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Plantation

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SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

QUARTERLY REPORT
On the consolidated results for the first quarter ended 30 September 2017

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 September 2017	2016	% +/(-)
Revenue	A7	3,541	2,819	26
Operating expenses		(2,924)	(2,494)	
Other operating income		18	10	
Other gains		646	9	
Operating profit	B5	1,281	344	> 100
Share of results of joint ventures		2	(13)	
Share of results of associates		1	(2)	
Profit before interest and tax	A7	1,284	329	> 100
Finance income		12	9	
Finance costs	B5	(57)	(111)	
Profit before tax		1,239	227	> 100
Tax expense	B6	(180)	(70)	
Profit for the period		1,059	157	> 100
Attributable to owners of:				
- the Company		1,019	151	> 100
- Perpetual Sukuk		32	-	
- non-controlling interests		8	6	
Profit for the period		1,059	157	> 100
		Sen	Sen	
Earnings per share attributable to owners of the Company				
Basic	B12	169.8	25.2	> 100

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Comprehensive Income
Amounts in RM million unless otherwise stated

	Quarter ended 30 September		%
	2017	**2016**	**+/(-)**
Profit for the period	**1,059**	157	> 100
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences			
- subsidiaries	**(161)**	224	
- joint ventures	**7**	(3)	
Net changes in fair value of:			
- available-for-sale investments	**-**	(10)	
- cash flow hedges	**(1)**	9	
Tax credit	**-**	1	
	(155)	221	
Total comprehensive income for the period	**904**	378	
Attributable to owners of:			
- the Company	**864**	372	> 100
- Perpetual Sukuk	**32**	-	
- non-controlling interests	**8**	6	33
Total comprehensive income for the period	**904**	378	> 100

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Financial Position
Amounts in RM million unless otherwise stated

	Note	Unaudited As at 30 September 2017	Audited As at 30 June 2017
Non-current assets			
Property, plant and equipment		**18,247**	18,340
Investment properties		**15**	15
Prepaid lease rentals		**598**	625
Joint ventures		**489**	480
Associates		**131**	129
Intangible assets		**2,975**	3,039
Available-for-sale investments		**111**	110
Deferred tax assets		**610**	641
Tax recoverable		**317**	333
Trade and other receivables		**77**	83
		23,570	23,795
Current assets			
Inventories		**1,690**	1,522
Biological assets		**170**	199
Trade and other receivables		**2,391**	2,558
Tax recoverable		**385**	385
Amount due from fellow subsidiaries		**5**	43
Derivatives	B9(a)	**21**	56
Bank balances, deposits and cash		**1,218**	713
		5,880	5,476
Assets held for sale		**498**	184
Total assets	A7	**29,948**	29,455
Equity			
Share capital		**600**	600
Reserves		**12,722**	11,858
Attributable to owners of the Company		**13,322**	12,458
Perpetual Sukuk		**2,200**	2,231
Non-controlling interests		**436**	434
Total equity		**15,958**	15,123

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Financial Position (continued)
Amounts in RM million unless otherwise stated

	Note	Unaudited As at 30 September 2017	Audited As at 30 June 2017
Non-current liabilities			
Borrowings	B8	**6,068**	6,412
Finance lease obligation		**48**	50
Retirement benefits		**239**	238
Deferred income		**1**	1
Other payables		**9**	9
Deferred tax liabilities		**2,626**	2,596
		8,991	9,306
Current liabilities			
Trade and other payables		**1,924**	1,773
Amount due to immediate holding company		**-**	145
Amount due to fellow subsidiaries		**1,127**	1,442
Borrowings	B8	**1,647**	1,325
Finance lease obligation		**2**	3
Deferred income		**20**	27
Tax payable		**254**	268
Derivatives	B9(a)	**8**	28
		4,982	5,011
Liabilities directly associated with assets held for sale		**17**	15
Total liabilities		**13,990**	14,332
Total equity and liabilities		**29,948**	29,455
Net assets per share attributable to owners of the Company (RM)		**22.20**	20.76

Note:

	Unaudited As at 30 September 2017	Audited As at 30 June 2017
1. Assets held for sale		
Non-current assets		
- property, plant and equipment	**32**	46
Disposal group		
- property, plant and equipment	**87**	81
- other assets	**48**	57
Other receivables	**331**	-
	498	184
2. Liabilities directly associated with assets held for sale		
Disposal group	**17**	15

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Changes in Equity
Amounts in RM million unless otherwise stated

	Share capital	Capital reserve	Hedging reserve	Merger reserve	Available-for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Perpetual Sukuk	Non-controlling interests	Total equity
Quarter ended 30 September 2017											
At 1 July 2017	600	13	(4)	(18)	76	1,158	10,633	12,458	2,231	434	15,123
Total comprehensive income/(loss) for the period	-	-	(1)	-	-	(154)	1,019	864	32	8	904
Transactions with Perpetual Sukuk holders:											
- distribution	-	-	-	-	-	-	-	-	(63)	-	(63)
Transactions with equity holder:											
- dividends	-	-	-	-	-	-	-	-	-	(6)	(6)
At 30 September 2017	600	13	(5)	(18)	76	1,004	11,652	13,322	2,200	436	15,958

	Share capital	Capital reserve	Hedging reserve	Merger reserve	Available-for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Perpetual Sukuk	Non-controlling interests	Total equity
Quarter ended 30 September 2016											
At 1 July 2016	600	13	(29)	(18)	76	928	8,022	9,592	-	455	10,047
Total comprehensive income/(loss) for the period	-	-	10	-	(10)	221	151	372	-	6	378
Transactions with equity holder:											
- dividends	-	-	-	-	-	-	-	-	-	(2)	(2)
At 30 September 2016	600	13	(19)	(18)	66	1,149	8,173	9,964	-	459	10,423

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Cash Flows
Amounts in RM million unless otherwise stated

