b>	<b>2,008</b>
<b>Cash flows from investing activities</b>			
Finance income received		8	9
Purchase of:			
– property, plant and equipment		(934)	(864)
– intangibles assets		(10)	(7)
– right-of-use assets		-	(1)
Proceeds from sale of:			
– non-current assets held for sale		138	477
– property, plant and equipment		40	1
Dividend received from:			
– other investments		1	-
– an associate		3	1
Payment for incidental cost of disposal of a subsidiary		-	(24)
Investing cash flow used in continuing operations		(754)	(408)
Investing cash flow used in discontinued operations		(39)	-
<b>Net cash used in investing activities</b>		<b>(793)</b>	<b>(408)</b>

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

	Note	Three quarters ended 30 September	
		2021	2020
<b>Cash flows from financing activities</b>			
Distribution to Perpetual Sukuk holders		(124)	(124)
Finance costs paid		(98)	(142)
Loans raised		4,558	2,180
Loan repayments		(4,328)	(3,116)
Repayment of lease liabilities		(19)	(21)
Dividends paid to shareholders		(403)	(69)
Dividends paid to non-controlling interests of subsidiaries		(39)	(25)
Financing cash flow used in continuing operations		(453)	(1,317)
Financing cash flow used in discontinued operations		-	-
<b>Net cash used in financing activities</b>		<b>(453)</b>	<b>(1,317)</b>
<b>Net changes in cash and cash equivalents during the financial period</b>		<b>1,289</b>	<b>283</b>
Foreign exchange difference		4	(19)
<b>Cash and cash equivalents at beginning of the period</b>		<b>309</b>	<b>431</b>
Reclassified to non-current assets held for sale		(80)	-
<b>Cash and cash equivalents at end of the period</b>		<b>1,522</b>	<b>695</b>

\* 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 SEPTEMBER 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 January 2021
  - Amendment to MFRS 16 "Covid-19 - Related Rent Concessions"
  - Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'

The adoption of this amendment does not have any significant 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"
- (ii) 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

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

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

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

**A7. Dividends paid**

No dividend was paid during the quarter under review.

**A8. Revenue**

The Group derived the following types of revenue:

	Note	Three quarters ended 30 September	
		2021	2020
<b><u>Continuing operations</u></b>			
Revenue from contracts with customers	A8(a)	13,132	9,435
Revenue from other sources	A8(b)	13	7
		<b>13,145</b>	<b>9,442</b>
<b><u>Discontinued operations</u></b>			
Revenue from contracts with customers		-	-
Total revenue		<b>13,145</b>	<b>9,442</b>
(a) Disaggregation of revenue from contracts with customers			
<b><u>Continuing operations</u></b>			
Upstream			
– Malaysia		281	485
– Indonesia		901	559
– Papua New Guinea and Solomon Islands ("PNG/SI")		533	808
Downstream		11,366	7,537
Other operations		51	46
		<b>13,132</b>	<b>9,435</b>
<b><u>Continuing operations</u></b>			
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products			
		12,971	9,238
Freight services		158	190
Tolling services		3	7
		<b>13,132</b>	<b>9,435</b>
<b><u>Continuing operations</u></b>			
Timing of revenue recognition			
– at point in time		12,971	9,238
– over time		161	197
		<b>13,132</b>	<b>9,435</b>
(b) Revenue from other sources			
Dividend (gross) received/receivable from investments		1	-
Rental income		12	7
		<b>13</b>	<b>7</b>
(c) Revenue expected to be recognised in relation to unsatisfied performance obligations			
The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 30 September 2021:			
		<b><u>Expected timing of recognition</u></b>	
		<b>During the quarter ending</b>	
		<b>31 December 2021</b>	
Freight income			<b>13</b>

