

**QUARTERLY REPORT**

**On the consolidated results for the fourth quarter ended 31 December 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 31 December		%	Year ended 31 December		%
		2021	2020 Re-presented **		2021	2020 Re-presented **	
<b>Continuing operations</b>							
Revenue	A8, A9	5,550	3,639	53	18,695	13,081	43
Operating expenses		(4,702)	(3,306)		(15,322)	(11,798)	
Other operating income		155	73		403	592	
Other gains/(losses)		54	(77)		(135)	(14)	
<b>Operating profit</b>	B5, A9	<b>1,057</b>	329	>100	<b>3,641</b>	1,861	96
Share of results of joint ventures		21	3		20	(12)	
Share of results of associates		2	1		15	5	
<b>Profit before interest and tax</b>	A9	<b>1,080</b>	333	>100	<b>3,676</b>	1,854	98
Finance income		4	8		12	17	
Finance costs		(27)	(23)		(86)	(116)	
<b>Profit before tax</b>		<b>1,057</b>	318	>100	<b>3,602</b>	1,755	>100
Tax expense	B6	(519)	(106)		(1,109)	(466)	
<b>Profit from continuing operations</b>		<b>538</b>	212	>100	<b>2,493</b>	1,289	93
<b>Discontinued operations</b>							
Profit from discontinued operations		-	-		-	74	
<b>Profit for the financial year</b>		<b>538</b>	212	>100	<b>2,493</b>	1,363	83
<b>Profit for the financial year attributable to:</b>							
– equity holders of the Company							
- from continuing operations		468	149		2,257	1,111	
- from discontinued operations		-	-		-	74	
		468	149	>100	2,257	1,185	90
– Perpetual Sukuk							
- from continuing operations		31	32		124	125	
		31	32		124	125	
– non-controlling interests							
- from continuing operations		39	31		112	53	
		39	31		112	53	
		538	212	>100	2,493	1,363	83
<b>Basic earnings per share attributable to equity holders of the Company (sen):</b>							
- from continuing operations	B13	6.8	2.2		32.6	16.1	
- from discontinued operations	B13	-	-		-	1.1	
<b>Total</b>		<b>6.8</b>	2.2	>100	<b>32.6</b>	17.2	90

\* Less than 1 million

\*\* Refer to Note A14

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 31 December			Year ended 31 December		
	2021	2020 Re-presented **	% +/(-)	2021	2020 Re-presented **	% +/(-)
<b>Profit for the financial year</b>	<b>538</b>	<b>212</b>	<b>&gt;100</b>	<b>2,493</b>	<b>1,363</b>	<b>83</b>
<b>Continuing operations</b>						
<b>Other comprehensive (loss)/income:</b>						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences (losses)/gains:						
– subsidiaries	(10)	91		187	(147)	
– joint ventures and associates	7	1		6	(7)	
Net change in fair value:						
– cash flow hedges loss	(57)	(238)		(758)	(250)	
– transfer to profit or loss	260	(7)		838	(7)	
Tax (expenses)/ income relating to components through other comprehensive (loss)/income						
	(48)	55		(13)	58	
	<b>152</b>	<b>(98)</b>		<b>260</b>	<b>(353)</b>	
Items that will be not reclassified subsequently to profit or loss:						
Actuarial gain/(loss) on defined benefit pension plans						
	6	13		(34)	13	
Investments at fair value through other comprehensive income ("FVOCI"):						
– changes in fair value	2	(3)		2	(3)	
Tax expenses relating to components through other comprehensive (loss)/income						
	(2)	7		(3)	7	
	<b>6</b>	<b>17</b>		<b>(35)</b>	<b>17</b>	
	<b>158</b>	<b>(81)</b>		<b>225</b>	<b>(336)</b>	
Other comprehensive loss from discontinued operations						
	-	-		-	(113)	
<b>Total other comprehensive income/(loss)</b>	<b>158</b>	<b>(81)</b>		<b>225</b>	<b>(449)</b>	
<b>Total comprehensive income for the financial year</b>	<b>696</b>	<b>131</b>		<b>2,718</b>	<b>914</b>	
<b>Total comprehensive income/(loss) for the financial year attributable to:</b>						
– equity holders of the Company						
– from continuing operations	624	65	>100	2,474	783	>100
– from discontinued operations	-	-	-	-	(39)	100
	<b>624</b>	<b>65</b>		<b>2,474</b>	<b>744</b>	
– Perpetual Sukuk						
– from continuing operations	31	32	(3)	124	125	(1)
	<b>31</b>	<b>32</b>		<b>124</b>	<b>125</b>	
– non-controlling interests						
– from continuing operations	41	34	21	120	45	>100
	<b>41</b>	<b>34</b>		<b>120</b>	<b>45</b>	
<b>Total</b>	<b>696</b>	<b>131</b>	<b>&gt;100</b>	<b>2,718</b>	<b>914</b>	<b>&gt;100</b>