	Note	Quarter ended 30 September 2017	2016
Cash flow from operating activities			
Profit for the period		**1,059**	157
Adjustments for:			
Share of results of joint ventures and associates		**(3)**	15
Finance income		**(12)**	(9)
Finance costs		**57**	111
Gain on disposal of:			
- property, plant and equipment	B5	**(13)**	(1)
- non-current assets held for sale	B5	**(676)**	-
Depreciation and amortisation	B5	**268**	287
Property, plant and equipment written off	B5	**8**	17
Write-down of inventories	B5	**-**	4
Fair value (gains)/ losses:			
- commodities futures contracts	B5	**17**	21
- forward foreign exchange contracts	B5	**8**	(8)
Unrealised exchange losses/ (gains)	B5	**12**	(19)
Tax expense	B6	**180**	70
Fair value changes on biological assets		**(19)**	(60)
Reversal of impairment/ (impairment) of receivables	B5	**2**	(1)
		888	584
Changes in working capital:			
Inventories		**(223)**	(155)
Trade and other receivables		**29**	48
Trade and other payables		**(61)**	68
Intercompany balances		**(45)**	(34)
Cash generated from operations		**588**	511
Tax paid		**(47)**	(22)
Net cash from operating activities		**541**	489
Investing activities			
Finance income received		**6**	5
Purchase of property, plant and equipment		**(327)**	(304)
Subscription of convertible notes of an associate		**-**	(15)
Proceeds from sale of:			
- property, plant and equipment		**15**	4
Net cash used in investing activities		**(306)**	(310)

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Cash Flows (continued)
Amounts in RM million unless otherwise stated

	Note	Quarter ended 30 September 2017	2016
Financing activities			
Distribution to perpetual sukuk holders		**(63)**	-
Finance costs paid		**(43)**	(25)
Loans raised		**212**	255
Loan repayments		**(106)**	(230)
Advances from fellow subsidiaries		**287**	3
Dividends paid to non-controlling interest of subsidiaries		**(6)**	(2)
Net cash generated from financing activities		**281**	1
Net changes in cash and cash equivalents		**516**	180
Foreign exchange differences		**(11)**	10
Cash and cash equivalents at beginning of the period		**713**	636
Cash and cash equivalents at end of the period		**1,218**	826

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:

Bank balances, deposits and cash		**1,218**	826

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

EXPLANATORY NOTES

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 MFRS issued by the Malaysian Accounting Standards Board (MASB). The interim financial report is unaudited and should be read in conjunction with the audited consolidated financial statements for the financial year 30 June 2017.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

a) The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial year ended 30 June 2017, except for new accounting pronouncements that have been adopted as described below:

- Amendments to MFRS 12 (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The adoption of these new pronouncements did not have material impact on the interim financial report for the Group.

b) The Group has considered the new accounting pronouncements in the preparation of this interim financial report.

i) Accounting pronouncements that are not yet effective are set out below:

- MFRS 9 – Financial Instruments
- MFRS 16 – Leases
- MFRS 17 – Insurance Contracts
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Applying MFRS 9 – Financial Instruments with MFRS 4 – Insurance Contracts (Amendments to MFRS 4)
- Annual Improvements to MFRSs 2014 – 2016 Cycle
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 – Foreign Currency Translations and Advance Consideration
- IC Interpretation 23 – Uncertainty over Income Tax Treatments

ii) 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:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

The Group is in the process of assessing the impact arising from adoption of the above pronouncements.

A2. Seasonal or 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.

A3. 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.

A4. Material Changes in Estimates

There were no material changes in estimates for the current quarter under review.

A5. Debt and Equity Securities

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

A6. Dividends Paid

No dividend was paid during the quarter under review.

Amounts in RM million unless otherwise stated

A7. Segment Information

	Upstream Malaysia	Upstream Indonesia	Upstream PNG*	Upstream Liberia	Downstream	Other operations	Inter-segment elimination	Total
Quarter ended 30 September 2017								
Segment revenue:								
External	322	38	412	10	2,743	16	-	3,541
Inter-segment	742	612	155	-	110	68	(1,687)	-
	1,064	650	567	10	2,853	84	(1,687)	3,541
Segment result:								
Operating profit/(loss)	1,076	117	38	(23)	70	3	-	1,281
Share of results of joint ventures and associates	-	-	-	-	-	3	-	3
Profit/(loss) before interest and tax	1,076	117	38	(23)	70	6	-	1,284
Quarter ended 30 September 2016								
Segment revenue:								
External	172	117	308	3	2,203	16	-	2,819
Inter-segment	846	238	67	-	17	59	(1,227)	-
	1,018	355	375	3	2,220	75	(1,227)	2,819
Segment result:								
Operating profit/(loss)	220	43	12	(12)	74	7	-	344
Share of results of joint ventures and associates	-	-	-	-	-	(15)	-	(15)
Profit/(loss) before interest and tax	220	43	12	(12)	74	(8)	-	329

*: Includes Solomon Islands

Amounts in RM million unless otherwise stated

A7. Segment Information (continued)

	Upstream Malaysia	Upstream Indonesia	Upstream PNG*	Upstream Liberia	Downstream	Other operations	Inter-segment elimination	Total
As at 30 September 2017								
Segment assets:								
Operating assets	**9,814**	**4,556**	**8,403**	**414**	**3,902**	**429**	**-**	**27,518**
Joint ventures and associates	**-**	**-**	**-**	**-**	**-**	**620**	**-**	**620**
Non-current assets held for sale	**28**	**135**	**-**	**-**	**4**	**331**	**-**	**498**
	9,842	**4,691**	**8,403**	**414**	**3,906**	**1,380**	**-**	**28,636**
Tax assets								**1,312**
Total assets								**29,948**
As at 30 June 2017								
Segment assets:								
Operating assets	8,949	4,994	8,587	418	3,601	754	-	27,303
Joint ventures and associates	-	-	-	-	-	609	-	609
Non-current assets held for sale	42	138	-	-	4	-	-	184
	8,991	5,132	8,587	418	3,605	1,363	-	28,096
Tax assets								1,359
Total assets								29,455