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2021**

Amounts in RM million unless otherwise stated

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

**A9. Segment information**

	Continuing operations						Total	Discontinued operations	Total
	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter-segment elimination			
<b>Three quarters ended 30 September 2021</b>									
<b>Segment revenue:</b>									
External sales	292	901	533	11,368	51	-	13,145	-	13,145
Inter-segment sales	3,000	1,005	1,544	101	239	(5,889)	-	-	-
Total revenue	3,292	1,906	2,077	11,469	290	(5,889)	13,145	-	13,145
<b>Segment results:</b>									
Operating profit:									
– recurring activities	717	842	686	260	32	-	2,537	-	2,537
– non-recurring transactions	126	-	(24)	-	-	-	102	-	102
Share of results of joint ventures and associates	-	-	-	-	12	-	12	(55)	(43)
Profit before interest and tax	843	842	662	260	44	-	2,651	(55)	2,596
<b>Three quarters ended 30 September 2020</b>									
<b>Segment revenue:</b>									
External sales	491	559	776	7,570	46	-	9,442	-	9,442
Inter-segment sales	2,009	630	559	73	169	(3,440)	-	-	-
Total revenue	2,500	1,189	1,335	7,643	215	(3,440)	9,442	-	9,442
<b>Segment results:</b>									
Operating profit:									
– recurring activities	606	207	64	184	12	-	1,073	-	1,073
– non-recurring transactions	405	(17)	56	-	-	-	444	74	518
Share of results of joint ventures and associates	-	-	-	-	4	-	4	-	4
Profit before interest and tax	1,011	190	120	184	16	-	1,521	74	1,595



**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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:

	<u>Unaudited</u>	<u>Audited</u>
	<b>As at 30 September 2021</b>	<b>As at 31 December 2020</b>
Property, plant and equipment		
– contracted	<b>360</b>	209
– not contracted	<b>383</b>	102
	<hr/> <b>743</b> <hr/>	<hr/> 311 <hr/>
Other capital expenditure		
– not contracted	<b>217</b>	732
	<hr/> <b>217</b> <hr/>	<hr/> 732 <hr/>
	<hr/> <b>960</b> <hr/>	<hr/> 1,043 <hr/>

**A11. Significant related party transactions**

Significant related party transactions conducted were as follows:

	<u>Three quarters ended 30 September</u>	
	<b>2021</b>	<b>2020</b>
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services		
– Emery Oleochemicals (M) Sdn Bhd	<b>26</b>	29
	<hr/> <b>26</b> <hr/>	<hr/> 29 <hr/>
(b) Transactions with associates		
(i) Purchase of palm oil		
– Rizhao Sime Darby Oils & Fatz Co. Ltd.	<b>2</b>	29
– Thai Eastern Trat Company Limited	<b>69</b>	45
	<hr/> <b>69</b> <hr/>	<hr/> 45 <hr/>

(c) Transactions with related parties

Permodalan Nasional Berhad ("PNB") and the fund managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.52% as at 30 September 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 SEPTEMBER 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:

	Three quarters ended 30 September	
	2021	2020
(i) Foreign currency payment arrangement – Hastings Deering (PNG) Limited	-	84
(ii) Purchase of heavy equipment, spare parts and services – Sime Darby Industrial Holdings Sdn Bhd	11	7
– Sime Kubota Sdn Bhd	8	-
– Hastings Deering (PNG) Limited	0	1
(iii) Lease of agricultural land – Kumpulan Sime Darby Berhad	10	6
(iv) Car leasing charges  – Sime Darby Rent-A-Car Sdn Bhd	- *	1
(v) Rental expenses – Sime Darby Property Bhd	3	2
(d) Transactions entered into with person connected to a former director		
(i) Provision of freight services – Rosely Kusip	-	2
(e) Transactions entered into with person connected to a director		
(i) Provision of bins/cages and building for passport storage and safety cabinet – Tan Sri Dato' Seri Megat Najmuddin Datuk Seri Dr. Megat Khas	1	-

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

There were no material events in the interval between the end of the quarter under review and 11 November 2021, being a date not earlier than 7 days from the date of issuance of the report except for:

Sime Darby Plantation Berhad (“SDP”) had on 1 November 2021, together with PTTGC International Private Limited (“GC Inter”) completed the divestment of their collective 100% equity interest in Emery Oleochemicals (M) Sdn Bhd (“EOM”) and Emery Specialty Chemicals Sdn Bhd (“ESC”) including the subsidiaries which are principally involved in Emery’s Asia Pacific business to Edenor Technology Sdn Bhd (“ETSB”) (“the Divestment”) for an equity value of RM38.0 million. The equity consideration of RM38.0 million is derived based on an enterprise value of RM243.0 million less the target net debt of RM205.0 million. The final sales consideration will be subject to price adjustments based on the net working capital of EOM and ESC at completion, target for finalisation by December 2021. However, the Divestment is not expected to have material effect on the earnings for the financial year ending 31 December 2021.

Following the Divestment, EOM and ESC have ceased to be jointly-controlled entities of SDP. SDP continues to hold Emery’s North America and Europe oleochemical businesses via its 50:50 joint venture with GC Inter through Emery Oleochemicals UK Limited.

**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 September 2021	As at 31 December 2020
Guarantees in respect of credit facilities granted to:		
– a joint venture	4	5
– plasma stakeholders	81	55
	85	60

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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**

**B1. Review of group performance**

**(a) Current quarter ended 30 September 2021 against the previous year corresponding quarter ended 30 September 2020**

	<b>Quarter ended 30 September</b>		<b>+/(–) %</b>
	<b>2021</b>	<b>2020</b>	
<b><u>Continuing operations</u></b>			
Revenue	<b>5,061</b>	3,182	59
Segment results:			
Upstream Malaysia	<b>327</b>	231	42
Upstream Indonesia	<b>331</b>	75	>100
Upstream PNG/SI	<b>255</b>	(33)	>100
Downstream	<b>7</b>	71	(90)
Other operations	<b>16</b>	3	>100
Recurring profit before interest and tax	<b>936</b>	347	>100
Non-recurring transactions	<b>(11)</b>	(15)	(27)
<b>Profit before interest and tax</b>	<b>925</b>	332	>100
Finance income	<b>3</b>	3	
Finance costs	<b>(24)</b>	(24)	
<b>Profit before tax</b>	<b>904</b>	311	>100
Tax expense	<b>(208)</b>	(74)	
<b>Profit from continuing operations</b>	<b>696</b>	237	>100
Perpetual Sukuk	<b>(31)</b>	(31)	
Non-controlling interests	<b>(30)</b>	(16)	
<b>Profit from continuing operations attributable to equity holders of the Company</b>	<b>635</b>	190	>100
<b><u>Discontinued operations</u></b>			
Loss from discontinued operations attributable to equity holders of the Company	<b>(25)</b>	-	
<b>Profit after tax attributable to equity holders of the Company</b>	<b>610</b>	190	>100
Loss from discontinued operations include:			
Segment results:			
– Other operations	<b>(25)</b>	-	

For the quarter ended 30 September 2021, the Group registered a net profit from continuing operations of RM635 million, significantly higher than the corresponding quarter of the previous year, driven by stronger recurring profit before interest and tax ("PBIT") from the Upstream segment which compensated for the decline in profits contributed by the Downstream segment.

The Group reported lower non recurring loss, which comprised of impairment charges in the current quarter.

During the quarter under review, the Group recognised a loss on discontinued operations arising from additional provision for impairment of RM25 million on its joint venture classified as an asset held for sale, Emery Oleochemicals (M) Sdn Bhd.

As a result, the Group recorded a total net profit of RM610 million, as compared to RM190 million reported in the corresponding quarter of the previous year.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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 September 2021 against the previous year corresponding quarter ended 30 September 2020 (continued)**

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

Upstream

The Group's Upstream operations reported a strong PBIT of RM913 million, more than triple the PBIT of RM273 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 51% and 66%, respectively; and
- (ii) improved oil extraction rate ("OER"), which increased from 21.27% to 21.59%.