\* Less than 1 million

\*\* Refer to Note A14

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**

	<b>Unaudited</b>	<b>Audited</b>
<b>Note</b>	<b>As at 31 December 2021</b>	<b>As at 31 December 2020 Re-presented **</b>
<b>Non-current assets</b>		
Property, plant and equipment	17,211	17,283
Investment properties	9	7
Right-of-use assets	1,990	2,063
Joint ventures	332	193
Associates	46	43
Intangible assets	2,819	2,789
Investments at fair value through other comprehensive income ("FVOCI")	30	27
Deferred tax assets	574	621
Tax recoverable	167	265
Trade and other receivables	89	186
	<b>23,267</b>	<b>23,477</b>
<b>Current assets</b>		
Inventories	2,466	1,569
Biological assets	283	224
Trade and other receivables	2,878	2,246
Tax recoverable	150	215
Amounts due from related parties	-	3
Planned assets	-	44
Derivatives	26	68
Bank balances, deposits and cash	589	309
	<b>6,392</b>	<b>4,678</b>
<b>Non-current assets held for sale <sup>(1)</sup></b>	<b>679</b>	<b>165</b>
<b>Total assets</b>	<b>30,338</b>	<b>28,320</b>
<b>Equity</b>		
Share capital	1,634	1,506
Reserves	13,557	12,149
Attributable to equity holders of the Company	<b>15,191</b>	<b>13,655</b>
Perpetual Sukuk	2,231	2,231
Non-controlling interests	437	384
<b>Total equity</b>	<b>17,859</b>	<b>16,270</b>

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

		<b>Unaudited</b>	<b>Audited</b>
		<b>As at</b>	<b>As at</b>
		<b>31 December</b>	<b>31 December</b>
	<b>Note</b>	<b>2021</b>	<b>2020</b>
			<b>Re-presented **</b>
<b>Non-current liabilities</b>			
Retirement benefits		182	277
Deferred income		-	-
Deferred tax liabilities		2,760	2,623
Borrowings	B8	4,019	4,397
Lease liabilities		155	164
Trade and other payables		36	81
		<b>7,152</b>	<b>7,542</b>
<b>Current liabilities</b>			
Trade and other payables		2,173	1,554
Contract liabilities		24	28
Amounts due to related parties		19	18
Retirement benefits		13	18
Lease liabilities		23	26
Tax payable		463	201
Derivatives	B9	229	360
Borrowings	B8	2,232	2,285
		<b>5,176</b>	<b>4,490</b>
<b>Liabilities directly associated with non-current assets held for sale</b> <sup>(2)</sup>		<b>151</b>	<b>18</b>
<b>Total liabilities</b>		<b>12,479</b>	<b>12,050</b>
<b>Total equity and liabilities</b>		<b>30,338</b>	<b>28,320</b>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>		<b>2.20</b>	<b>1.98</b>
<b>Note:</b>			
(1) <b>Non-current assets held for sale</b>			
Non-current assets held for sale			
– property, plant and equipment		17	34
Disposal group held for sale			
– property, plant and equipment		287	89
– right of use assets		36	1
– tax assets		95	28
– receivables		107	8
– bank		76	-
– other assets		61	5
		<b>679</b>	<b>165</b>
(2) <b>Liabilities directly associated with non-current assets held for sale</b>			
Disposal group held for sale			
– liabilities		151	18
		<b>151</b>	<b>18</b>

\* 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**

Year ended 31 December 2021	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>At 1 January 2021</b>	1,506	9	(194)	(18)	25	463	11,864	13,655	2,231	384	16,270
<b>Continuing operations</b>											
Profit for the financial year	-	-	-	-	-	-	2,257	2,257	124	112	2,493
Other comprehensive income/(loss) for the financial year	-	-	68	-	2	182	(35)	217	-	8	225
Total comprehensive income for the financial year	-	-	68	-	2	182	2,222	2,474	124	120	2,718
Transactions with equity holders:											
Share issue	128	-	-	-	-	-	-	128	-	-	128
Dividends	-	-	-	-	-	-	(1,066)	(1,066)	-	(67)	(1,133)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(124)	-	(124)
<b>At 31 December 2021</b>	<b>1,634</b>	<b>9</b>	<b>(126)</b>	<b>(18)</b>	<b>27</b>	<b>645</b>	<b>13,020</b>	<b>15,191</b>	<b>2,231</b>	<b>437</b>	<b>17,859</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>Year ended 31 December 2020</b>											
<b>At 1 January 2020</b>	1,506	9	5	(18)	28	722	11,009	13,261	2,231	368	15,860
<b><u>Continuing operations</u></b>											
Profit for the financial year	-	-	-	-	-	-	1,111	1,111	125	53	1,289
Other comprehensive (loss)/income for the financial year	-	-	(199)	-	(3)	(142)	20	(324)	-	(9)	(333)
Disposal of subsidiaries	-	-	-	-	-	(4)	-	(4)	-	1	(3)
Total comprehensive (loss)/income for the financial year	-	-	(199)	-	(3)	(146)	1,131	783	125	45	953
Transactions with equity holders:											
Dividends	-	-	-	-	-	-	(346)	(346)	-	(33)	(379)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(125)	-	(125)
Change in ownership	-	-	-	-	-	-	(4)	(4)	-	4	-
<b><u>Discontinued operations</u></b>											
Total comprehensive (loss)/income for the financial year	-	-	-	-	-	(113)	74	(39)	-	-	(39)
<b>At 31 December 2020</b>	<b>1,506</b>	<b>9</b>	<b>(194)</b>	<b>(18)</b>	<b>25</b>	<b>463</b>	<b>11,864</b>	<b>13,655</b>	<b>2,231</b>	<b>384</b>	<b>16,270</b>

