



Property

QUARTERLY REPORT

On the consolidated results for the first quarter ended 30 September 2018

The Directors are pleased to announce the following:

Unaudited Condensed Consolidated Statement of Profit or Loss Amounts in RM thousand unless otherwise stated

	Note	Quarter ended 30 September		% +/(-)
		2018	2017	
Revenue	A7	480,337	472,612	1.6
Cost of sales		(375,554)	(355,741)	
Gross profit		104,783	116,871	(10.3)
Other income		5,652	3,537	
Selling and marketing expenses		(17,124)	(18,126)	
Administrative expenses		(50,612)	(83,467)	
Operating profit		42,699	18,815	126.9
Other gains		205	318,772	
Share of results of joint ventures		(4,835)	84,009	
Share of results of associates		882	569	
Profit before interest and tax	A7	38,951	422,165	(90.8)
Finance income		29,788	32,567	
Finance costs		(15,741)	(26,559)	
Profit before tax		52,998	428,173	(87.6)
Tax expense	B6	(17,108)	(2,549)	
Profit for the period		35,890	425,624	(91.6)
Attributable to :				
- owners of the Company		28,799	421,693	(93.2)
- non-controlling interests		7,091	3,931	
Profit for the period		35,890	425,624	(91.6)
Basic earnings per share attributable to owners of the Company (sen)	B11	0.4	10.8	(96.3)

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 2018.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Quarter ended 30 September		%
	2018	2017	+/(-)
Profit for the period	<u>35,890</u>	<u>425,624</u>	(91.6)
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences	66,097	42,053	
Net changes in fair value of investments	<u>15,371</u>	<u>(1,044)</u>	
	81,468	41,009	
Share of other comprehensive income/(loss) of an associate	952	(610)	
Reclassified to profit or loss:			
- share of other comprehensive loss on disposal of an associate	<u>-</u>	<u>(608)</u>	
Other comprehensive income for the period	<u>82,420</u>	<u>39,791</u>	107.1
Total comprehensive income for the period	<u>118,310</u>	<u>465,415</u>	(74.6)
Attributable to :			
- owners of the Company	110,839	461,332	(76.0)
- non-controlling interests	<u>7,471</u>	<u>4,083</u>	
Total comprehensive income for the period	<u>118,310</u>	<u>465,415</u>	(74.6)

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 2018.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Note	Unaudited As at 30 September 2018	Audited As at 30 June 2018
<u>Non-current assets</u>			
Property, plant and equipment		726,751	735,159
Investment properties		615,838	605,961
Inventories		1,881,365	1,865,841
Joint ventures		2,455,799	2,223,949
Associates		142,409	140,575
Investments		54,822	39,451
Intangible assets		3,597	3,964
Deferred tax assets		479,740	460,284
Receivables		50,000	73,000
Contract assets		1,412,431	1,413,417
		7,822,752	7,561,601
<u>Current assets</u>			
Inventories		4,833,904	4,913,622
Receivables		776,295	754,871
Contract assets		615,339	687,869
Prepayment		27,815	26,696
Tax recoverable		60,426	55,924
Cash held under Housing Development Accounts		448,797	492,969
Bank balances, deposits and cash		261,748	256,426
		7,024,324	7,188,377
Total assets	A7	14,847,076	14,749,978
<u>Equity</u>			
Share capital		6,800,839	6,800,839
Fair value reserve		32,199	15,876
Exchange reserve		13,936	(51,781)
Retained profits		2,781,705	2,969,653
Attributable to owners of the Company		9,628,679	9,734,587
Non-controlling interests		238,308	230,837
Total equity		9,866,987	9,965,424
<u>Non-current liabilities</u>			
Borrowings	B8	1,936,464	2,046,521
Provisions		30,901	29,609
Contract liabilities		256,209	255,552
Deferred tax liabilities		157,332	144,429
		2,380,906	2,476,111
<u>Current liabilities</u>			
Payables		1,297,601	1,458,605
Borrowings	B8	808,578	495,831
Provisions		15,688	17,916
Contract liabilities		244,503	297,930
Tax payable		28,788	38,161
Dividend payable		204,025	—
		2,599,183	2,308,443
Total liabilities		4,980,089	4,784,554
Total equity and liabilities		14,847,076	14,749,978