*: Includes Solomon Islands

Amounts in RM million unless otherwise stated

A8. Capital Commitments

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

	As at 30 September 2017	As at 30 June 2017
Property, plant and equipment:		
- contracted	**202**	270
- not contracted	**73**	107
	275	377
Other capital expenditure:		
- contracted	**4**	-
- not contracted	**753**	868
	1,032	1,245

A9. Significant Related Party Transactions

Related party transactions conducted during the quarter ended 30 September are as follows:

	Quarter ended 30 September 2017	Quarter ended 30 September 2016
a) Transactions with fellow subsidiaries		
i) Payroll, accounting and IT processing costs		
- Sime Darby Global Services Centre Sdn Bhd	**18**	15
ii) Commission on purchase of FFB and sale of palm products		
- Sime Darby Holding Berhad	-	12
iii) Management fee expenses		
- Sime Darby Holdings Berhad	**10**	11
iv) Interest expenses		
- Sime Darby Holdings Berhad	**14**	88
v) Purchase of heavy equipments, spare parts and services		
- Sime Darby Industrial Holdings Sdn Bhd	**12**	4
- Sime Kubota Sdn Bhd	**2**	3
vi) Gain on sale of lands		
- Sime Darby Property Berhad	**676**	-

The purchase consideration for the sale of lands to Sime Darby Property Berhad amounting to RM690 million were arrived at after considering their market values as determined by independent external professional valuers.

Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions (continued)

Related party transactions conducted during the quarter ended 30 September are as follows: (continued)

	Quarter ended 30 September 2017	2016
b) Transactions with immediate holding company		
i) Payment on behalf	**145**	-
c) Transactions with a joint venture		
i) Sale of goods and tolling services - Emery Oleochemicals (M) Sdn Bhd	**13**	8
d) Transactions with an associate		
i) Purchase of latex concentrate - Muang Mai Guthrie Public Company Limited	**3**	-

e) Transactions with shareholders and Government

Transactions entered into during the financial period with government-related entities include the purchase of chemicals and fertilisers from Chemical Company of Malaysia Berhad group of RM Nil (2017: RM20 million). These related party transactions were entered into in the ordinary course of business on normal trade terms and conditions.

f) Significant non-cash transactions

The significant non-cash related party transactions as set out below were entered into during the quarter to settle against the amount due to Sime Darby Holdings Berhad, a wholly-owned subsidiary of Sime Darby Berhad:

	Quarter ended 30 September 2017
Proceed from sale of lands to Sime Darby Property Berhad, a wholly-owned subsidiary of Sime Darby Berhad	690

Amounts in RM million unless otherwise stated

A10. Material Events Subsequent to the End of the Financial Period

There were no material event subsequent to the end of the current quarter under review to 9 November 2017, being a date not earlier than 7 days from the date of issue of the quarterly report, except as described below:

i) On 25 October 2017, the Company entered into an agreement with Paduwan Realty Sdn Bhd for the sale of 15 estate lands measuring about 366.13 acres in Melaka for a total consideration of RM118.8 million. The transaction is conditional upon approvals being obtained from the relevant authorities.

ii) On 27 October 2017, Kumpulan Jelei Sdn Bhd, a wholly owned subsidiary of the Company had entered into an agreement with Permodalan Nasional Berhad ("PNB") for the sale of zero coupon redeemable loan stock ("RLS") of Prolintas Expressway Sdn Bhd ("Prolintas") for a total purchase consideration of RM333.2 million. The transaction has not completed as at the interim report date.

iii) In the month of October 2017, the Company made a full and final settlement of its amount owing to Sime Darby Holdings Berhad, except for an amount of RM500 million which will be settled via issuance of new shares for consideration of RM500 million. As at 30 September 2017, balance owing to SDHB amounted to approximately RM1,100 million.

A11. Effect of Significant Changes in the Composition of the Group

There was no change to the composition of the Group during the period under review.

A12. 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 performance guarantees and financial guarantees are as follows:

	As at 30 September 2017	As at 30 June 2017
Guarantees in respect of credit facilities granted to:		
- certain associates and a joint venture	**50**	26
- plasma stakeholders	**65**	69
	115	95

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM million unless otherwise stated

B1. Review of Group Performance

	Quarter ended 30 September 2017	2016	% +/(-)
Revenue	**3,541**	2,819	26
Segment results:			
Upstream Malaysia	**1,076**	220	> 100
Upstream Indonesia	**117**	43	> 100
Upstream PNG*	**38**	12	> 100
Upstream Liberia	**(23)**	(12)	(92)
Downstream	**70**	74	(5)
Other operations	**6**	(8)	> 100
Profit before interest and tax	**1,284**	329	> 100
Finance income	**12**	9	
Finance costs	**(57)**	(111)	
Profit before tax	**1,239**	227	> 100
Tax expense	**(180)**	(70)	
Profit after tax	**1,059**	157	
Perpetual sukuk	**(32)**	-	>
Non-controlling interests	**(8)**	(6)	
Profit after tax attributable to owners of the Company	**1,019**	151	> 100

*: Includes Solomon Islands

Group revenue for the first quarter ended 30 September 2017 was higher by 26% compared to the corresponding period of the previous year. Profit before tax of RM1.24 billion was higher by RM1.01 billion due to the gain on sale of land to a fellow subsidiary, Sime Darby Property Berhad ("SD Property") of RM676 million, the higher earnings from the Upstream operations arising from the recovery of fresh fruit bunches ("FFB") production from the effects of El Nino and higher average CPO price realised, a one-off reversal of accrual for donation of RM95 million, and lower finance costs due to lower borrowings. Net earnings for the period ended 30 September 2017 increased by RM868 million to RM1,019 million from RM151 million in the preceding year. For the quarter under review, FFB production increased by 25% to 2.696 million MT and the average CPO price realised was 4% higher at RM2,693 per MT as compared to the previous corresponding quarter.

