

QUARTERLY REPORT

On the consolidated results for the second quarter ended 30 June 2022

The Directors are pleased to announce the following:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in RM million unless otherwise stated

	Note	Quarter ended 30 June		%	Half year-ended 30 June		%
		2022	2021 Re-presented **		2022	2021 Re-presented **	
Revenue	A8, A9	5,587	4,411	27	9,968	8,084	23
Operating expenses		(4,859)	(3,633)		(8,384)	(6,551)	
Other operating income		291	22		540	181	
Other gains/(losses)		90	100		14	(41)	
Operating profit	B5, A9	1,109	900	23	2,138	1,673	28
Share of results of joint ventures		31	2		59	15	
Share of results of associates		6	6		9	8	
Profit before interest and tax	A9	1,146	908	26	2,206	1,696	30
Finance income		3	3		6	5	
Finance costs		(28)	(21)		(48)	(35)	
Profit before tax		1,121	890	26	2,164	1,666	30
Tax expense	B6	(259)	(217)		(522)	(382)	
Profit for the financial period		862	673	28	1,642	1,284	28
Profit for the financial period attributable to:							
– equity holders of the Company		812	617	32	1,530	1,179	30
– Perpetual Sukuk		31	31		62	62	
– non-controlling interests		19	25		50	43	
		862	673	28	1,642	1,284	28
Basic earnings per share attributable to equity holders of the Company:							
Basic (sen)	B13	11.7	9.0	30	22.1	17.1	29

** 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 2021.

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

	Quarter ended 30 June		%	Half year-ended 30 June		%
	2022	2021 Re-presented **		2022	2021 Re-presented **	
Profit for the financial period	862	673	28	1,642	1,284	28
Other comprehensive income/(loss):						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences gains/(loss):						
– subsidiaries	265	12		302	100	
– joint ventures and associates	(12)	-		(14)	6	
Net change in fair value:						
– cash flow hedges loss	99	(126)		(87)	(326)	
– transfer to profit or loss	186	137		296	306	
Tax credit relating to components through other comprehensive income	(70)	(3)		(57)	8	
	468	20		440	94	
Items that will be not reclassified subsequently to profit or loss:						
Actuarial gain/(loss) on defined benefit pension plans	2	(47)		(1)	(50)	
Tax credit relating to components through other comprehensive loss	- *	1		- *	3	
	2	(46)		(1)	(47)	
Total other comprehensive income/(loss) for the financial period	470	(26)		439	47	
Total comprehensive income for the financial period	1,332	647		2,081	1,331	
Total comprehensive income for the financial period attributable to:						
– equity holders of the Company	1,283	591	>100	1,970	1,224	61
– Perpetual Sukuk	31	31	-	62	62	-
– non-controlling interests	18	25	(28)	49	45	9
Total	1,332	647	>100	2,081	1,331	56

* 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 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in RM million unless otherwise stated

	Unaudited	Unaudited
	As at 30 June 2022	As at 31 December 2021 Re-presented **
Note		
Non-current assets		
Property, plant and equipment	17,564	17,247
Investment properties	9	9
Right-of-use assets	1,998	1,998
Joint ventures	397	332
Associates	51	46
Intangible assets	2,954	2,824
Investments at fair value through other comprehensive income ("FVOCI")	30	30
Deferred tax assets	486	574
Tax recoverable	144	169
Trade and other receivables	42	89
	23,675	23,318
Current assets		
Inventories	3,493	2,469
Biological assets	280	284
Trade and other receivables	3,010	2,878
Tax recoverable	224	150
Amounts due from related parties	-	-
Derivatives	195	26
Bank balances, deposits and cash	728	602
	7,930	6,409
Non-current assets held for sale ⁽¹⁾	552	608
Total assets	32,157	30,335
Equity		
Share capital	1,634	1,634
Reserves	14,668	13,554
Attributable to equity holders of the Company	16,302	15,188
Perpetual Sukuk	2,231	2,231
Non-controlling interests	448	437
Total equity	18,981	17,856

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Amounts in RM million unless otherwise stated

		Unaudited	Unaudited
		As at	As at
		30 June	31 December
	Note	2022	2021
			Re-presented **
Non-current liabilities			
Retirement benefits		191	184
Deferred tax liabilities		2,728	2,761
Borrowings	B8	3,506	4,019
Lease liabilities		148	155
Trade and other payables		48	36
		6,621	7,155
Current liabilities			
Trade and other payables		2,214	2,180
Contract liabilities		15	24
Amounts due to related parties		12	19
Retirement benefits		13	13
Lease liabilities		20	23
Tax payable		687	465
Derivatives	B9	113	229
Borrowings	B8	3,349	2,232
		6,423	5,185
Liabilities directly associated with non-current assets held for sale ⁽²⁾		132	139
Total liabilities		13,176	12,479
Total equity and liabilities		32,157	30,335
Net assets per share attributable to equity holders of the Company (RM)		2.36	2.20
Note:			
(1) Non-current assets held for sale			
Non-current assets held for sale			
– property, plant and equipment		9	17
Disposal group held for sale			
– property, plant and equipment		256	248
– right of use assets		28	28
– tax assets		94	93
– receivables		80	106
– bank balances		6	63
– other assets		79	53
		552	608
(2) Liabilities directly associated with non-current assets held for sale			
Disposal group held for sale			
– payables		110	108
– retirement benefits		15	18
– tax liabilities		5	12
– other liabilities		2	1
		132	139