The above key drivers compensated for the 2% decline in fresh fruit bunches ("FFB") production during the current quarter.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	30 September			30 September		
	2021	2020	%	2021	2020	%
Upstream Malaysia	3,611	2,548	42	1,232	1,367	(10)
Upstream Indonesia	3,483	2,563	36	641	591	8
Upstream PNG/SI	4,475	2,366	89	469	436	7
Total	3,770	2,504	51	2,342	2,394	(2)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	30 September			30 September		
	2021	2020	%	2021	2020	
Upstream Malaysia	2,521	1,477	71	21.08	21.03	0.05
Upstream Indonesia	1,779	1,102	61	21.52	20.95	0.57
Upstream PNG/SI	-	-	-	22.91	22.31	0.60
Total	2,274	1,370	66	21.59	21.27	0.32



## EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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 September 2021 against the previous year corresponding quarter ended 30 September 2020 (continued)

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

###### Downstream

The Group's Downstream PBIT declined from RM71 million to RM7 million in the current quarter, mainly attributed to the lower profits generated by the Asia Pacific operations.

The Asia Pacific bulk operations incurred unrealised loss on commodity hedges for the current quarter due to a rising CPO price landscape but this was partially mitigated by improvements in overall margin and sales volume. Although the differentiated subsegment has seen a growth in sales volume, the decline in margin dragged down its reported profits.

The Group's refineries in Europe and Africa reported lower losses on the back of improved sales volume and margin, which compensated for the higher fair value loss on commodity hedges as compared to the same quarter last year.

###### Other operations

Other operations reported a PBIT of RM16 million for the current quarter, versus a PBIT of RM3 million in the same quarter last year, mainly due to higher profits from its agribio operations and associates.

###### Non-recurring transactions

The non-recurring loss of RM11 million reported during the current quarter was mainly due to an impairment charge on a palm oil mill in Papua New Guinea ("PNG"). During the same quarter last year, the Group recorded a non-recurring loss of RM15 million, comprised of impairment charge on plantation assets in Indonesia.

###### Discontinued operations

The Group made an additional RM25 million provision for impairment 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 SEPTEMBER 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 three quarters ended 30 September 2021 against the previous three quarters ended 30 September 2020**

	<b>Three quarters ended 30 September</b>		<b>+/(–) %</b>
	<b>2021</b>	<b>2020</b>	
<b><u>Continuing operations</u></b>			
Revenue	<b>13,145</b>	9,442	39
Segment results:			
Upstream Malaysia	<b>717</b>	606	18
Upstream Indonesia	<b>842</b>	207	>100
Upstream PNG/SI	<b>686</b>	64	>100
Downstream	<b>260</b>	184	41
Other operations	<b>44</b>	16	>100
Recurring profit before interest and tax	<b>2,549</b>	1,077	>100
Non-recurring transactions	<b>102</b>	444	(77)
<b>Profit before interest and tax</b>	<b>2,651</b>	1,521	74
Finance income	<b>8</b>	9	
Finance costs	<b>(59)</b>	(93)	
<b>Profit before tax</b>	<b>2,600</b>	1,437	81
Tax expense	<b>(590)</b>	(360)	
<b>Profit from continuing operations</b>	<b>2,010</b>	1,077	87
Perpetual Sukuk	<b>(93)</b>	(93)	
Non-controlling interests	<b>(73)</b>	(22)	
<b>Profit from continuing operations attributable to equity holders of the Company</b>	<b>1,844</b>	962	92
<b><u>Discontinued operations</u></b>			
(Loss)/profit from discontinuing operations attributable to equity holders of the Company	<b>(55)</b>	74	>100
<b>Profit after tax attributable to equity holders of the Company</b>	<b>1,789</b>	<b>1,036</b>	73
(Loss)/(profit) from discontinued operations include:			
Segment results:			
– Upstream Liberia	-	74	
– Other operations	<b>(55)</b>	-	

For the period ended 30 September 2021, the Group posted net earnings from continuing operations of RM1.84 billion, almost double the earnings of RM962 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 recorded lower non-recurring profits for the current period mainly due to lower gains from divestment activities.