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

a) Upstream Malaysia

Upstream Malaysia registered higher profit of RM1,076 million for the quarter under review, inclusive of the gain from sale of land to SD Property of RM676 million and a one-off reversal of accrual for donation of RM95 million. Profit of RM305 million (excluding the gain and one-off reversal) was 39% higher than the corresponding period of the previous year, on the back of higher FFB production, sales volumes and CPO realised prices. FFB production increased by 23% to 1.553 million MT contributed to 28% higher CPO sales volume which compensated for the 4% decline in OER to 20.2%. The average CPO price of RM2,730 per MT was 4% higher than RM2,618 per MT realised in the previous year. This mitigated impact from the lower average PK realised price which declined by 15% to RM2,162 per MT from RM2,555 per MT.

B1. Review of Group Performance (continued)

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

b) Upstream Indonesia

For the period under review, Upstream Indonesia reported profit of RM117 million, higher than the previous year of RM43 million, mainly attributable to higher FFB production and CPO sales volume, as well as higher average CPO realised prices. FFB production was 26% higher at 724,585 MT which contributed to 36% higher CPO sales volume. Average CPO price realised increased by 2% from RM2,582 per MT to RM2,635 per MT.

c) Upstream PNG

Upstream PNG recorded a RM26 million increase in profit to RM38 million, arising from higher FFB production and sales volume, as well as higher CPO selling prices. FFB production increased by 27% to 403,596 MT whereas sales volume was 90% higher than the corresponding period of the previous year. Average CPO price of RM2,690 per MT was 7% higher than the previous year.

d) Upstream Liberia

The Liberian operation reported higher losses mainly due to the increase in mature area thus higher depreciation as compared to the previous year, which was partially mitigated by the higher FFB production in the current quarter. FFB production increased to 14,211 MT from 3,369 MT during the same period last year.

e) Downstream

Downstream operations registered profit of RM70 million during the quarter under review, 5% lower than the corresponding period of the previous year. This was mainly attributable to lower profit generated by our refineries in Malaysia and Europe due to lower sales volume as well as lower margin due to higher feedstock costs, which was partially mitigated by the favourable performance of our Indonesian refinery due to higher sales volume and margin.

f) Other operations

Other operations reported a profit of RM6 million as compared to a loss of RM8 million in the corresponding period of the previous year, mainly due to the turnaround reported by Emery Group, the Company's joint venture arising from initiatives implemented to improve its operations.

Amounts in RM million unless otherwise stated

B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter

	Quarter ended		
	30 September 2017	**30 June 2017**	**% +/(-)**
Revenue	**3,541**	3,725	(5)
Segment results:			
Upstream Malaysia	**1,076**	2,849	(62)
Upstream Indonesia	**117**	46	> 100
Upstream PNG*	**38**	219	(83)
Upstream Liberia	**(23)**	(228)	90
Downstream	**70**	7	> 100
Other operations	**6**	(58)	> 100
Profit before interest and tax	**1,284**	2,835	(55)
Finance income	**12**	5	
Finance costs	**(57)**	(118)	
Profit before tax	**1,239**	2,722	(54)
Tax expense	**(180)**	(96)	
Profit after tax	**1,059**	2,626	(60)
Perpetual sukuk	**(32)**	(3)	
Non-controlling interests	**(8)**	4	
Profit after tax attributable to owners of the Company	**1,019**	2,627	(61)

*: Includes Solomon Islands

Group revenue and profit before tax for the first quarter ended 30 September 2017 declined by 5% and 54% respectively compared to the preceding quarter. Gain from sale of land of RM676 million was recorded in the quarter under review, compared to RM2,469 million in the preceding quarter. Excluding the gains on sale of land, profit before tax for the Group was 123% higher than the preceding quarter mainly due to higher earnings from the Upstream segments, a one-off writeback of accrual for donation of RM95 million and lower finance costs in the current quarter. In addition, in the preceding quarter the Group recognised an impairment charge of RM202 million on its assets in Liberia as well as its share of impairment loss in a joint venture amounting to RM39 million. For the quarter under review, FFB production increased by 10% to 2.696 million MT, which mitigated the impact from the lower average CPO price realised which decreased by 4% to RM2,693 per MT.

a) Upstream Malaysia

Excluding the gain on sale of land, Upstream Malaysia reported profit of RM400 million for the quarter under review, 5% higher than the preceding quarter, attributable to the higher FFB production and a one-off writeback of accrual for donation of RM95 million, which mitigated the impact from lower CPO realised prices and lower oil extraction rates ("OER"). FFB production increased by 11% to 1.553 million MT as compared to the preceding quarter, whereas OER declined by 1% to 20.2%. Average CPO price realised declined by 3% to RM2,730 per MT as compared to RM2,823 per MT in the preceding quarter.

B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter (continued)

b) Upstream Indonesia

For the quarter under review, Upstream Indonesia reported profit of RM117 million, higher than the preceding quarter of RM46 million, mainly attributable to higher FFB production and sales volume which compensated the lower average CPO price realised. FFB production was 39% higher at 724,585 MT whereas the CPO sales volume increased by 10%. The average realised CPO price declined by 3% from RM2,721 per MT to RM2,635 per MT.

c) Upstream PNG

Upstream PNG reported lower profit as compared to the preceding quarter mainly due to the lower FFB production, lower average CPO price realised and lower CPO sales volume achieved. The production of FFB in Papua New Guinea and Solomon Islands have reached its peak in the preceding quarter, with FFB production in the current quarter under review declined by 22% to about 403,596 MT. Average CPO price realised declined by 7% to RM2,690 per MT, whereas CPO sales volume was 35% lower.

d) Upstream Liberia

The loss recorded by the Liberia operation in the preceding quarter comprised mainly an impairment charge on assets of RM202 million. Excluding the impairment loss, the Liberia operation reported 11% lower loss of RM23 million as compared to the preceding quarter loss of RM26 million.

e) Downstream

Downstream operations recorded significantly higher profit than the preceding quarter mainly attributable to better performance of its refineries arising from higher sales volume, higher margin due to lower feedstock costs, lower overhead expenses and lower provision for doubtful debts. In addition, an impairment charge of RM7 million relating to assets of a biodiesel plant located in Europe was recognised in the preceding quarter.

f) Other operations

Other operations reported a profit of RM6 million compared to a loss of RM58 million in the preceding quarter. In the quarter to 30 June 2017, the Group recognised its share of impairment charge of the fatty alcohol plant and related assets of a joint venture, Emery Oleochemical (M) Sdn Bhd amounting to RM39 million, as well as share of loss arising from deferred tax asset writedown of RM7 million in another joint venture, Guangzhou Keylink Chemical Co Ltd.