* Less than 1 million

** Refer to Note A14

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 2021.

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

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Half year-ended 30 June 2022											
At 1 January 2022	1,634	9	(126)	(18)	27	645	13,017	15,188	2,231	437	17,856
Profit for the financial year	-	-	-	-	-	-	1,530	1,530	62	50	1,642
Other comprehensive income/(loss) for the financial year	-	-	152	-	-	288	- *	440	-	(1)	439
Total comprehensive income for the financial year	-	-	152	-	-	288	1,530	1,970	62	49	2,081
Transactions with equity holders:											
Dividends	-	-	-	-	-	-	(856)	(856)	-	(38)	(894)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(62)	-	(62)
At 30 June 2022	1,634	9	26	(18)	27	933	13,691	16,302	2,231	448	18,981

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Half year-ended 30 June 2021											
At 1 January 2021	1,506	9	(194)	(18)	25	463	11,864	13,655	2,231	384	16,270
Profit for the financial year	-	-	-	-	-	-	1,179	1,179	62	43	1,284
Other comprehensive (loss)/income for the financial year	-	-	(12)	-	-	97	(40)	45	-	2	47
Total comprehensive (loss)/income for the financial year	-	-	(12)	-	-	97	1,139	1,224	62	45	1,331
Transactions with equity holders:											
Share issue	128	-	-	-	-	-	-	128	-	-	128
Dividends	-	-	-	-	-	-	(520)	(520)	-	(28)	(548)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(62)	-	(62)
At 30 June 2021	1,634	9	(206)	(18)	25	560	12,483	14,487	2,231	401	17,119

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 2021.

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

	Note	Half year-ended 30 June	
		2022	2021 Re-presented **
Cash flows from operating activities			
Profit for the financial period		1,642	1,284
Adjustments for:			
Share of results of joint ventures and associates		(68)	(23)
Finance income		(6)	(5)
Finance costs		48	35
Gain on disposal of:			
– property, plant and equipment	B5	(12)	(2)
– non-current assets held for sale	B5	(275)	(125)
Depreciation and amortisation	B5	670	655
Fair value (gains)/losses:			
– commodities contracts	B5	(85)	(53)
– forward foreign exchange contracts	B5	21	9
Unrealised foreign exchange losses	B5	38	39
Tax expense	B6	522	382
Fair value changes on biological assets		20	(36)
Retirement benefits		27	(73)
Net impairment of:			
– property, plant and equipment	B5	- *	-
– right-of-use assets	B5	-	12
– non-current assets held for sale	B5	-	1
– trade and other receivables	B5	- *	15
– joint ventures	B5	-	46
Write offs:			
– property, plant and equipment	B5	9	16
– right-of-use assets	B5	- *	- *
– intangible assets	B5	1	-
Write down of inventories	B5	91	1
Bad debts written off	B5	-	(2)
Dividend income from FVOCI		(3)	(1)
		2,640	2,175
Changes in working capital:			
Inventories		(1,101)	(954)
Trade and other receivables		(72)	11
Trade and other payables		38	86
Intercompany and related party balances		(8)	(10)
Cash generated from operations		1,497	1,308
Tax paid		(437)	(25)
Retirement benefits paid		(11)	(16)
Net cash generated from operating activities		1,049	1,267
Cash flows from investing activities			
Finance income received		6	5
Purchase of:			
– property, plant and equipment		(664)	(574)
– intangibles assets		(7)	(3)
Advances for plasma plantation projects		(2)	(3)
Repayment of advances for plasma plantation projects		30	-
Proceeds from sale of:			
– non-current assets held for sale		285	138
– property, plant and equipment		16	4
Dividend received from:			
– FVOCI		3	1
– an associate		4	-
Net cash used in investing activities		(329)	(432)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Amounts in RM million unless otherwise stated

	Note	Half year-ended 30 June	
		2022	2021 Re-presented **
Cash flows from financing activities			
Distribution to Perpetual Sukuk holders		(62)	(62)
Finance costs paid		(64)	(65)
Loans raised		2,200	3,013
Loan repayments		(1,820)	(2,805)
Repayment of lease liabilities		(12)	(15)
Dividends paid to shareholders		(856)	(392)
Dividends paid to non-controlling interests of subsidiaries		(38)	(28)
Net cash used in financing activities		(652)	(354)
Net changes in cash and cash equivalents during the financial period		68	481
Foreign exchange difference		1	13
Cash and cash equivalents at beginning of the period		665	309
Cash and cash equivalents at end of the period		734	803
Included in cash and cash equivalents per the balance sheet		728	800
Included in the assets of the disposal group		6	3
Cash and cash equivalents at end of the period		734	803

* 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 2021.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2022

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 2021.