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	Year ended 31 December	
		2021	2020 Re-presented **
<b>Cash flows from operating activities</b>			
Profit for the financial year from continuing operations		2,493	1,289
Adjustments for:			
Share of results of joint ventures and associates		(35)	7
Finance income		(12)	(17)
Finance costs		86	116
Gain on disposal of:			
– property, plant and equipment	B5	(151)	(1)
– non-current assets held for sale	B5	(144)	(461)
Depreciation and amortisation	B5	1,329	1,225
Fair value losses:			
– commodities contracts	B5	(42)	(93)
– forward foreign exchange contracts	B5	(5)	(6)
Unrealised foreign exchange losses	B5	49	11
Tax expense	B6	1,109	466
Fair value changes on biological assets		(57)	(32)
Retirement benefits		(57)	32
Net impairment of:			
– property, plant and equipment	B5	297	12
– right-of-use assets	B5	12	-
– non-current assets held for sale	B5	1	-
– trade and other receivables	B5	5	10
– joint ventures	B5	38	-
Write offs:			
– property, plant and equipment	B5	25	21
– right-of-use assets	B5	-	-
(Write back)/write down of inventories	B5	(4)	10
Dividend income		(3)	(7)
		<b>4,933</b>	<b>2,582</b>
Changes in working capital:			
Inventories		(902)	(82)
Trade and other receivables		(654)	(390)
Trade and other payables		697	446
Intercompany and related party balances		4	10
Cash generated from operations		<b>4,078</b>	<b>2,566</b>
Tax paid		(614)	(103)
Retirement benefits paid		(25)	(32)
<b>Net cash generated from operating activities</b>		<b>3,439</b>	<b>2,431</b>
<b>Cash flows from investing activities</b>			
Finance income received		12	17
Purchase of:			
– property, plant and equipment		(1,414)	(1,324)
– intangibles assets		(21)	(27)
– right-of-use assets		-	(1)
Advances for plasma plantation projects		(5)	(8)
Repayment of advances for plasma plantation projects		6	14
Proceeds from sale of:			
– non-current assets held for sale		156	505
– property, plant and equipment		170	4
Dividend received from:			
– FVOCI		3	7
– an associate		10	-
– joint venture		-	1
Payment for incidental cost of disposal of a subsidiary		-	(25)
Additional investment in a joint venture		(139)	-
<b>Net cash used in investing activities</b>		<b>(1,222)</b>	<b>(837)</b>

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

	Note	Year ended 31 December	
		2021	2020 Re-presented **
<b>Cash flows from financing activities</b>			
Distribution to Perpetual Sukuk holders		(124)	(125)
Finance costs paid		(132)	(163)
Loans raised		5,949	3,031
Loan repayments		(6,537)	(4,052)
Borrowing transaction cost paid		(3)	-
Repayment of lease liabilities		(36)	(42)
Dividends paid to shareholders		(938)	(346)
Dividends paid to non-controlling interests of subsidiaries		(67)	(33)
<b>Net cash used in financing activities</b>		<b>(1,888)</b>	<b>(1,730)</b>
<b>Net changes in cash and cash equivalents during the financial year</b>			
Foreign exchange difference		27	14
<b>Cash and cash equivalents at beginning of the year</b>		<b>309</b>	<b>431</b>
Reclassified to non-current assets held for sale		(76)	-
<b>Cash and cash equivalents at end of the year</b>		<b>589</b>	<b>309</b>

\* Less than 1 million

\*\* Refer to Note A14

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 – 31 DECEMBER 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'
- (ii) IFRIC agenda decisions that are concluded and published during the financial year
  - IFRIC agenda decision - over time transfer of constructed goods
  - IFRIC agenda decision - supply chain financing arrangements—reverse factoring
  - IFRIC agenda decision - Attributing Benefit to Periods of Service (MFRS 19)

The adoption of this amendment and IFRIC agenda decisions, 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 – 31 DECEMBER 2021**  
**Amounts in RM million unless otherwise stated**

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

**A7. Dividends paid**

Dividends paid during the financial year ended 31 December 2021 are as follows:

	<b>Year ended 31 December 2021</b>
In respect of financial year ended 31 December 2020:	
- Final dividend of RM5.42 sen per share, paid in cash on 12 May 2021	373
- Special final dividend of RM2.13 sen per share, paid on 3 June 2021	147
In respect of financial year ended 31 December 2021:	
- Interim dividend of 7.90 sen per share, paid in cash on 12 November 2021	546
	<b>1,066</b>

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 Dividend Reinvestment Plan ("DRP") and cash of RM18.9 million.