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Unaudited As at 30 September 2018	Audited As at 30 June 2018
Net assets per share attributable to owners of the Company (RM)	<u>1.42</u>	<u>1.43</u>
Note:		
Inventories		
Completed development units	1,033,899	835,491
On-going development		
Not yet launched	2,610,733	2,462,378
Launched	1,187,703	1,614,283
Others	1,569	1,470
	<u>4,833,904</u>	<u>4,913,622</u>
Not within normal operating cycle	1,881,365	1,865,841
	<u>6,715,269</u>	<u>6,779,463</u>

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 2018.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Share capital	Contribution from former immediate holding company	Fair value reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total equity
Quarter ended 30 September 2018								
At 30 June 2018	6,800,839	–	15,876	(51,781)	2,969,653	9,734,587	230,837	9,965,424
Effect of the adoption of MFRS 9 (Note A1(b))	–	–	–	–	(12,722)	(12,722)	–	(12,722)
At 1 July 2018	6,800,839	–	15,876	(51,781)	2,956,931	9,721,865	230,837	9,952,702
Total comprehensive income for the period	–	–	16,323	65,717	28,799	110,839	7,471	118,310
Transaction with owners								
- dividend payable	–	–	–	–	(204,025)	(204,025)	–	(204,025)
At 30 September 2018	6,800,839	–	32,199	13,936	2,781,705	9,628,679	238,308	9,866,987
Quarter ended 30 September 2017								
At 1 July 2017	2,405,496	1,500,000	20,152	74,539	2,322,990	6,323,177	264,724	6,587,901
Total comprehensive (loss)/ income for the period	–	–	(2,262)	41,901	421,693	461,332	4,083	465,415
Transactions with owners								
- waiver on intercompany loan (net of tax)	–	–	–	–	142,672	142,672	1,172	143,844
- disposal of subsidiary	–	–	–	–	–	–	780	780
- dividend paid	–	–	–	–	–	–	(47,563)	(47,563)
At 30 September 2017	2,405,496	1,500,000	17,890	116,440	2,887,355	6,927,181	223,196	7,150,377

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 2018.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Quarter ended 30 September	
	2018	2017
Cash flow from operating activities		
Profit for the period	35,890	425,624
Adjustments for:		
Share of results of joint ventures and associates	3,953	(84,578)
Depreciation and amortisation	11,629	9,922
(Reversal of impairment)/impairment and write offs	(472)	6,737
Gain on disposal	(2,643)	(319,711)
Finance income	(29,788)	(32,567)
Finance costs	15,741	26,559
Tax expense	17,108	2,549
	<u>51,418</u>	<u>34,535</u>
Changes in working capital:		
- inventories	85,220	(728,728)
- trade, other receivables and prepayments	(16,194)	(60,155)
- contract assets and contract liabilities	45,138	12,977
- trade, other payables and provisions	(156,729)	379,307
Cash from/(used) in operations	<u>8,853</u>	<u>(362,064)</u>
Tax (paid)/refund	(33,949)	14,811
Net cash used in operating activities	<u>(25,096)</u>	<u>(347,253)</u>
Cash flow from investing activities		
Finance income received	4,304	9,005
Proceeds from sale of:		
- property, plant and equipment	1	1,212
- investment property	4,705	540
- an associate	-	615,846
Net cash inflow from disposal of subsidiaries	-	59,413
Purchase of:		
- property, plant and equipment	(2,230)	(938)
- investment properties	(12,869)	(10,211)
- intangible assets	(127)	(384)
Subscription of shares in joint ventures	(175,458)	(44,419)
Net cash (used in)/from investing activities	<u>(181,674)</u>	<u>630,064</u>