The Group's finance cost of RM59 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 an additional provision for impairment of RM55 million on its joint venture, Emery Oleochemicals (M) Sdn Bhd.

As a result, the Group reported a total net earnings of RM1.79 billion, 73% higher than the RM1.04 billion recorded in the same period last year.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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 three quarters ended 30 September 2021 against the previous three quarters ended 30 September 2020 (continued)**

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

Upstream

For the period ended 30 September 2021, the Group's Upstream segment reported a recurring PBIT of RM2.2 billion, as compared to the RM877 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 43% and 66% respectively in the current period; and
- (ii) slightly higher OER which increased to 21.53%; and
- (iii) a gain from the retirement benefit plan of RM102 million, pursuant to the amendments introduced by the Omnibus Law in Indonesia.

The Group's FFB production of 7.0 million MT was comparable to the corresponding period last year. The Upstream segment reported an unrealised gain of RM129 million in the previous year arising from fair value of commodity hedges.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Three quarters ended		+/(–) %	Three quarters ended		+/(–) %
	30 September			30 September		
	2021	2020		2021	2020	
Upstream Malaysia	3,441	2,446	41	3,558	3,828	(7)
Upstream Indonesia	3,161	2,481	27	2,004	1,731	16
Upstream PNG/SI	4,262	2,567	66	1,443	1,422	1
<b>Total</b>	<b>3,545</b>	<b>2,485</b>	<b>43</b>	<b>7,005</b>	<b>6,982</b>	<b>0</b>

  

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Three quarters ended		+/(–) %	Three quarters ended		+/(–)
	30 September			30 September		
	2021	2020		2021	2020	
Upstream Malaysia	2,564	1,502	71	20.92	20.88	0.04
Upstream Indonesia	1,844	1,126	64	21.61	21.92	(0.31)
Upstream PNG/SI	-	-	-	22.76	22.38	0.38
<b>Total</b>	<b>2,299</b>	<b>1,386</b>	<b>66</b>	<b>21.53</b>	<b>21.47</b>	<b>0.06</b>

## EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)

For purpose of reference, the Company has provided an analysis on the performance for the following periods (continued):

#### (b) Current three quarters ended 30 September 2021 against the previous three quarters ended 30 September 2020 (continued)

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

##### Downstream

The Group's Downstream segment reported a PBIT of RM260 million, higher than the RM184 million in the previous year, driven by improvements in the Asia Pacific bulk operations.

The bulk operations recorded higher sales margins and volumes, benefitting from favourable price movements and higher exports to destination markets. This is compensated for the lower margin experienced by the Asia Pacific differentiated operations.

Although the Group's European and African refineries reported improved margins amid higher selling prices, the results were weighed down by lower sales volumes and lower unrealised fair value gain on commodity hedges reported in the current period.

##### Other operations

Other operations registered a higher PBIT of RM44 million as compared to RM16 million in the corresponding period of the previous year, mainly due to 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 RM102 million, comprised of gains from the disposal of land in Malaysia, compensated for the impairment charge on an idle land and a palm oil mill in PNG. During the corresponding period last year, the Group recorded gains from land sale in Malaysia and divestment of subsidiaries of RM405 million and RM56 million, respectively, which mitigated an impairment charge on a plantation asset in Indonesia.

##### Discontinued operations

As disclosed above, the Group made a provision for impairment of RM55 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 from the disposal of its Liberian operation.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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**