**A8. Revenue**

The Group derived the following types of revenue:

		<b>Year ended 31 December</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b><u>Continuing operations</u></b>			
Revenue from contracts with customers	A8(a)	18,675	13,063
Revenue from other sources	A8(b)	20	18
		<b>18,695</b>	13,081
<b><u>Discontinued operations</u></b>			
Revenue from contracts with customers		-	-
Total revenue		<b>18,695</b>	13,081
(a) Disaggregation of revenue from contracts with customers			
<b><u>Continuing operations</u></b>			
Upstream			
- Malaysia		346	561
- Indonesia		1,371	804
- Papua New Guinea and Solomon Islands ("PNG/SI")		862	802
Downstream		16,026	10,837
Other operations		70	59
		<b>18,675</b>	13,063
<b><u>Continuing operations</u></b>			
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products		18,450	12,802
Freight services		207	252
Tolling services		18	9
		<b>18,675</b>	13,063
<b><u>Continuing operations</u></b>			
Timing of revenue recognition			
- at point in time		18,450	12,802
- over time		225	261
		<b>18,675</b>	13,063
(b) Revenue from other sources			
Dividend (gross) received/receivable from investments		3	7
Rental income		17	11
		<b>20</b>	18
(c) Revenue expected to be recognised in relation to unsatisfied performance obligations			

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 31 December 2021:

	<b><u>Expected timing of recognition</u> During the quarter ending 31 March 2022</b>
Freight income	<b>24</b>

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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>Year ended 31 December 2021</b>									
<b>Segment revenue:</b>									
External sales	364	1,371	862	16,028	70	-	18,695	-	18,695
Inter-segment sales	4,099	1,337	2,271	170	337	(8,214)	-	-	-
Total revenue	4,463	2,708	3,133	16,198	407	(8,214)	18,695	-	18,695
<b>Segment results:</b>									
Operating profit:									
– recurring activities	862	1,242	1,099	547	40	-	3,790	-	3,790
– non-recurring transactions	(88)	-	(24)	-	(37)	-	(149)	-	(149)
Share of results of joint ventures and associates	-	-	-	-	35	-	35	-	35
Profit before interest and tax	774	1,242	1,075	547	38	-	3,676	-	3,676
<b>Year ended 31 December 2020</b>									
<b>Segment revenue:</b>									
External sales	577	804	802	10,839	59	-	13,081	-	13,081
Inter-segment sales	2,818	1,027	927	166	209	(5,147)	-	-	-
Total revenue	3,395	1,831	1,729	11,005	268	(5,147)	13,081	-	13,081
<b>Segment results, Re-presented **</b>									
Operating profit:									
– recurring activities	686	454	88	386	17	-	1,631	-	1,631
– non-recurring transactions	402	-	56	-	(228)	-	230	74	304
Share of results of joint ventures and associates	-	-	-	-	(7)	-	(7)	-	(7)
Profit before interest and tax	1,088	454	144	386	(218)	-	1,854	74	1,928

\*\* Refer to Note A14



**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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:

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
Property, plant and equipment		
– contracted	337	209
– not contracted	513	102
	<b>850</b>	<b>311</b>
Other capital expenditure		
– not contracted	932	732
	<b>932</b>	<b>732</b>
	<b>1,782</b>	<b>1,043</b>

**A11. Significant related party transactions**

Significant related party transactions conducted were as follows:

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services		
– Emery Oleochemicals (M) Sdn Bhd	15	31
(ii) Additional investment		
– Emery Oleochemicals (M) Sdn Bhd	139	-
(b) Transactions with associates		
(i) Sale of goods		
– Rizhao Sime Darby Oils & Fats Co. Ltd.	2	29
(ii) Purchase of palm oil		
– Thai Eastern Trat Company Limited	88	51

**(c) Transactions with related parties**

Permodalan Nasional Berhad ("PNB") and the fund managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.43% as at 31 December 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 – 31 DECEMBER 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:

	<b>Year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
(i) Foreign currency payment arrangement		
– Hastings Deering (PNG) Limited	-	111
(ii) Purchase of heavy equipment, spare parts and services		
– Sime Darby Industrial Holdings Sdn Bhd	16	15
– Sime Kubota Sdn Bhd	25	10
– Hastings Deering (PNG) Limited	- *	1
(iii) Lease of agricultural land		
– Kumpulan Sime Darby Berhad	14	9
(iv) Car leasing charges		
– Sime Darby Rent-A-Car Sdn Bhd	1	1
(v) Rental expenses		
– Sime Darby Property Bhd	4	3
(d) Transactions entered into with person connected to a former director		
(i) Provision of freight services		
– Rosely Kusip	-	3
(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	3	1

\* Less than 1 million

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

There were no material events in the interval between the end of the quarter under review and 11 February 2022, being a date not earlier than 7 days from the date of issuance of the report except for the US CBP's findings against the Group which was issued on 28 January 2022. Refer to Note B11.

**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:

	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
Guarantees in respect of credit facilities granted to:		
– a joint venture	4	6
– plasma stakeholders	74	36
	<b>78</b>	<b>42</b>

## EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2021

Amounts in RM million unless otherwise stated

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

#### A14. Effect of significant changes in the composition of the Group

On 29 August 2019, the Board of Directors ("BOD") of the Company had authorised the proposed divestment of its entire 50% equity interest in its joint ventures, Emery Oleochemicals (M) Sdn Bhd ("EOM") and Emery Specialty Chemicals Sdn Bhd ("ESC") (collectively known as "Emery Group"). Consequently, the Group had classified its carrying amount of the joint ventures as non-current assets held for sale as at 31 December 2019 and the Group ceased equity accounting of its interest in Emery Group.