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 2021 except as described below.

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

- (i) Amendments that are effective on or after 1 January 2022
 - Amendment to MFRS 16 "Covid-19 - Related Rent Concessions beyond 30 June 2021"
 - 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"
 - Amendments to MFRS 3 "Reference to Conceptual Framework"
 - Annual Improvements to MFRS 9 "Fees in the 10% Test for Derecognition of Financial Liabilities"

The adoption of these amendments 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) 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"
 - Amendment to MFRS 17 "Insurance Contracts"

The amendments shall be applied retrospectively.

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 JUNE 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A7. Dividends paid

Dividends paid during the quarter ended 30 June 2022 are as follows:

	<u>Half year-ended 30 June 2022</u>
In respect of financial year ended 31 December 2021:	
- Final dividend of 12.38 sen per share, paid in cash on 17 May 2022	<u>856</u>

A8. Revenue

The Group derived the following types of revenue:

		<u>Half year-ended 30 June</u>	
	Note	2022	2021
Revenue from contracts with customers	A8(a)	9,954	8,076
Revenue from other sources	A8(b)	14	8
Total revenue		<u>9,968</u>	<u>8,084</u>
(a) Disaggregation of revenue from contracts with customers			
Upstream			
– Malaysia		1,631	208
– Indonesia		419	538
– Papua New Guinea and Solomon Islands ("PNG/SI")		24	471
Downstream		7,824	6,825
Other operations		56	34
		<u>9,954</u>	<u>8,076</u>
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products		9,773	7,985
Freight services		98	89
Tolling services		83	2
		<u>9,954</u>	<u>8,076</u>
Timing of revenue recognition			
– at point in time		9,773	7,985
– over time		181	91
		<u>9,954</u>	<u>8,076</u>
(b) Revenue from other sources			
Dividend (gross) received/receivable from investments		3	1
Rental income		11	7
		<u>14</u>	<u>8</u>

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

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 30 June 2022:

	<u>Expected timing of recognition During the quarter ending 30 September 2022</u>
Freight income	<u>15</u>

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter- segment elimination	Total
Half year-ended 30 June 2022							
Segment revenue:							
External sales	210	419	74	9,209	56	-	9,968
Inter-segment sales	2,209	698	1,540	53	258	(4,758)	-
Total revenue	2,419	1,117	1,614	9,262	314	(4,758)	9,968
Segment results:							
Operating profit:							
– recurring activities	290	259	908	375	27	-	1,859
– non-recurring transactions	276	-	-	-	3	-	279
Share of results of joint ventures and associates	-	-	-	-	68	-	68
Profit before interest and tax	566	259	908	375	98	-	2,206
Half year-ended 30 June 2021							
Segment revenue:							
External sales	216	538	471	6,825	34	-	8,084
Inter-segment sales	1,876	628	701	73	134	(3,412)	-
Total revenue	2,092	1,166	1,172	6,898	168	(3,412)	8,084
Segment results, Re-presented:**							
Operating profit:							
– recurring activities	390	511	431	253	21	-	1,606
– non-recurring transactions	125	-	(12)	-	(46)	-	67
Share of results of joint ventures and associates	-	-	-	-	23	-	23
Profit before interest and tax	515	511	419	253	(2)	-	1,696

** Refer to Note A14

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information (continued)

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter- segment elimination	Total
As at 30 June 2022							
Segment assets:							
Operating assets	10,154	5,319	8,300	6,333	197	-	30,303
Joint ventures and associates	-	-	-	-	448	-	448
Non-current assets held for sale	8	544	-	-	-	-	552
	10,162	5,863	8,300	6,333	645	-	31,303
Tax assets							854
Total assets							32,157

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter- segment elimination	Total
As at 30 June 2021							
Segment assets, Re-presented:**							
Operating assets	9,710	5,327	8,066	4,974	244	-	28,321
Joint ventures and associates	-	-	-	-	208	-	208
Non-current assets held for sale	29	131	-	-	2	-	162
	9,739	5,458	8,066	4,974	454	-	28,691
Tax assets							911
Total assets							29,602

** Refer to Note A14

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**A10. Capital commitments**