	<b>Quarter ended</b>		<b>+/(–) %</b>
	<b>30 Sep 2021</b>	<b>30 Jun 2021</b>	
<b><u>Continuing operations</u></b>			
Revenue	<b>5,061</b>	4,411	15
Segment results:			
Upstream Malaysia	<b>327</b>	270	21
Upstream Indonesia	<b>331</b>	321	3
Upstream PNG/SI	<b>255</b>	198	29
Downstream	<b>7</b>	146	(95)
Other operations	<b>16</b>	14	14
Recurring profit before interest and tax	<b>936</b>	949	(1)
Non-recurring transactions	<b>(11)</b>	(11)	0
<b>Profit before interest and tax</b>	<b>925</b>	938	(1)
Finance income	<b>3</b>	3	
Finance costs	<b>(24)</b>	(21)	
<b>Profit before tax</b>	<b>904</b>	920	(2)
Tax expense	<b>(208)</b>	(217)	
<b>Profit from continuing operations</b>	<b>696</b>	703	(1)
Perpetual Sukuk	<b>(31)</b>	(31)	
Non-controlling interests	<b>(30)</b>	(25)	
<b>Profit from continuing operations attributable to equity holders of the Company</b>	<b>635</b>	647	(2)
<b><u>Discontinued operations</u></b>			
Loss from discontinued operations attributable to equity holders of the Company	<b>(25)</b>	(30)	
<b>Profit after tax attributable to equity holders of the Company</b>	<b>610</b>	<b>617</b>	(1)
Loss from discontinued operations include:			
Segment result:			
– Other operations	<b>(25)</b>	(30)	

Despite improved performance from the Upstream segment, the Group reported a net profit from continuing operations of RM635 million, 2% lower than the preceding quarter, due to lower profits from the Downstream segment.

Finance costs increased in the current quarter, due to higher loans as compared to the preceding quarter, and lower capitalised borrowing cost.

The loss from discontinued operations for both quarters comprised of provision for impairment of the Group's shareholding in a joint venture, Emery Oleochemicals (M) Sdn Bhd.

As a result, the Group reported a total earnings of RM610 million for the quarter ended 30 September 2021, marginally below the net profits of the preceding quarter.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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) (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 RM913 million, 16% higher than the preceding quarter driven by the 4% increase in CPO prices, which compensated for the following key negative drivers:

- (i) lower Group FFB production which declined by 5%;
- (ii) lower average PK prices realised, which declined by 5%;
- (iii) slightly lower OER, which reduced from 21.63% to 21.59%; and
- (iv) a gain reported in the preceding quarter from changes in 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		+/(–)
	Sep 2021	Jun 2021	%	Sep 2021	Jun 2021	%
Upstream Malaysia	3,611	3,584	1	1,232	1,274	(3)
Upstream Indonesia	3,483	3,109	12	641	671	(4)
Upstream PNG/SI	4,475	4,396	2	469	510	(8)
<b>Total</b>	<b>3,770</b>	<b>3,632</b>	<b>4</b>	<b>2,342</b>	<b>2,455</b>	<b>(5)</b>

  

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Sep 2021	Jun 2021	%	Sep 2021	Jun 2021	
Upstream Malaysia	2,521	2,648	(5)	21.08	21.02	0.06
Upstream Indonesia	1,779	1,899	(6)	21.52	21.87	(0.35)
Upstream PNG/SI	-	-	-	22.91	22.69	0.22
<b>Total</b>	<b>2,274</b>	<b>2,383</b>	<b>(5)</b>	<b>21.59</b>	<b>21.63</b>	<b>(0.04)</b>

Downstream

The Downstream segment reported a PBIT of RM7 million, significantly lower as compared to the preceding quarter profits of RM146 million. This was mainly attributed to a decline in the Asia Pacific bulk operations, and loss suffered by the European refineries as compared to profits generated in the preceding quarter.

The Group's Asia Pacific bulk and European operations suffered from fair value loss on commodity hedges in the current quarter in view of the rising CPO price landscape. The impact of lower sales volume on both subsegments was mitigated by improved sales margins recorded in the current quarter.

Other operations

Other operations reported a PBIT of RM16 million for the current quarter, RM2 million higher than the preceding quarter, mainly due to higher profits from sales of agribio products and services.

Non-recurring

The Group incurred a non-recurring loss of RM11 million during the current quarter, mainly due to an impairment charge on a palm oil mill in PNG, and a similar non-recurring loss in the preceding quarter of an impairment charge on an idle land, also in PNG.