The Group had completed the divestment of their collective 100% equity interest in EOM and 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 on 1 November 2021. The equity consideration of RM38.0 million was derived based on an enterprise value of RM243.0 million less the target net debt of RM205.0 million with price adjustments based on the net working capital of EOM and ESC at completion date. Prior to the completion of the Divestment, the Group had carried out an impairment assessment based on fair value less cost to sell and an impairment charge of RM38 million was recognised during the financial year. Thus, there was no gain or loss recognised from the Divestment.

Following the Divestment, EOM and ESC 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 ("EOM UK"). Subsequent to the Divestment, the Board of Directors had decided to retain EOM UK within the Group, thus, the joint venture ceased to meet the asset held for sale classification criteria in accordance MFRS 5 "Asset Held For Sales". Accordingly, the financial statements are re-presented from the period of initial classification as asset held for sale. Any adjustments including the prior periods share of results are included in profit or loss from continuing operations.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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 31 December 2021 against the previous year corresponding quarter ended 31 December 2020**

	Quarter ended 31 December		+/(–) %
	2021	2020 Re-presented **	
<b><u>Continuing operations</u></b>			
Revenue	<b>5,550</b>	3,639	53
Segment results:			
Upstream Malaysia	<b>145</b>	80	81
Upstream Indonesia	<b>400</b>	247	62
Upstream PNG/SI	<b>413</b>	24	>100
Downstream	<b>287</b>	202	42
Other operations	<b>31</b>	9	>100
Recurring profit before interest and tax	<b>1,276</b>	562	>100
Non-recurring transactions	<b>(196)</b>	(229)	14
<b>Profit before interest and tax</b>	<b>1,080</b>	333	>100
Finance income	<b>4</b>	8	
Finance costs	<b>(27)</b>	(23)	
<b>Profit before tax</b>	<b>1,057</b>	318	>100
Tax expense	<b>(519)</b>	(106)	
<b>Profit from continuing operations</b>	<b>538</b>	212	>100
Perpetual Sukuk	<b>(31)</b>	(32)	
Non-controlling interests	<b>(39)</b>	(31)	
<b>Profit after tax attributable to equity holders of the Company</b>	<b>468</b>	149	>100

\*\* Refer to Note A14

For the quarter ended 31 December 2021, the Group registered a net profit from continuing operations of RM468 million, triple the earnings of the corresponding quarter of the previous year, driven by stronger recurring profit before interest and tax ("PBIT") from all segments, and lower non-recurring loss.

The effective tax rate for the current quarter was 49%, mainly due to the withholding tax incurred of RM188 million on dividends remitted from foreign subsidiaries and recognition of deferred tax liabilities of RM78 million on unremitted earnings of subsidiaries classified as assets held for sale.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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 31 December 2021 against the previous year corresponding quarter ended 31 December 2020 (continued)**

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

Upstream

The Upstream operations reported a strong PBIT of RM958 million, a significant improvement against the corresponding quarter PBIT of RM351 million, primarily due to the following factors:

- (i) higher average CPO and PK prices realised, which increased by 57% and 101%, respectively; and
- (ii) improved oil extraction rate ("OER"), which increased from 21.35% to 21.79%.

The above key drivers compensated for the 7% decline in fresh fruit bunch ("FFB") production during the current quarter.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	31 December			31 December		
	2021	2020	%	2021	2020	%
Upstream Malaysia	3,693	2,523	46	1,072	1,117	(4)
Upstream Indonesia	4,062	2,809	45	605	790	(23)
Upstream PNG/SI	5,095	2,753	85	447	389	15
<b>Total</b>	<b>4,179</b>	<b>2,664</b>	<b>57</b>	<b>2,124</b>	<b>2,296</b>	<b>(7)</b>

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	31 December			31 December		
	2021	2020	%	2021	2020	
Upstream Malaysia	3,661	1,844	99	21.09	20.99	0.10
Upstream Indonesia	2,821	1,431	97	21.84	20.98	0.86
Upstream PNG/SI	-	-	-	23.24	22.95	0.29
<b>Total</b>	<b>3,363</b>	<b>1,673</b>	<b>101</b>	<b>21.79</b>	<b>21.35</b>	<b>0.44</b>

Downstream

PBIT from Downstream increased by 42% to RM287 million in the current quarter, mainly attributable to higher sales volumes reported by the European refineries and boosted by higher margins generated by the Asia Pacific bulk operations which benefited from RSPO premium on CPKO sales.

Other operations

Other operations reported higher profits due to higher share of results from the Group's associates and joint ventures.

Non-recurring transactions

The non-recurring loss was mainly due to an impairment charge of RM279 million on the immature rubber plantation in Malaysia which has been affected by the pestalotiopsis disease which was partially compensated by a gain of RM65 million from the disposal of land in Malaysia and an RM18 million provision writeback for the Group's investment in a joint venture, Emery Oleochemical Sdn Bhd ("EOM") following the completion of the divestment in November 2021.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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) Year ended 31 December 2021 against the previous year ended 31 December 2020