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

	Unaudited	Audited
	As at 30 June 2022	As at 31 December 2021
Property, plant and equipment		
– contracted	687	337
– not contracted	571	513
	1,258	850
Other capital expenditure		
– not contracted	517	932
	517	932
	1,775	1,782

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Half year-ended 30 June	
	2022	2021
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services		
– Emery Oleochemicals (M) Sdn Bhd	-	7
(b) Transactions with associates		
(i) Purchase of palm oil		
– Thai Eastern Trat Company Limited	84	42

(c) Transactions with related parties

Permodalan Nasional Berhad ("PNB") and the fund managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 55.694% as at 30 June 2022 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and the Company.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**A11. Significant related party transactions (continued)**

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

(c) Transactions with related parties (continued)

Transactions entered into with Government related entities include the following:

	Half year-ended 30 June	
	2022	2021
(i) Purchase of heavy equipment, spare parts and services		
– Sime Darby Industrial Holdings Sdn Bhd	15	7
– Kubota Malaysia Sdn Bhd	14	3
(ii) Lease of agricultural land		
– Kumpulan Sime Darby Berhad	10	6
(iii) Rental expenses		
– Sime Darby Property Bhd	3	-

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 17 August 2022, being a date not earlier than 7 days from the date of issuance of the report.

A13. Commitments and contingent liabilities – unsecured

(a) Guarantees

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

The financial guarantees are as follows:

	As at 30 June 2022	As at 31 December 2021
Guarantees in respect of credit facilities granted to:		
– a joint venture	3	4
– plasma stakeholders	117	74
	120	78

A14. Re-presentation of the comparatives

As disclosed in the previous quarterly report, the Group's joint ventures in the oleochemical business sector ceased to meet the classification criteria in accordance with MFRS 5 on "Non-current Assets Held for Sale and Discontinued Operations" on 1 November 2021. In addition, given the Group's decision to put on hold the disposal of one of its subsidiaries in Indonesia for strategic reason, this disposal group also no longer meets the criteria under MFRS 5.

Therefore, in this quarterly report, the prior periods' share of results in the joint ventures and the related depreciation of this disposal group since the day it was classified as an asset to be held for sale are re-presented in the Group's comparative profit or loss from continuing operations to ensure consistency and comparability. Hence, the prior period's comparatives are unaudited.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 2022

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 June 2022 against the previous year corresponding quarter ended 30 June 2021

	Quarter ended 30 June		+/(–) %
	2022	2021 Re-presented **	
Revenue	5,587	4,411	27
Segment results:			
Upstream Malaysia	66	270	(76)
Upstream Indonesia	106	321	(67)
Upstream PNG/SI	446	198	>100
Downstream	243	146	66
Other operations	53	17	>100
Recurring profit before interest and tax	914	952	(4)
Non-recurring transactions	232	(44)	>100
Profit before interest and tax	1,146	908	26
Finance income	3	3	
Finance costs	(28)	(21)	
Profit before tax	1,121	890	26
Tax expense	(259)	(217)	
Profit for the financial period	862	673	28
Perpetual Sukuk	(31)	(31)	
Non-controlling interests	(19)	(25)	
Profit after tax attributable to equity holders of the Company	812	617	32

** Refer to Note A14

For the quarter ended 30 June 2022, the Group registered a net profit of RM812 million, 32% higher than the earnings of the corresponding quarter of the previous year, driven by higher non-recurring profit before interest and tax ("PBIT"). Recurring profit for the quarter was lower due to a decline in PBIT from the Upstream segment but was partially compensated by improved profits from Downstream.

Non-recurring profit in the current quarter comprised of gains on disposal of land in Malaysia, whilst the non-recurring loss in the previous corresponding period was attributed to impairment charges in a joint venture and vacant land in Papua New Guinea.

Finance costs increased to RM28 million, due to higher interest rates arising from an increase in benchmark interest rates.

The Group's effective tax rate for the quarter was 23%, slightly lower than the 24% recorded in the previous year corresponding quarter.

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

B1. Review of group performance (continued)

(a) Current quarter ended 30 June 2022 against the previous year corresponding quarter ended 30 June 2021 (continued)

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

Upstream

Despite higher realised average CPO and PK prices which increased by 44% and 40%, respectively, recurring PBIT for the Upstream Segment declined to RM618 million, 22% lower than the previous corresponding quarter's PBIT of RM789 million, primarily due to the 15% decline in fresh fruit bunch ("FFB") production and lower oil extraction rate ("OER") which fell from 21.63% to 21.26%. Furthermore, there was a one-off reversal of RM99 million in the provision for retirement benefits pursuant to the amendments introduced by the Omnibus Law in Indonesia in the previous corresponding quarter.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	30 June			30 June		
	2022	2021	%	2022	2021	%
Upstream Malaysia	4,676	3,584	30	866	1,274	(32)
Upstream Indonesia	4,352	3,109	40	718	671	7
Upstream PNG/SI	6,570	4,396	49	491	510	(4)
Total	5,213	3,632	44	2,075	2,455	(15)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	30 June			30 June		
	2022	2021	%	2022	2021	
Upstream Malaysia	3,734	2,648	41	20.17	21.02	(0.85)
Upstream Indonesia	2,766	1,899	46	21.51	21.87	(0.36)
Upstream PNG/SI	-	-	-	22.75	22.69	0.06
Total	3,339	2,383	40	21.26	21.63	(0.37)