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Quarter ended	
	30 September	
	2018	2017
Cash flow from financing activities		
Finance costs paid	(39,999)	(51,020)
Borrowings raised	1,610	19,985
Repayments of long-term borrowings	(104,666)	(9,137)
Revolving credits (net)	310,000	(77,000)
Dividend paid to non-controlling interests	–	(47,563)
Repayment to related companies	–	(144,000)
Net cash from/(used in) financing activities	166,945	(308,735)
Net changes in cash and cash equivalents	(39,825)	(25,924)
Foreign exchange differences	975	956
Cash and cash equivalents at beginning of the period	749,395	1,129,154
Cash and cash equivalents at end of the period	710,545	1,104,186

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

Cash held under Housing Development Accounts	448,797	472,666
Bank balances, deposits and cash	261,748	631,520
	710,545	1,104,186

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 2018.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2018
Amounts in RM thousand unless otherwise stated

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 Group’s audited consolidated financial statements for the financial year ended 30 June 2018.

On 26 February 2018, the Company has announced that its financial year end will be changed from 30 June to 31 December. The current financial year end will be for 6 months financial period ending 31 December 2018.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 30 June 2018 except as described below.

a. New accounting pronouncements

- i. Accounting pronouncements that have been adopted for this interim financial report:

MFRS 9	Financial Instruments
IC Interpretation 22	Foreign Currency Translations and Advance Consideration
Amendments to MFRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts – Applying MFRS 9 with MFRS 4
Amendments to MFRS 140	Investment Property – Transfers of Investment Property
Annual Improvement to MFRS 128	Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value

The adoption of the above did not result in any significant changes to the Group’s results and financial position other than MFRS 9 – Financial Instruments. The impact of adoption of MFRS 9 is shown in Note A1(b).

- ii. Accounting pronouncements that are not yet effective are set out below:

MFRS 16	Leases
MFRS 17	Insurance Contracts
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Financial instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS 3	Business Combinations – Previously Held Interest in a Joint Operation
Annual Improvements to MFRS 11	Joint Arrangements – Previously Held Interest in a Joint Operation
Annual Improvements to MFRS 112	Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
Annual Improvements to MFRS 123	Borrowing Costs Eligible for Capitalisation
Amendments to References to the Conceptual Framework in MFRS Standards	

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Explanatory Notes on the Quarterly Report – 30 September 2018
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A1. Basis of Preparation (continued)

a. New accounting pronouncements (continued)

- iii. Accounting pronouncement where the effective date has been deferred to a date to be determined by the 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)

b. Adoption of MFRS 9 – Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments – Recognition and Measurement.

MFRS 9 contains a new classification and measurement approach for financial assets based on the business model for managing the assets and the contractual cash flow characteristics of the assets. It eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available-for-sale investments.

The new standard contains three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income ("FVOCI"); and
- fair value through profit or loss ("FVTPL").

With regard to the measurement of financial liabilities, the standard retains most of the MFRS 139 requirements except for liabilities designated at inception to be measured at FVTPL. MFRS 9 requires that fair value changes attributable to own credit risk shall be presented in other comprehensive income ("OCI") rather than in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI and contract assets under MFRS 15 - Revenue from Contracts with Customers.

As permitted by the transitional provision under MFRS 9, the Group elected the cumulative catch-up transition method and therefore did not restate comparative periods. These adjustments were recognised in opening retained earnings and other components of the equity of the period.

The Group also made an irrevocable election to measure the existing equity instruments that are not held for trading at FVOCI. All other financial assets and financial liabilities continue to be measured at amortised cost.

Upon application of ECL on receivables and contract assets as at 1 July 2018, the impairment increased by RM16.7 million. This has resulted in a reduction in the retained profits by RM12.7 million and an increase in deferred tax asset by RM4.0 million.