	Year ended 31 December		+/(-)
	2021	2020 Re-presented **	%
<b><u>Continuing operations</u></b>			
Revenue	18,695	13,081	43
Segment results:			
Upstream Malaysia	862	686	26
Upstream Indonesia	1,242	454	>100
Upstream PNG/SI	1,099	88	>100
Downstream	547	386	42
Other operations	75	10	>100
Recurring profit before interest and tax	3,825	1,624	>100
Non-recurring transactions	(149)	230	(165)
<b>Profit before interest and tax</b>	<b>3,676</b>	<b>1,854</b>	<b>98</b>
Finance income	12	17	
Finance costs	(86)	(116)	
<b>Profit before tax</b>	<b>3,602</b>	<b>1,755</b>	<b>&gt;100</b>
Tax expense	(1,109)	(466)	
<b>Profit from continuing operations</b>	<b>2,493</b>	<b>1,289</b>	<b>93</b>
Perpetual Sukuk	(124)	(125)	
Non-controlling interests	(112)	(53)	
<b>Profit from continuing operations attributable to equity holders of the Company</b>	<b>2,257</b>	<b>1,111</b>	<b>&gt;100</b>
<b><u>Discontinued operations</u></b>			
Profit from discontinued operations attributable to equity holders of the Company	-	74	>100
<b>Profit after tax attributable to equity holders of the Company</b>	<b>2,257</b>	<b>1,185</b>	<b>90</b>
Profit from discontinued operations include:			
Segment results:			
– Upstream Liberia	-	74	

\*\* Refer to Note A14

For the year ended 31 December 2021, the Group posted net earnings from continuing operations of RM2.26 billion, double the previous year's earnings of RM1.18 billion, due to higher recurring PBIT contributed by all segments.

The non-recurring loss was mainly due to higher impairment charges and lower divestment gains in the current year.

Finance costs were significantly lower than the previous year, a result of the decline in benchmark lending rates and lower borrowing levels.

The effective tax rate of 31% was due to the withholding tax of RM188 million incurred on dividend remitted from foreign subsidiaries and recognition of deferred tax liabilities of RM78 million on unremitted earnings of subsidiaries classified as assets held for sale.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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) Year ended 31 December 2021 against the previous year ended 31 December 2020 (continued)**

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

Upstream

For the year ended 31 December 2021, the Upstream segment reported a recurring PBIT of RM3.2 billion, as compared to the RM1.2 billion in the previous year. The strong performance was largely due to:

- (i) higher average CPO and PK prices realised, which increased by 47% and 74% respectively in the current year;
- (ii) higher OER which increased to 21.59%; and
- (iii) a gain from the retirement benefit plan of RM106 million, pursuant to the amendments introduced by the Omnibus Law in Indonesia.

FFB production declined 2% year-on-year to 9.1 million MT.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Year ended 31 December		+/(–) %	Year ended 31 December		+/(–) %
	2021	2020		2021	2020	
Upstream Malaysia	3,504	2,465	42	4,630	4,944	(6)
Upstream Indonesia	3,388	2,587	31	2,609	2,522	3
Upstream PNG/SI	4,510	2,606	73	1,890	1,812	4
<b>Total</b>	<b>3,711</b>	<b>2,532</b>	<b>47</b>	<b>9,129</b>	<b>9,278</b>	<b>(2)</b>

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Year ended 31 December		+/(–) %	Year ended 31 December		+/(–)
	2021	2020		2021	2020	
Upstream Malaysia	2,828	1,583	79	20.96	20.91	0.05
Upstream Indonesia	2,069	1,226	69	21.66	21.61	0.05
Upstream PNG/SI	-	-	-	22.87	22.50	0.37
<b>Total</b>	<b>2,551</b>	<b>1,463</b>	<b>74</b>	<b>21.59</b>	<b>21.44</b>	<b>0.15</b>

Downstream

The Downstream segment reported a PBIT of RM547 million, higher than the RM386 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.

Although the European and African refineries reported improved margins amidst higher selling prices, the results were weighed down by lower sales volumes reported in the current period.

Other operations

Other operations registered a higher PBIT of RM75 million against RM10 million in the previous year, mainly due to higher share of profits from associates and joint ventures.

Non-recurring transactions

The non-recurring loss in the current year comprised mainly of the impairment charge on the immature rubber plantation in Malaysia, an idle land and a palm oil mill in PNG. This was compensated by gains from the disposal of land in Malaysia.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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>31 Dec 2021</b>	<b>30 Sep 2021</b>	
		<b>Re-presented</b>	<b>**</b>
<b><u>Continuing operations</u></b>			
Revenue	<b>5,550</b>	5,061	10
Segment results:			
Upstream Malaysia	<b>145</b>	327	(56)
Upstream Indonesia	<b>400</b>	331	21
Upstream PNG/SI	<b>413</b>	255	62
Downstream	<b>287</b>	7	>100
Other operations	<b>31</b>	16	94
Recurring profit before interest and tax	<b>1,276</b>	936	36
Non-recurring transactions	<b>(196)</b>	(36)	(444)
<b>Profit before interest and tax</b>	<b>1,080</b>	900	20
Finance income	<b>4</b>	3	
Finance costs	<b>(27)</b>	(24)	
<b>Profit before tax</b>	<b>1,057</b>	879	20
Tax expense	<b>(519)</b>	(208)	
<b>Profit from continuing operations</b>	<b>538</b>	671	(20)
Perpetual Sukuk	<b>(31)</b>	(31)	
Non-controlling interests	<b>(39)</b>	(30)	
<b>Profit after tax attributable to equity holders of the Company</b>	<b>468</b>	<b>610</b>	(23)

\*\* Refer to Note A14

Despite higher recurring PBIT driven by strong performance by all segments, the Group's net profit declined by 23% to RM468 million, weighed down by higher non-recurring losses and exceptional tax expenses.