Downstream

PBIT from the Downstream sector increased to RM243 million in the current quarter, mainly due to higher margins generated by the Asia Pacific bulk and differentiated operations, mitigating lower margins recorded by the European refineries and a decline in sales volumes in all territories.

Other operations

Other operations reported higher profits mainly due to higher share of results from the Group's joint venture.

Non-recurring transactions

Profit from non-recurring transactions in the current quarter mainly comprised of gains from disposal of land in Malaysia.

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

B1. Review of group performance (continued)

(b) Half year ended 30 June 2022 against the previous year corresponding period ended 30 June 2021

	Half year-ended 30 June		+/(-)
	2022	2021 Re-presented **	%
Revenue	9,968	8,084	23
Segment results:			
Upstream Malaysia	290	390	(26)
Upstream Indonesia	259	511	(49)
Upstream PNG/SI	908	431	>100
Downstream	375	253	48
Other operations	95	44	>100
Recurring profit before interest and tax	1,927	1,629	18
Non-recurring transactions	279	67	>100
Profit before interest and tax	2,206	1,696	30
Finance income	6	5	
Finance costs	(48)	(35)	
Profit before tax	2,164	1,666	30
Tax expense	(522)	(382)	
Profit for the financial period	1,642	1,284	28
Perpetual Sukuk	(62)	(62)	
Non-controlling interests	(50)	(43)	
Profit after tax attributable to equity holders of the Company	1,530	1,179	30

** Refer to Note A14

For the half year ended 30 June 2022, the Group posted net earnings from continuing operations of RM1.53 billion, 30% higher than the previous year, due to higher recurring PBIT earned from both Upstream and Downstream segments and non-recurring activities.

Non-recurring profits were mainly derived from disposal gains of land in Malaysia.

Finance costs were 37% higher than the previous corresponding period, as a result of the increase in benchmark lending rates, but were mitigated by lower average borrowing balances.

The Group's effective tax rate for the period stood at 24%, slightly higher than the 23% recorded in the previous corresponding period.

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

B1. Review of group performance (continued)

(b) Half year ended 30 June 2022 against the previous year corresponding period ended 30 June 2021 (continued)

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

Upstream

For the half year ended 30 June 2022, the Upstream segment reported a total recurring PBIT of RM1.46 billion, 9% higher than the RM1.33 billion recorded in the previous year, primarily due to higher average CPO and PK prices realised, which increased by 42% and 60%, respectively.

The higher realised prices compensated for the 15% year-on-year decline in FFB production to 4.0 million MT and lower OER, which declined from 21.50% to 21.31%. In addition, PBIT in the previous corresponding period included a one-off gain of RM99 million, as a result of the amendments to Indonesia's Omnibus Law relating to retirement benefits.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Half year-ended		+/(–) %	Half year-ended		+/(–) %
	30 June			30 June		
	2022	2021		2022	2021	
Upstream Malaysia	4,410	3,347	32	1,749	2,326	(25)
Upstream Indonesia	4,230	2,993	41	1,278	1,363	(6)
Upstream PNG/SI	6,159	4,147	49	958	974	(2)
Total	4,868	3,422	42	3,985	4,663	(15)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Half year-ended		+/(–) %	Half year-ended		+/(–) %
	30 June			30 June		
	2022	2021		2022	2021	
Upstream Malaysia	4,098	2,588	58	20.20	20.83	(0.63)
Upstream Indonesia	3,070	1,873	64	21.64	21.65	(0.01)
Upstream PNG/SI	-	-	-	22.80	22.69	0.11
Total	3,695	2,312	60	21.31	21.50	(0.19)

Downstream

The Downstream segment reported a PBIT of RM375 million compared to RM253 million in the previous year, driven by higher profits from all regions. Improved margins in the current period were, however, weighed down by lower sales volumes.

Other operations

Other operations registered a higher PBIT of RM95 million against RM44 million in the previous year corresponding period, due to higher share of profits from a joint venture.