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Explanatory Notes on the Quarterly Report – 30 September 2018
Amounts in RM thousand unless otherwise stated

A1. Basis of Preparation (continued)

b. Adoption of MFRS 9 – Financial Instruments (continued)

Reconciliation of the Group's statement of financial position as at 1 July 2018 is as follows:

	Audited as at 30 June 2018	Effects of MFRS 9	Restated as at 1 July 2018
Non-current assets			
Deferred tax assets	460,284	4,017	464,301
Other non-current assets	7,101,317	–	7,101,317
	<u>7,561,601</u>	<u>4,017</u>	<u>7,565,618</u>
Current assets			
Receivables	754,871	(16,739)	738,132
Other current assets	6,433,506	–	6,433,506
	<u>7,188,377</u>	<u>(16,739)</u>	<u>7,171,638</u>
Total assets	<u>14,749,978</u>	<u>(12,722)</u>	<u>14,737,256</u>
Equity			
Share capital	6,800,839	–	6,800,839
Fair value reserve	15,876	–	15,876
Exchange reserve	(51,781)	–	(51,781)
Retained profits	2,969,653	(12,722)	2,956,931
Attributable to owners of the Company	<u>9,734,587</u>	<u>(12,722)</u>	<u>9,721,865</u>
Non-controlling interests	230,837	–	230,837
Total equity	<u>9,965,424</u>	<u>(12,722)</u>	<u>9,952,702</u>
Total liabilities	<u>4,784,554</u>	<u>–</u>	<u>4,784,554</u>
Total equity and liabilities	<u>14,749,978</u>	<u>(12,722)</u>	<u>14,737,256</u>

A2. Seasonal or Cyclical Factors

The Group's operations are not affected by seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

SIME DARBY PROPERTY BERHAD
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Explanatory Notes on the Quarterly Report – 30 September 2018
Amounts in RM thousand unless otherwise stated

A4. Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the prior interim period of the previous financial years that have a material effect on the results 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 financial period under review.

The Company has 6,800,839,377 ordinary shares in issue as at 30 September 2018.

A6. Dividends Paid

The second interim single tier dividend of 3.0 sen per ordinary share in respect of the financial year ended 30 June 2018 amounting to RM204.0 million was paid on 26 October 2018.

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Explanatory Notes on the Quarterly Report – 30 September 2018
Amounts in RM thousand unless otherwise stated

A7. Segment Information

The Group has 4 reportable segments and these strategic business units are managed separately by respective Business Heads. The Group's Managing Director and senior management review the operations and performance reports on a monthly basis and conducts dialogues with the business units on a regular basis.

	Property Development	Property Investment	Leisure and Hospitality	Concession Arrangement	Elimination	Total
Quarter ended 30 September 2018						
Revenue:						
External	435,260	11,463	23,668	9,946	–	480,337
Inter-segment	61	2,487	44	–	(2,592)	–
	435,321	13,950	23,712	9,946	(2,592)	480,337
Cost of sales	(347,415)	(3,827)	(17,523)	(6,929)	140	(375,554)
Gross profit	87,906	10,123	6,189	3,017	(2,452)	104,783
Other income	2,392	3,134	126	–	–	5,652
Selling and marketing expenses	(16,628)	(127)	(369)	–	–	(17,124)
Administrative expenses	(33,400)	(2,757)	(15,783)	(1,124)	2,452	(50,612)
Share of results of joint ventures and associates	(3,962)	9	–	–	–	(3,953)
Segment results	36,308	10,382	(9,837)	1,893	–	38,746
Other gains/(losses)	196	11	(2)	–	–	205
Profit/(loss) before interest and tax	36,504	10,393	(9,839)	1,893	–	38,951

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Explanatory Notes on the Quarterly Report – 30 September 2018
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A7. Segment Information (continued)

	Property Development	Property Investment	Leisure and Hospitality	Concession Arrangement	Elimination	Total
Quarter ended 30 September 2017						
Revenue:						
External	424,293	11,758	27,723	8,838	–	472,612
Inter-segment	9	2,487	284	–	(2,780)	–
	424,302	14,245	28,007	8,838	(2,780)	472,612
Cost of sales	(322,642)	(10,123)	(16,946)	(6,323)	293	(355,741)
Gross profit	101,660	4,122	11,061	2,515	(2,487)	116,871
Other income	2,285	506	684	98	(36)	3,537
Selling and marketing expenses	(17,827)	–	(299)	–	–	(18,126)
Administrative expenses	(62,367)	(4,801)	(18,075)	(747)	2,523	(83,467)
Share of results of joint ventures and associates	88,941	(4,363)	–	–	–	84,578
Segment results	112,692	(4,536)	(6,629)	1,866	–	103,393
Other gains	278,192	–	40,580	–	–	318,772
Profit/(loss) before interest and tax	390,884	(4,536)	33,951	1,866	–	422,165
Included in other gains are:						
Gain on disposal of:						
- a subsidiary	–	–	40,580	–	–	40,580
- an associate	278,192	–	–	–	–	278,192