Discontinued operations

In the current quarter, the Group incurred additional provision for impairment of RM25 million on the carrying amount of its joint venture, Emery Oleochemicals (M) Sdn Bhd which had been classified as an asset held for sale. A similar provision for impairment on Emery of RM30 million was recognised in the preceding quarter.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)**

**B3. Prospects**

Crude palm oil prices reached record highs in 2021 primarily driven by the continued tightness in global vegetable oil supplies and inventories. Prices are expected to remain elevated at least until the end of the year before a possible downward adjustment in 2Q 2022 when supplies are anticipated to improve. The high prices will help compensate for the impact of labour shortages on its Malaysian upstream operations.

In order to mitigate the impact from the shortage of labour in Malaysia, the Group continues to ramp-up its efforts in mechanisation and innovation to increase productivity while also actively encouraging more locals to join its operations. The Malaysian Government's recent plans to allow the recruitment of some 32,000 foreign workers to address the acute workforce shortage in the oil palm industry comes as positive news.

The Group expects demand to remain strong as more countries ease their COVID-19 restrictions, bringing back earlier suppressed demand.

Barring any unforeseen circumstances, the Group expects an overall strong financial year performance for 2021.

**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		Three quarters ended	
	30 September		30 September	
	2021	2020	2021	2020
<b><u>Continuing operations</u></b>				
Depreciation and amortisation	(330)	(314)	(985)	(936)
Fair value (losses)/gains:				
– commodities contracts	(70)	(37)	(17)	155
– forward foreign exchange contracts	12	1	3	(2)
Gain on disposals of:				
– property, plant and equipment	38	-	40	1
– non-current assets held for sale	1	2	126	461
Net of (impairment)/reversal of:				
– non-current assets held for sale	-	(17)	(1)	(17)
– trade and other receivables	-	2	-	(4)
– intangible assets	-	-	-	-
– right-of-use assets	-	-	(12)	-
– inventories	(19)	(4)	(20)	(18)
– property, plant and equipment	(19)	(2)	(19)	(2)
Unrealised foreign exchange losses	(11)	(26)	(50)	(36)
Write off of:				
– property, plant and equipment	(4)	(6)	(20)	(17)
Included in finance costs is:				
Finance costs on interest rate swap contracts	(1)	(1)	(4)	(1)
<b><u>Discontinued operations</u></b>				
Impairment on a joint venture	(25)	-	(55)	-
Gain on disposal of non-current assets held for sale	-	-	-	74

\* Less than 1 million.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)****B6. Tax expense**

	Quarter ended 30 September		Three quarters ended 30 September	
	2021	2020	2021	2020
<b><u>Continuing operations</u></b>				
In respect of current financial period:				
– current tax	204	77	547	280
– deferred tax	4	(20)	37	63
	<b>208</b>	57	<b>584</b>	343
In respect of prior financial years:				
– current tax	-	17	6	17
Tax expenses	<b>208</b>	74	<b>590</b>	360

For the quarter ended 30 September 2021, the Group reported a total tax expense of RM208 million on the back of a profit before tax from continuing operations of RM904 million. The effective tax rate of 23% was marginally lower than the Malaysian statutory tax rate mainly due to gains from government acquisition of land which were not subjected to tax. The effective tax rate in the corresponding quarter of the previous year was at 24%.

For the period ended 30 September 2021, the Group's effective tax rate was at 23%, slightly lower than the Malaysian statutory tax rate mainly due to the RM159 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 write down 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 which were not subjected to tax.

**B7. Status of announced corporate proposals**

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



**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)**

**B8. Borrowings and debt securities**

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

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
<b>Long-term</b>			
Term loans	-	1,910	1,910
Revolving credits-i	-	1,632	1,632
Bonds	-	488	488
Multi-currency Sukuk	-	512	512
Unamortised deferred financing expenses	-	(18)	(18)
	-	4,524	4,524
<b>Short-term</b>			
Term loans	-	813	813
Revolving credits	-	1,641	1,641
Trade facilities	51	-	51
Trust receipts	-	62	62
Overdraft	-	6	6
Unamortised deferred financing expenses	-	(1)	(1)
	51	2,521	2,572
<b>Total</b>	<b>51</b>	<b>7,045</b>	<b>7,096</b>
<b>Borrowings of the Group consist of:</b>			
– principal	51	7,064	7,115
– unamortised deferred financing expenses	-	(19)	(19)
	51	7,045	7,096