Non-recurring transactions

The non-recurring profits of RM279 million comprised gains from the disposal of land in Malaysia.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 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)

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

	Quarter ended		+/(–) %
	30 Jun 2022	31 Mar 2022	
Revenue	5,587	4,381	28
Segment results:			
Upstream Malaysia	66	224	(71)
Upstream Indonesia	106	153	(31)
Upstream PNG/SI	446	462	(3)
Downstream	243	132	84
Other operations	53	42	26
Recurring profit before interest and tax	914	1,013	(10)
Non-recurring transactions	232	47	>100
Profit before interest and tax	1,146	1,060	8
Finance income	3	3	
Finance costs	(28)	(20)	
Profit before tax	1,121	1,043	7
Tax expense	(259)	(263)	
Profit for the financial period	862	780	11
Perpetual Sukuk	(31)	(31)	
Non-controlling interests	(19)	(31)	
Profit after tax attributable to equity holders of the Company	812	718	13

The Group registered net earnings of RM812 million attributed to higher profits from non-recurring transactions of RM232 million, mainly comprised of gain from disposal of land in Malaysia, which compensated for the lower recurring PBIT.

Finance costs were 40% higher than the preceding quarter, due to the increase in benchmark lending rates.

An effective tax rate of 23% was recorded, as compared to 25% in the preceding quarter, due to higher gains on disposal of land in Malaysia in the current quarter which were subject to a lower rate of 10% under the Real Property Gains Tax ("RPGT").

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 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) (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 RM618 million, a 26% decline from the preceding quarter, affected by the following factors:

- (i) average PK realised price declined by 19% to RM3,339 per MT; and
- (ii) OER decreased from 21.36% to 21.26%.

FFB production rose by 9% in the current quarter, whereas CPO realised prices increased by 17% stemming from geopolitical tensions and the anticipation of tight vegetable oil supply, which outweighed downward price pressure from the Indonesian government policy changes affecting palm oil exports.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+ / (-)	Quarter ended		+ / (-)
	Jun 2022	Mar 2022	%	Jun 2022	Mar 2022	%
Upstream Malaysia	4,676	4,122	13	866	883	(2)
Upstream Indonesia	4,352	4,112	6	718	560	28
Upstream PNG/SI	6,570	5,527	19	491	467	5
Total	5,213	4,465	17	2,075	1,910	9

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+ / (-)	Quarter ended		+ / (-)
	Jun 2022	Mar 2022	%	Jun 2022	Mar 2022	
Upstream Malaysia	3,734	4,495	(17)	20.17	20.24	(0.07)
Upstream Indonesia	2,766	3,453	(20)	21.51	21.82	(0.31)
Upstream PNG/SI	-	-	-	22.75	22.84	(0.09)
Total	3,339	4,105	(19)	21.26	21.36	(0.10)

Downstream

The Downstream segment reported a PBIT of RM243 million, 84% higher than the RM132 million profit recorded in the preceding quarter, due to higher sales volumes from all regions and higher margins from the Asia Pacific operations, which cushioned the impact of lower margins registered by the European refineries.

Other operations

The increase in profit from other operations was due to higher share of results from a joint venture.

Non-recurring transactions

The Group generated a non-recurring PBIT of RM232 million during the current quarter, mainly comprising of gains from the disposal of land in Malaysia.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 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)

B3. Prospects

Whilst the COVID-19 pandemic has moved into the endemic phase, the global economic recovery remains affected by the continuing geopolitical tensions, and mounting inflationary pressures. The tightening of monetary policies by major central banks in an attempt to contain inflation has triggered rising fears of a recession, hence, prompting downward revisions to global economic growth forecasts for 2022 and 2023. Furthermore, as pent-up demand normalises, global demand growth is expected to wane, resulting in slower growth in 2023.

The demand-supply imbalance of vegetable oils persists, as supplies of vegetable oils remain tight globally. Supply concerns are further exacerbated by the unfavourably hot and dry weather in the Northern Hemisphere, which may potentially affect soybean and corn yields. With the gradual moderation of CPO prices, palm oil has now become more competitive for destination markets, prompting an increase in demand as buyers replenish inventories. As such, the Group expects crude palm oil prices to remain firm at least until the end of 2022.

Further delays in the intake of new legal migrant workers continues to disrupt the Group's harvesting activities in its Malaysian operations. This is expected to affect the Group's overall FFB production, which is anticipated to be lower compared to FY2021.