B3. Prospects

Barring any extreme weather abnormalities, we expect FFB production in the financial year ending 30 June 2018 to continue to recover from the lingering effects of the 2015 El Nino. The Group will continue to focus its efforts on accelerating the replanting exercise to improve yields and reduce costs for a long term sustainable performance. The Group expects a continued year-on-year recovery due to the coming of maturity of additional planted areas and the progression of existing mature areas into higher yielding age brackets.

Crude palm oil (CPO) prices will continue to be dependent on economic and market volatilities, influenced by overall supply and demand balance of the global edible oil markets, weather conditions, foreign currency rates, and the development in the implementation of biodiesel mandates and EU resolutions. We expect CPO prices to be sustained at above RM2,500 per MT up to March 2018.

Amounts in RM million unless otherwise stated

B4. Variance of Actual profit from Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Operating Profit and Finance Costs

	Quarter ended 30 September 2017	2016
Included in operating profit are:		
Gain on disposal of:		
- property, plant and equipment	**13**	1
- non-current assets held for sale	**676**	-
Depreciation and amortisation	**(268)**	(287)
Property, plant and equipment written off	**(8)**	(17)
Write-down of inventories	**-**	4
Fair value (losses)/ gains:		
- commodities futures contracts	**(17)**	(21)
- forward foreign exchange contracts	**(8)**	8
Unrealised exchange (losses)/ gains	**(12)**	19
Reversal of impairment/ (impairment) of receivable	**2**	(1)
Included in finance costs are:		
Finance costs on interest rate swap contracts	**(2)**	(3)

Other than the above, there were no gain or loss on disposal of quoted and unquoted investments and impairment of assets for the current quarter ended 30 September 2017.

B6. Tax Expense

	Quarter ended 30 September 2017	2016
In respect of the current year:		
- current tax	**143**	65
- deferred tax	**39**	5
	182	70
In respect of prior years:		
- current tax	**(2)**	-
	180	70

The effective tax rate for the current quarter is 14.5%, low compared to the Malaysian income tax rate of 24% mainly due to the gain on disposal of the Malaysian Vision Valley (MVV) land to Sime Darby Property Berhad during the quarter under review which is not subjected to tax.

The effective tax rate for the corresponding quarter in the previous year was 30.8%, higher than the Malaysian income tax rate of 24% mainly due to certain finance costs which were not tax deductible.

B7. Status of Corporate Proposals

In conjunction with and as an integral part of the listing and quotation of the Company's entire issued share capital on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the following pre-listing restructuring comprising of the following are undertaken by the Company:

a) Internal Restructuring Exercise, which comprised of the following:

i) transfer of 1,880 acres of 22 parcels of land to Sime Darby Property Berhad pursuant to the sale and purchase agreement dated 9 June 2017 between our Company as vendor and SD Property as purchaser (as amended pursuant to letters dated 29 September 2017 and 17 October 2017) for a cash consideration of RM689,587,408. This transaction was completed on 29 September 2017.

ii) settlement of the net amount owing by our Group to the Sime Darby Berhad ("SDB") Group which balance as at 30 September 2017 amounted to approximately RM1,100 million, whereby RM600 million will be settled in cash and RM500 million will be settled via issuance of new ordinary shares of the Company to SDB for a consideration of RM500 million. The settlement in cash was completed in October 2017 and the issuance of new shares was completed on 13 November 2017.

b) Share Split and Distribution

Following the completion of the internal restructuring exercise, the Company has undertaken a sub-subdivision of its shares ("Share Split"). Subsequent to the completion of the Share Split, the issued share capital of the Company increased to 6,800,839,377 units of ordinary shares.

Following the completion of the Share Split, SDB will distribute its entire shareholding in our Company by way of dividend-in-specie to its shareholders whose names appear in the Record of Depositors of SDB as at 5.00 p.m. on 29 November 2017 on the basis of 1 share distributed for every 1 existing SDB share held, free from encumbrances.

The Share Split was completed on 14 November 2017. The Distribution of SDB shares has not been completed at the interim report date.

c) The Listing on Bursa Securities

The listing involves the admission of the Company's shares to the Official List of Bursa Securities.

The Securities Commission Malaysia ("SC") had, vide its letter dated 26 October 2017, approved the proposed listing under Section 214(1) of the Capital Markets and Services Act 2007, subject to the condition that the Company fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the proposed listing.

The listing and quotation of the Company's entire enlarged issued share capital of 6,800,839,377 shares on the Main Market of Bursa Securities has not been completed as at the interim report date.