The high effective tax rate of 49% was mainly due to withholding tax of RM188 million incurred relating to the remittance of intercompany dividends from foreign subsidiaries to Malaysia, as well as recognition of deferred tax liability of RM78 million on unremitted earnings of subsidiaries classified as assets held for sale.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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 RM958 million, 5% higher than the preceding quarter driven by the following key drivers:

- (i) higher CPO and PK prices which increased by 11% and 48%, respectively; and
- (ii) higher OER, which increased from 21.59% to 21.79%.

The above favourable factors compensated for the decline in FFB production during the current quarter.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Dec 2021	Sep 2021	%	Dec 2021	Sep 2021	%
Upstream Malaysia	3,693	3,611	2	1,072	1,232	(13)
Upstream Indonesia	4,062	3,483	17	605	641	(6)
Upstream PNG/SI	5,095	4,475	14	447	469	(5)
<b>Total</b>	<b>4,179</b>	<b>3,770</b>	<b>11</b>	<b>2,124</b>	<b>2,342</b>	<b>(9)</b>

  

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Dec 2021	Sep 2021	%	Dec 2021	Sep 2021	
Upstream Malaysia	3,661	2,521	45	21.09	21.08	0.01
Upstream Indonesia	2,821	1,779	59	21.84	21.52	0.32
Upstream PNG/SI	-	-	-	23.24	22.91	0.33
<b>Total</b>	<b>3,363</b>	<b>2,274</b>	<b>48</b>	<b>21.79</b>	<b>21.59</b>	<b>0.20</b>

Downstream

The Downstream segment reported a PBIT of RM287 million, significantly higher as compared to the RM7 million profit in the preceding quarter, boosted by improvement in sales margins in Asia Pacific and higher sales volumes recorded by the European refineries.

Other operations

Other operations reported a PBIT of RM31 million, almost double the profits of the preceding quarter, mainly due to higher share of profits from associates and joint venture.

Non-recurring

The non-recurring loss of RM196 million was mainly due to an impairment charge on the immature rubber plantation in Malaysia, which was mitigated by gains on sale of land and a writeback on impairment provision on an investment in a joint venture. The preceding quarter's non-recurring loss comprised of impairment charges on a palm oil mill in PNG and an investment in a joint ventures.

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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 continued to register record breaking highs in the beginning of 2022 as supply constraints, exacerbated by the prolonged labour shortage in Malaysia, drove palm oil inventories below historical mean levels. Prices are expected to remain elevated at least throughout the first half of 2022 as supplies are only anticipated to increase in the second half of the year in line with the high-crop season.

The Group is cautiously optimistic that its FFB production, particularly from its Malaysian operations will increase in the second half of the year, in line with palm oil's typical peak production period, and the anticipated lifting of the freeze on foreign worker recruitment by the Malaysian Government.

Although the threat of COVID-19 persists, the Group anticipates that with better control measures and responses in place, the return to normalcy across the world will pick up pace, together with a corresponding increase in demand.

Barring any unforeseen circumstances, the Group expects its performance for the financial year ending 31 December 2022 to be satisfactory.

**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 31 December		Year ended 31 December	
	2021	2020	2021	2020
	Re-presented **		Re-presented **	
<b>Continuing operations</b>				
Depreciation and amortisation	(344)	(289)	(1,329)	(1,225)
Fair value (losses)/gains:				
– commodities contracts	59	(62)	42	93
– forward foreign exchange contracts	2	8	5	6
Gain on disposals of:				
– property, plant and equipment	111	-	151	1
– non-current assets held for sale	18	- *	144	461
Net of (impairment)/reversal of:				
– non-current assets held for sale	-	-	(1)	-
– trade and other receivables	(5)	(6)	(5)	(10)
– right-of-use assets	-	(10)	(12)	-
– inventories	20	-	-	-
– property, plant and equipment	(278)	-	(297)	(12)
– joint venture	17	-	(38)	-
Unrealised foreign exchange losses	1	25	(49)	(11)
Write back/(write down) of inventories	4	(10)	4	(10)
Write off of:				
– property, plant and equipment	(5)	(4)	(25)	(21)
Included in finance costs is:				
Finance costs on interest rate swap contracts	(2)	(1)	(6)	(2)
<b>Discontinued operations</b>				
Gain on disposal of non-current assets held for sale	-	-	-	74

\* Less than 1 million.

\*\* Refer to Note A14

**EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 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 31 December		Year ended 31 December	
	2021	2020	2021	2020
<b><u>Continuing operations</u></b>				
In respect of current financial year:				
– current tax	444	61	991	341
– deferred tax	54	59	91	122
	<b>498</b>	120	<b>1,082</b>	463
In respect of prior financial years:				
– current tax	21	(14)	27	3
Tax expenses	<b>519</b>	106	<b>1,109</b>	466

For the quarter ended 31 December 2021, the Group reported a total tax expense of RM519 million on the back of a profit before tax from continuing operations of RM1,057 million. The effective tax rate of 49% was mainly due to the withholding tax incurred by the Group of RM188 million on dividends remitted from foreign subsidiaries and recognition of deferred tax liabilities of RM78 million on unremitted earnings of subsidiaries classified as assets held for sale.