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 30 June		Half year-ended 30 June	
	2022	2021 Re-presented **	2022	2021 Re-presented **
Depreciation and amortisation	(339)	(336)	(670)	(655)
Fair value gains/(losses):				
– commodities contracts	153	55	85	53
– forward foreign exchange contracts	(25)	2	(21)	(9)
Gain on disposals of:				
– property, plant and equipment	4	2	12	2
– non-current assets held for sale	228	1	275	125
Net of reversal/(impairment) reversal of:				
– right-of-use assets	-	(12)	-	(12)
– non-current assets held for sale	-	(1)	-	(1)
– property, plant and equipment	- *	3	- *	-
– joint venture	-	(33)	-	(46)
– trade and other receivables	- *	(11)	- *	(15)
Unrealised foreign exchange losses	33	(7)	(38)	(39)
Write down of inventories	(84)	-	(91)	(1)
Write off of:				
– property, plant and equipment	-	(7)	(9)	(16)
– intangible assets	-	-	(1)	-
Included in finance costs is:				
Finance costs on interest rate swap contracts	-	(1)	-	(3)

** Refer to Note A14

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

	Quarter ended 30 June		Half year-ended 30 June	
	2022	2021	2022	2021
In respect of current financial year:				
– current tax	283	193	593	343
– deferred tax	(23)	22	(71)	33
	260	215	522	376
In respect of prior financial years:				
– current tax	(1)	2	- *	6
Tax expenses	259	217	522	382

* Less than 1 million

For the quarter ended 30 June 2022, the Group reported a total tax expense of RM 259 million on the back of a profit before tax from operations of RM1,121 million. The effective tax rate of 23% was slightly lower than the 24% recorded in the previous year corresponding quarter.

The effective tax rate for the half year ended 30 June 2022 of 24% was slightly higher than the 23% recorded in the corresponding period last year.

B7. Status of announced corporate proposals

There are no corporate proposals announced but not completed as at 23 August 2022.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 JUNE 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 30 June 2022 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	-	1,339	1,339
Revolving credits-i	-	1,716	1,716
Bonds	-	463	463
Unamortised deferred financing expenses	-	(12)	(12)
	-	3,506	3,506
Short-term			
Term loans	-	654	654
Revolving credits	-	2,157	2,157
Trade facilities	- *	-	- *
Multi-currency Sukuk	-	539	539
Unamortised deferred financing expenses	-	(1)	(1)
	-	3,349	3,349
Total	-	6,855	6,855
Borrowings of the Group consist of:			
– principal	-	6,868	6,868
– unamortised deferred financing expenses	-	(13)	(13)
	-	6,855	6,855

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

	Long-term	Short-term	Total
European Union Euro	463	70	533
Ringgit Malaysia	510	1,258	1,768
Thailand Baht	-	95	95
United States Dollar	2,533	1,926	4,459
	3,506	3,349	6,855

* Less than 1 million

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

The fair values of these derivatives as at 30 June 2022 are as follows:

	Classification in Statement of Financial Position				Net fair value
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	
Forward foreign exchange contracts	-	69	-	33	36
Commodities contracts	-	126	-	80	46
	-	195	-	113	82

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

Forward foreign exchange contracts

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

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

As at 30 June 2022, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

Maturity tenor	Notional amount	Net fair value assets
Less than 1 year	3,113	36

Commodities contracts

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

The outstanding contracts as at 30 June 2022 that were not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	Notional amount	Net fair value assets/ (liabilities)
Less than 1 year:			
– Purchase contracts	92,031	560	126
– Sale contracts	337,626	1,671	(80)
			46

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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 interest rate swap contracts, all plain vanilla, effective from 17 August 2021 to 4 February 2022 have been all settled.

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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 RM59.2 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 RM73.2 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM40.6 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM74.1 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM148.1 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM295.3 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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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 RM27.8 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 RM43.0 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 which were set for hearing on 2 June 2022 have been adjourned to 17 November 2022 on application by Chantico and the Algerian cargo owner. 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 RM9.7 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.

(d) PT Asa Karya Multi Pratama ("AKMP") vs Sime Darby Plantation Berhad ("SDP"), Guthrie International Investments (L) Limited ("2nd Defendant"), Mulligan International B.V. ("3rd Defendant"), PT Anugerah Sumbermakmur ("4th Defendant") and PT Minamas Gemilang ("5th Defendant")

AKMP filed a civil claim in the Pengadilan Negeri Jakarta Pusat against SDP and its wholly-owned subsidiaries, the 2nd, 3rd, 4th and 5th Defendants (collectively with SDP, "defendants"). However, to date, SDP and the 2nd and 3rd Defendants have not been legally and properly served with any court summons regarding the civil claim.

The 4th and 5th Defendants being the shareholders of PT Ladangrumpun Suburabadi ("LSI") and PT Sajang Huelang ("SHE") had entered into negotiations with AKMP for the disposal of their shares in LSI and SHE to AKMP. However, no definitive agreement was concluded between the parties in respect of the transaction.