Amounts in RM million unless otherwise stated

B8. Group Borrowings

The breakdown of the borrowings as at 30 September 2017 are as follows:

	Secured	Unsecured	Total
Long-term borrowings			
Term loans	-	3,557	**3,557**
Revolving credit	-	1,523	**1,523**
Bonds	-	498	**498**
Multi currency sukuk	-	518	**518**
Unamortised deferred financing expenses	-	(28)	**(28)**
	-	6,068	**6,068**
Short-term borrowings			
Term loans due within one year	-	747	**747**
Revolving credit	-	614	**614**
Multi currency sukuk within one year	-	214	**214**
Trade facilities	72	-	**72**
	72	1,575	**1,647**
Total borrowings	72	7,643	**7,715**

The breakdown of borrowings between the principal and interest portion are as follows:

	Secured	Unsecured	Total
Borrowings			
- principal	72	7,671	**7,743**
- unamortised deferred financing expenses	-	(28)	**(28)**
Total borrowings	72	7,643	**7,715**

The Group borrowings in RM equivalent analysed by currencies in which the borrowings are denominated are as follows:

	Long-term borrowings	Short-term borrowings	Total
European Union euro	498	147	**645**
Indonesia rupiah	-	360	**360**
Ringgit Malaysia	135	125	**260**
Thailand baht	50	6	**56**
United States dollar	5,386	1,008	**6,394**
Total borrowings	6,069	1,646	**7,715**

Borrowings amounting to RM72 million (30 June 2017: RM39 million) are secured by fixed and floating charges over the assets, trade and other receivables of the Group.

Amounts in RM million unless otherwise stated

B9. Financial Instruments and Realised and Unrealised Profits or Losses

a) Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts and commodity futures contracts to manage its exposure to various financial risks. The fair values of these derivatives as at 30 September 2017 are as follows:

	Classification in Statement of Financial Position				
	Assets		Liabilities		Net Fair
	Non-current	Current	Non-current	Current	Value
Forward foreign exchange contracts	-	8	-	4	4
Commodities futures contracts	-	10	-	4	6
Interest rate swap contracts	-	3	-	-	3
	-	21	-	8	13

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 financial year ended 30 June 2017.

The description, notional amount and maturity profile of each derivative are shown below:

Forward foreign exchange contracts

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

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in fair value of the forward foreign currency contracts are recognised in the 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.

As at 30 September 2017, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional Amount	Fair Value Assets
- less than 1 year	1,199	4

Amounts in RM million unless otherwise stated

B9. Financial Instruments and Realised and Unrealised Profits or Losses (continued)

Commodity futures contracts

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

The outstanding commodity futures contracts as at 30 September 2017 that are not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	Notional Amount	Fair Value Assets
Purchase contracts	32,219	91	2
Sales contracts	188,669	400	4
			6

All contracts will mature within one year.

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to mitigate the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments. The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

The outstanding interest rate swap contracts, all plain vanilla, as at 30 September 2017 are as follows:

Effective period	Notional amount	All-in swap rate per annum
17 August 2017 to 20 February 2018	USD350 million	1.75% to 2.55%

As at 30 September 2017, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Notional Amount	Fair Value Assets
Less than 1 year	1,481	3

Amounts in RM million unless otherwise stated

B9. Financial Instruments and Realised and Unrealised Profits or Losses (continued)

b) Realised and Unrealised Profits or Losses

The breakdown of realised and unrealised retained profits of the Group are as follows:

	As at 30 September 2017	As at 30 June 2017
Total retained profits of the Company and its subsidiaries		
- realised	**17,736**	16,282
- unrealised	**72**	(114)
	17,808	16,168
Total share of retained profits from joint ventures		
- realised	**66**	63
- unrealised	**-**	-
	66	63
Total share of retained profits from associates		
- realised	**(26)**	(10)
- unrealised	**-**	-
	(26)	(10)
Less: consolidation adjustments	**(6,195)**	(5,588)
Total retained profits of the Group	**11,652**	10,633

The unrealised profits are determined in accordance with the Guidance on Special Matter No. 1 issued by the Malaysian Institute of Accountants.

B10. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 November 2017 are as follows:

a) PT Sajang Heulang ("PT SHE") vs. PT Anzawara Satria ("PT AS")

On 11 May 2006, PT SHE, a wholly-owned subsidiary of the Group, filed legal action against PT AS in the District Court of Kotabaru ("District Court"), claiming for the surrender of around 60 Ha of land forming part of the Right to Cultivate (Hak Guna Usaha) Certificate No. 35 dated 14 May 2002 ("HGU 35") belonging to PT SHE on which PT AS had allegedly carried out illegal coal mining activities. PT SHE's HGU 35 measures about 2,218 Ha . If it loses this claim, PT SHE could potentially lose HGU 35, the NBV of which is about IDR29.0 billion (equivalent to around RM9.1 million). In addition, we would also lose the potential income from HGU 35.

On 5 December 2006, the District Court ruled in favour of PT AS and declared that HGU 35 was defective and had no force of law and that PT AS had the right to conduct mining activities on the said land ("District Court Decision"). PT SHE appealed to the Banjarmasin High Court against the District Court Decision. On 4 December 2007, the Banjarmasin High Court upheld the District Court Decision ("1st High Court Decision"). On 12 February 2008, PT SHE appealed to the Supreme Court of Indonesia ("Supreme Court") against the 1st High Court Decision. On 10 March 2011, the Supreme Court ruled in favour of PT AS and ordered PT SHE to surrender 2,000 Ha of land in Desa Bunati forming part of HGU 35 to PT AS ("1st Judicial Review Decision").

Meanwhile, on 24 May 2006, PT AS claimed in the State Administration Court of Banjarmasin ("State Court") for an order that the mining rights held by PT AS superseded the HGU 35 held by PT SHE and that the said HGU 35 was improperly issued to PT SHE. On 26 September 2006, the State Court ruled in favour of PT SHE and dismissed PT AS's claim ("State Court Decision"). PT AS appealed to the Jakarta High Court of State Administration ("Jakarta High Court") against the State Court Decision. On 19 February 2007, the Jakarta High Court ruled in favour of PT AS and nullified PT SHE's HGU 35 ("2nd High Court Decision"). On 9 December 2009, PT SHE appealed to the Supreme Court against the 2nd High Court Decision. On 26 October 2010, the Supreme Court declared PT SHE as the lawful owner of HGU 35 ("2nd Judicial Review Decision").

On 7 November 2011, PT SHE filed judicial review proceedings ("3rd Judicial Review") before the Supreme Court seeking a decision on the conflicting decisions of the 1st Judicial Review Decision and 2nd Judicial Review Decision. On 28 December 2012, the Supreme Court dismissed the 3rd Judicial Review on the grounds that the application cannot be determined by another judicial review decision.