Similarly, the above exceptional tax expense items in the current quarter contributed to a higher effective tax rate of 31% for the year ended 31 December 2021, partially mitigated by the RM271 million gain on government acquisition of land which was not subject to tax.

**B7. Status of announced corporate proposals**

There are no corporate proposals announced but not completed as at 18 February 2022.

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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 31 December 2021 are as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
<b>Long-term</b>			
Term loans	-	1,007	<b>1,007</b>
Revolving credits-i	-	2,042	<b>2,042</b>
Bonds	-	473	<b>473</b>
Multi-currency Sukuk	-	512	<b>512</b>
Unamortised deferred financing expenses	-	(15)	<b>(15)</b>
	-	4,019	<b>4,019</b>
<b>Short-term</b>			
Term loans	-	935	<b>935</b>
Revolving credits	-	1,235	<b>1,235</b>
Trade facilities	4	-	<b>4</b>
Trust receipts	-	38	<b>38</b>
Overdraft	-	21	<b>21</b>
Unamortised deferred financing expenses	-	(1)	<b>(1)</b>
	4	2,228	<b>2,232</b>
<b>Total</b>	<b>4</b>	<b>6,247</b>	<b>6,251</b>
<b>Borrowings of the Group consist of:</b>			
– principal	4	6,263	<b>6,267</b>
– unamortised deferred financing expenses	-	(16)	<b>(16)</b>
	4	6,247	<b>6,251</b>

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	473	74	<b>547</b>
Ringgit Malaysia	510	604	<b>1,114</b>
Thailand Baht	-	61	<b>61</b>
United States Dollar	3,036	1,487	<b>4,523</b>
Sterling Pound	-	6	<b>6</b>
	4,019	2,232	<b>6,251</b>

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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 31 December 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	-	16	-	5	<b>11</b>
Commodities contracts	-	10	-	223	<b>(213)</b>
Interest rate swap contracts	-	-	-	1	<b>(1)</b>
	-	26	-	229	<b>(203)</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 31 December 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	2,672	<b>11</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 31 December 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	29,583	140	<b>10</b>
– Sale contracts	236,604	953	<b>(223)</b>
			<b>(213)</b>

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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 31 December 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 31 December 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.

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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 RM58.5 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 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 RM291.8 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 RM28.4 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 RM43.9 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1.8 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 RM9.9 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 of this exercise.

Although Impactt’s work was initially scheduled to be completed by June 2021, it was unavoidably delayed due to strict nation wide movement restrictions and the closing of Malaysia’s international borders to curb the spread of the Covid 19 virus. With the easing of restrictions on interstate travel within Malaysia and the subsequent phased reopening of international borders with shorter quarantine requirements in late 2021, Impactt has been able to resume work on the assessment.

On 28 January 2022, the USCBP issued a notice of finding against the Group.

On 15 February 2022, the Group announced several improvements and changes to its governance structures, policies and procedures and the implementation of new measures, all with the primary goal of ensuring the wellbeing of its workers. The Group has reimbursed foreign workers currently within its employ who may have paid recruitment fees to secure employment with SDP. A sinking fund has also been established to reimburse former foreign workers who may have paid recruitment fees to secure employment with SDP. Additionally, SDP has established an improved Responsible Recruitment Procedure to ensure that tighter controls are in place for the protection of new recruits. The Group has also established new platforms for better social dialogue with its workers.

Thus, while awaiting the completion of Impactt’s assessment, the Group will engage with the USCBP to commence dialogue. The Group looks forward to this engagement with the USCBP, to demonstrate its commitment to best practice and human rights.

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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 a final single tier dividend of 12.38 sen per share in respect of the financial year ended 31 December 2021 ("Final Dividend"). Together with the interim dividend of 7.90 sen per share paid on 12 November 2021, this would translate into a single tier dividend of 20.28 sen per share for the financial year ended 31 December 2021.

The Final Dividend which is 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 17 May 2022 and the entitlement date for the dividend payment is 28 April 2022.

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 April 2022 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 April 2022 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 dividends for the financial year ended 31 December 2021 is as follows:

	Year ended 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	12.38	856	5.42	373
Special final dividend	-	-	2.13	147
	<b>20.28</b>	<b>1,402</b>	<b>11.57</b>	<b>797</b>

**B13. Earnings per share**

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

	Quarter ended 31 December		Year ended 31 December	
	2021	2020 Re-presented **	2021	2020 Re-presented **
Profit for the financial year				
- from continuing operations	468	149	2,257	1,111
- from discontinued operations	-	-	-	74
	<b>468</b>	<b>149</b>	<b>2,257</b>	<b>1,185</b>
Weighted average number of ordinary shares in issue (million units)	<b>6,916</b>	6,885	<b>6,916</b>	6,885
Basic earnings per share (sen)				
- from continuing operations	6.8	2.2	32.6	16.1
- from discontinued operations	-	-	-	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.

\*\* Refer to Note A14

By Order of the Board

Petaling Jaya  
18 February 2022

Azrin Nashiha Abdul Aziz  
Group Secretary