AKMP in its claim alleged that:

(i) an agreement between AKMP and the 4th and 5th Defendants in respect of the sale and purchase of shares of LSI and SHE for the sum IDR1.65 trillion (approximately RM488.7 million) has been established based on correspondences between AKMP and the 4th and 5th Defendants and the fact that the down payment was made by AKMP to the 4th and 5th Defendants although soon after the down payment was returned to AKMP;

(ii) the conditional sale and purchase agreement ("CSPA") between AKMP and the 4th and 5th Defendants that was scheduled to be signed on 1 September 2021 has not been executed;

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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)

(d) PT Asa Karya Multi Pratama (“AKMP”) vs Sime Darby Plantation Berhad (“SDP”), Guthrie International Investments (L) Limited (“2nd Defendant”), Mulligan International B.V. (“3rd Defendant”), PT Anugerah Sumbermakmur (“4th Defendant”) and PT Minamas Gemilang (“5th Defendant”) (continued)

- (iii) the 4th and 5th Defendants acted in bad faith by denying the existence of an agreement for the sale and purchase of shares;
- (iv) the defendants have committed unlawful acts as follows:
 - (a) SDP interfered with the sale and purchase transaction between AKMP and the 4th and 5th Defendants by instructing the 4th and 5th Defendants not to proceed with the sale and purchase transaction with AKMP;
 - (b) the 2nd and 3rd Defendants as the shareholders of the 4th and 5th Defendants for failure to act when SDP unlawfully offered the shares of the 4th and 5th Defendants in LSI and SHE to a third party;
 - (c) the 4th and 5th Defendants have not provided the shares of LSI and SHE to AKMP who is considered as a good faith buyer; and
 - (d) the 4th and 5th Defendants have committed fraud by conveying that the sale and purchase transaction requires further approval from SDP's board.

AKMP is inter alia seeking the following reliefs:

- (i) declarations that:
 - (a) the defendants have committed an unlawful act;
 - (b) the sale and purchase of LSI and SHE's shares are valid; and
 - (c) AKMP is a good faith buyer;
- (ii) an order that the defendants handover the shares of LSI and SHE to AKMP;
- (iii) an order for the defendants to pay material compensation in the amount of IDR882.5 billion (approximately RM261.4 million);
- (iv) an order for the defendants to pay immaterial compensation in the amount of IDR5 trillion (equivalent to approximately RM1.48 billion) for, among others, loss of reputation and the efforts that have been spent for the process of the transactions; and
- (v) a security seizure on the assets of the defendants to secure the material and immaterial damages suffered by AKMP.

The first hearing has been scheduled for 10 October 2022 whereby the court will be enquiring on the credentials of the parties' attorneys.

SDP has been advised by its solicitors in Indonesia that the defendants have sufficient legal basis and merits to defend their position in this claim. The claim is also misdirected to SDP because, among others, SDP does not have any contractual relationship with AKMP.

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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.

On 30 December 2020, the USCBP issued a press release stating that a Withhold Release Order ("WRO") had been imposed on the palm products produced in the Group's Malaysian operations. The Group continued to engage with the USCBP, as well as relevant Malaysian authorities, customers, financiers, investors, analysts, and various other key stakeholders. On 28 January 2022, the USCBP issued a notice of finding on the palm products produced in the Group's Malaysian operations.

On 1 March 2021, the Group appointed an ethical trade consultancy, Impactt Limited ("Impactt"), to conduct a comprehensive third-party evaluation of the labour practices across its Malaysian operations, mapped against the International Labour Organisation's 11 indicators of forced labour. The Group's Board Sustainability Committee has undertaken the important oversight function over the evaluation exercise.

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 unethical persons, in contravention of the Group's policies, 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.

On 26 April 2022, SDP's submission to the USCBP was undertaken by the Group's lawyers in the United States. The submission included details of SDP's operations mapped against the ILO indicators of forced labour, reports from third party consultants and relevant supporting documents. The Group continues to engage and cooperate with the USCBP, responding to any queries promptly. The Group also engages with key stakeholders on a regular basis.

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

The Board has declared an interim dividend of 10.00 sen per share in respect of the financial year ending 31 December 2022. The interim dividends which are not taxable in the hands of the shareholders pursuant to the paragraph 12B of Schedule 6 of the Income Tax Act 1967 will be paid on 18 November 2022 and the entitlement date for the dividend payment is 4 November 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 3 November 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 4 November 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 ending 31 December 2022 is as follows:

	Year ending 31 December 2022		Year ended 31 December 2021	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	10.00	692	7.90	546
Special interim dividend	-	-	-	-
Final dividend	-	-	12.38	856
Special final dividend	-	-	-	-
	10.00	692	20.28	1,402

B13. Earnings per share

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

	Quarter ended 30 June		Half year-ended 30 June	
	2022	2021 Re-presented **	2022	2021 Re-presented **
Profit for the financial period	812	617	1,530	1,179
Weighted average number of ordinary shares in issue (million units)	6,916	6,916	6,916	6,916
Basic earnings per share (sen)	11.7	9.0	22.1	17.1

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
23 August 2022

Azrin Nashiha Abdul Aziz
Group Secretary