On 27 March 2013, PT AS commenced execution of the 1st Judicial Review Decision and in carrying out the execution proceedings, oil palm were cut down and buildings and infrastructure were destroyed, resulting in damages on around 1,500 Ha of land. On 23 April 2014, PT SHE filed a claim at the District Court of Batulicin against PT AS for the sum of IDR672.8 billion (equivalent to around RM209.9 million) for loss and/or damage caused by PT AS in executing the 1st Judicial Review Decision.

On 20 January 2015, the District Court of Batulicin decided in favour of PT SHE and awarded damages in the sum of IDR69.9 billion (equivalent to around RM21.8 million) to be paid by PT AS and on 13 February 2015 issued a written decision ("Batulicin District Court Decision"). On 29 January 2015, PT AS filed an appeal to the Banjarmasin High Court against the Batulicin District Court Decision.

On 19 November 2015, the Banjarmasin High Court ruled in favour of PT AS based on the grounds that the 1st Judicial Review Decision had been deliberated and decided by the Banjarmasin High Court and Supreme Court. Thus, PT SHE is not entitled to bring the same action before the District Court of Batulicin ("3rd High Court Decision").

B10. Material Litigation (continued)

a) PT Sajang Heulang ("PT SHE") vs. PT Anzawara Satria ("PT AS") (continued)

On 22 February 2016, PT SHE filed an appeal to the Supreme Court against the 3rd High Court Decision. On 28 March 2016, PT AS filed its reply to PT SHE's appeal. As at the interim report date, the Supreme Court has yet to make a decision. Our counsel is of the view that the Supreme Court should side with the District Court of Batulicin (which decided in favour of PT SHE) as the Banjarmasin High Court (which decided in favour of PT AS) has misapplied the law.

b) 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")

Prior to the Group's acquisition of NBPOL (which was completed on 2 March 2015), a wholly-owned subsidiary, NBPOL, had on 31 August 2011 initiated 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 ("SLAs"). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL ("Land"), royalties for the FFB harvested from the Land, and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

The term of the sub-leases is 25 years commencing from 2005 and expiring in 2030. NBPOL could potentially lose access to and possession over these sub-leases if it loses these claims. The potential loss to the Group is the value of the Land, which is around PGK71.3 million (equivalent to around RM94.0 million) based on the NBV of buildings, infrastructures and bearer plants on the Land. In addition, we would also lose the potential income from the Land.

NBPOL sought orders for specific performance requiring the Defendants to deliver to NBPOL their SABL to enable the sub-leases to be registered in accordance with the Land Registration Act 1981 of PNG. In the alternative, NBPOL also claimed for compensation for costs incurred by NBPOL in developing the Land into an oil palm estate totalling around PGK30.7 million (equivalent to around RM40.5 million), compensation for the appreciation of the value of the Land due to the development done by NBPOL, and compensation for the 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants pursuant to the SLAs.

The Defendants in turn cross-claimed, among others, that the SLAs were unfair and inequitable, and should be declared invalid, void and of no effect. The Defendants also claimed for damages for environmental damage and trespass to property by NBPOL. Our counsel is of the view that the Defendants' cross-claims are unlikely to succeed.

Trial relating to NBPOL's claims against Meloks was concluded on 2 November 2016. During the submissions stage, NBPOL advised the Court that it will not pursue the alternate reliefs of compensation claimed against Meloks. The Court reserved the decision to a date which has yet to be fixed. NBPOL's claims against Rikau and Masile are pending trial which the parties agreed to be decided after the decision on NBPOL's claims against Meloks is delivered by the Court. Our counsel is of the view that NBPOL's prospects of succeeding in its claims are good.

B10. Material Litigation (continued)

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

PT MGG and PT ASM, wholly-owned subsidiaries of the Group, and PT ITH, a subsidiary of the Group, are involved in a lawsuit brought by PT MAP and PT PS.

PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest.

PT MAP became the shareholder of PT ITH after purchasing 6,200 ordinary shares of PT ITH (representing 50% equity interest in PT ITH as of December 2008, which was funded by PT PS) from Yayasan Kartika Eka Paksi ("YKEP"). Once the former officer of YKEP for the term of 2004 to 2009 was dismissed, the newly elected officer of YKEP realised that the transfer of shares from YKEP to PT MAP is a violation of the prohibition for any direct or indirect transfer of assets of a foundation (Yayasan) to its affiliated parties. The former officer of YKEP who entered into the earlier sale was PT MAP's shareholder and member of the Board of Directors and Board of Commissioners. In response, the newly elected officer of YKEP tried to repurchase such shares which had already been sold to PT MAP with the same price as when PT MAP purchased it from YKEP. However, PT MAP refused such offer. YKEP then filed a lawsuit to invalidate and nullify this transfer of shares. On 31 May 2016, the Supreme Court had issued a decision that invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP ("Judicial Review Decision").

In that regard, YKEP then filed a petition to execute the Judicial Review Decision to the Central Jakarta District Court, demanding that (i) the 6,200 ordinary shares in PT ITH be returned to YKEP and (ii) PT MAP and the former officers of YKEP to pay compensation for damages to YKEP in the amount of IDR 200.0 billion (equivalent to around RM62.4 million). YKEP's petition was granted under a Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court which obligates PT MAP and the former officers of YKEP to comply with the Judicial Review Decision.

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition (Gugatan Perlawan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the Judicial Review Decision, on the basis that (i) the 6,200 ordinary shares in PT ITH are currently owned by YKEP; (ii) YKEP has also received dividends as a shareholder of PT ITH; and (iii) there is conflicting decision on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the Judicial Review Decision No. 196 PK/Pdt/2016, which nullified such transfer of shares and (ii) the Decision of East Jakarta District Court No. 130/Pdt.G/2015/PN.Jkt.tim dated 7 July 2015 ("Decision of East Jakarta District Court"), which declared the transfer of 6,200 ordinary shares in PT ITH from YKEP to PT MAP as legally valid. However, neither YKEP, PT ITH, PT MGG nor PT ASM was included as parties under the Decision of East Jakarta District Court. As at the report date, the Central Jakarta District Court has yet to render its decision towards the Third Party Opposition (Gugatan Perlawan) filed by the former officers of YKEP.