Borrowings of the Group in RM equivalent analysed by currencies in which they are denominated are as follows:

	<b>Long-term</b>	<b>Short-term</b>	<b>Total</b>
European Union Euro	488	124	612
Ringgit Malaysia	510	1,103	1,613
Thailand Baht	-	74	74
United States Dollar	3,526	1,238	4,764
Sterling Pound	-	33	33
	4,524	2,572	7,096

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)**

**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 September 2021 are as follows:

	<b>Classification in Statement of Financial Position</b>				<b>Net fair value</b>
	<b>Assets</b>		<b>Liabilities</b>		
	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	
Forward foreign exchange contracts	-	15	-	7	<b>8</b>
Commodities contracts	-	25	-	500	<b>(475)</b>
Interest rate swap contracts	-	-	-	1	<b>(1)</b>
	-	40	-	508	<b>(468)</b>

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 September 2021, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

<b>Maturity tenor</b>	<b>Notional amount</b>	<b>Net fair value assets</b>
Less than 1 year	1,987	<b>8</b>

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 September 2021 that were not held for the purpose of physical delivery are as follows:

	<b>Quantity (metric tonne)</b>	<b>Notional amount</b>	<b>Net fair value assets/ (liabilities)</b>
Less than 1 year:			
– Purchase contracts	73,739	62	<b>23</b>
– Sale contracts	707,587	1,220	<b>(498)</b>
			<b>(475)</b>

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)****B9. Derivatives (continued)**

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

Interest rate swap contracts

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

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

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

<b>Effective period</b>	<b>Notional amount (USD'mil)</b>	<b>All-in swap rate per annum (%)</b>
17 August 2021 to 4 February 2022	39	1.30%-1.89%

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

<b>Maturity tenor</b>	<b>Notional amount</b>	<b>Net fair value liabilities</b>
Less than 1 year	161	(1)

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.

## EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)

#### 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 RM58.6 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.

## EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)

#### 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 RM72.3 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM40.2 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM73.2 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM146.4 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM291.9 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.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)**

**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 RM29.3 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 RM45.4 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 appeals for Lawsuit 1 and Lawsuit 2 are set for hearing on 2 June 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 RM10.2 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.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)**

**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.

Although Impactt’s work was initially scheduled to be completed by June, it was unavoidably delayed due to strict nationwide lockdowns and the closing of Malaysia’s international borders from 4 May 2021, to curb the spread of the Covid 19 virus. With the recent easing of these restrictions by the Government allowing interstate travel within Malaysia and the reopening of international borders with shorter quarantine requirements, it is envisaged that Impactt will soon be able to resume its assessment.

Meanwhile, the Group continues to take proactive steps to review its operations, to refine existing policies, processes and procedures. The Group is also committed to implementing any further identified improvements once Impactt has finalised the assessment.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 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)****B12. Dividend**

No dividend has been declared by the Company during the quarter under review.

**B13. Earnings per share**

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

	<b>Quarter ended 30 September</b>		<b>Three quarters ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit/(loss) for the financial period				
- from continuing operations	<b>635</b>	190	<b>1,844</b>	962
- from discontinued operations	<b>(25)</b>	-	<b>(55)</b>	74
	<b>610</b>	190	<b>1,789</b>	1,036
Weighted average number of ordinary shares in issue (million units)	<b>6,916</b>	6,885	<b>6,916</b>	6,885
Basic earnings/(loss) per share (sen)				
- from continuing operations	<b>9.2</b>	2.8	<b>26.7</b>	13.9
- from discontinued operations	<b>(0.4)</b>	-	<b>(0.8)</b>	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 November 2021

Azrin Nashiha Abdul Aziz  
Group Secretary