Despite the existence of the Judicial Review Decision, PT MAP and PT PS still filed a lawsuit seeking compensation from all defendants, individually or jointly and severally, namely (i) PT ITH as Defendant I; (ii) PT MGG as Defendant II; (iii) PT ASM as Defendant III; (iv) Razman Bin Abdul Rahman as Defendant IV; (v) Ir. Achmad Ansori, S.H as Defendant V; (vi) Minwar Hidayat as Defendant VI; (vii) Ismail Bin Ali as Defendant VII; (viii) Ir. Safwani as Defendant VIII; (ix) Hersuhasto as Defendant IX; (x) Ir. Kurniawanto Setiadi as Defendant X; and (xi) YKEP as Defendant XI.

B10. Material Litigation (continued)

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

The compensation sought by PT MAP and PT PS comprise: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM77.1 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM42.8 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM78.0 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM156.0 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM311.1 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, South Jakarta District Court and Jakarta High Court, which previously adjudicated and examined this case, had rejected PT MAP and PT PS's lawsuit by referring to the Judicial Review Decision. In response, PT MAP and PT PS filed an appeal to the Supreme Court. As at the reporting date, the Supreme Court has yet to make a decision. Our counsel is of the view that there is no legal ground for PT MAP to act as the holder of the disputed shares, as the shareholder registry of PT ITH has never recorded PT MAP as one of the holders of shares in PT ITH, including the disputed shares.

d) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Unimills B. V. ("SD Unimills")

SD Unimills, a wholly-owned subsidiary of the Group, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners and 2 Algerian cargo owners). One of the 9 cargo owners is SD Unimills. The percentage of SD Unimills' cargo on board was about 14.4%. The voyage of this vessel was interrupted in Greece in June 2010, when the vessel owners declared themselves unable to continue the voyage to Bejaia, Barcelona, Lisbon and Rotterdam due to financial reasons, and the vessel was anchored in Psachna, Greece. The cargo owners, including SD Unimills, disembarked and sold the cargo. In the meantime, the vessel was sold to Chantico by the vessel owners. The disembarkment and sale of the cargo by the cargo owners resulted in various claims and litigation between Chantico (the new vessel owner) and the cargo owners before the Court of Piraeus in Greece.

The following 2 lawsuits are still pending:

i) Proceedings before the Court of Piraeus, started in October 2014 ("Lawsuit 1"), which replaced the previous proceedings that commenced in 2012.

   The writ was served on only 4 European cargo owners so far and has yet to be served on SD Unimills. The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the total amount claimed from all 9 cargo owners (one of which is SD Unimills), jointly and severally, is EUR11.3 million (equivalent to around RM55.7 million). In addition, Chantico claimed a storage fee from each cargo owner based on Chantico's alleged management of cargo owner's assets, and the total amount claimed from SD Unimills is EUR8.4 million (equivalent to around RM41.4 million). Upon request of the parties, the Court adjourned the hearing of 7 March 2017 with no appointed date for resumption. To revive the proceedings, Chantico has to serve the writ on all cargo owners. The potential exposure of SD Unimills under Lawsuit 1 could be up to around EUR19.7 million (equivalent to around RM97.0 million), being the total of Chantico's claims under Lawsuit 1.

B10. Material Litigation (continued)

d) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Unimills B. V. ("SD Unimills") (continued)

ii) Proceedings before the Court of Piraeus, started in December 2015 ("Lawsuit 2") and filed against the same 9 cargo owners, including SD Unimills, and a third party.

As at the reporting date, no writ has been served on any of the cargo owners yet. The claim in these proceedings is based on alleged damage to the vessel and loss of profit caused by alleged actions in tort during transhipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (equivalent to around RM45.8 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000.00 (equivalent to around RM1.9 million) for port and anchorage dues. Similarly, in these proceedings, the Court adjourned the hearing of 7 March 2017 with no appointed date for resumption. There has been no progress since then and we are advised that Chantico will have to incur considerable costs in order to revive the proceedings. The potential exposure of SD Unimills under Lawsuit 2 could be up to around EUR9.7 million (equivalent to around RM47.8 million), being the total of Chantico's claims under Lawsuit 2.

Settlement negotiations in respect of Lawsuit 1 and Lawsuit 2 thus far have not led to fruitful results.

The cargo underwriters for the 7 European cargo owners, including SD Unimills, had in January 2014 raised doubts on the coverage under the cargo insurance certificates for the claims under Lawsuit 1 and Lawsuit 2, but are prepared to contribute to a settlement with a total sum of EUR583,000 (equivalent to around RM2.9 million) for the 7 European cargo owners, of which SD Unimills' share is 27.25% (or EUR158,867.50 (equivalent to around RM782,500)). Our counsel estimates the exposure of SD Unimills at EUR389,060.00 (equivalent to around RM1.9 million) for Lawsuit 1 and EUR18,087.00 (equivalent to around RM89,100.00) for Lawsuit 2.

B11. Dividend

No dividend has been declared or paid for the quarter under review.

The Board does not recommend any dividend for the quarter to 30 September 2017.

B12. Earnings Per Share

Basic earnings per share attributable to owners of the Company are computed as follows.

	Quarter ended 30 September 2017	Quarter ended 30 September 2016
Profit for the period	**1,019**	151
Weighted average number of ordinary shares in issue (million)	**600**	600
Basic earnings per share (sen)	**169.8**	25.2

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

By Order of the Board
Azrin Nashiha Abdul Aziz
Norhelza Ujang
Company Secretaries

Petaling Jaya
16 November 2017