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Explanatory Notes on the Quarterly Report – 30 September 2018
 Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

	Property Development	Property Investment	Leisure and Hospitality	Concession Arrangement	Elimination	Total
As at 30 September 2018						
Segment assets:						
Operating assets	9,135,273	883,371	676,585	1,768,704	(755,231)	11,708,702
Joint ventures and associates	2,363,352	234,856	–	–	–	2,598,208
	<u>11,498,625</u>	<u>1,118,227</u>	<u>676,585</u>	<u>1,768,704</u>	<u>(755,231)</u>	<u>14,306,910</u>
Tax assets						540,166
Total assets						<u><u>14,847,076</u></u>
As at 30 June 2018						
Segment assets:						
Operating assets	9,592,856	569,409	642,242	1,768,427	(703,688)	11,869,246
Joint ventures and associates	2,158,369	206,155	–	–	–	2,364,524
	<u>11,751,225</u>	<u>775,564</u>	<u>642,242</u>	<u>1,768,427</u>	<u>(703,688)</u>	<u>14,233,770</u>
Tax assets						516,208
Total assets						<u><u>14,749,978</u></u>

Note:

The increase in Property Investment's segment asset is mainly due to the reclassification of an investment property from Property Development segment.

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Explanatory Notes on the Quarterly Report – 30 September 2018
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A7. Segment Information (continued)

	Quarter ended 30 September	
	2018	2017
Revenue comprise the following:		
Revenue from contracts with customers	464,860	457,090
Revenue from rental income	15,477	15,522
	<u>480,337</u>	<u>472,612</u>
Disaggregation of the Group's revenue from contracts with customers:		
Geographical market		
- Malaysia	438,713	426,572
- Australia	24,614	27,384
- Singapore	307	594
- Vietnam	1,226	2,540
	<u>464,860</u>	<u>457,090</u>
Timing of revenue recognition		
- at point in time	90,864	79,362
- over time	373,996	377,728
	<u>464,860</u>	<u>457,090</u>

A8. Capital Commitments

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

	As at 30 September 2018	As at 30 June 2018
Contracted		
- property, plant and equipment	1,988	1,772
- investment properties	165,702	175,868
	<u>167,690</u>	177,640
Not contracted		
- property, plant and equipment	7,400	–
	<u>175,090</u>	<u>177,640</u>

In addition, pursuant to the Subscription and Shareholders' Agreement, which is reiterated through Letters of Undertaking issued by the shareholders of Battersea Project Holding Company Limited ("Battersea") to Battersea, the shareholders are committed to subscribe for shares in Battersea in proportion to their respective shareholdings when a capital call is made for the purpose of ensuring Battersea and its subsidiaries are able to meet their respective funding obligations. The Group's portion of the commitment as at 30 September 2018 is estimated up to GBP215.5 million (equivalent to RM1,172.4 million) (30 June 2018: GBP243.5 million, equivalent to RM1,289.5 million).

The Board of Directors has also authorised the subscription of shares in Sime Darby MIT Development Sdn Bhd in proportion to the Group's shareholding in the joint venture. As at 30 September 2018, the limit of equity injection authorised is RM86.8 million (30 June 2018: RM112.0 million).

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Explanatory Notes on the Quarterly Report – 30 September 2018
Amounts in RM thousand unless otherwise stated

A9. Significant Related Party Transactions

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

	Quarter ended 30 September	
	2018	2017
a. Transactions between subsidiaries and their owners of non-controlling interests		
Turnkey works rendered by Brunfield Engineering Sdn Bhd to Sime Darby Brunfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	<u>21,702</u>	<u>34,262</u>

b. Transactions with shareholders and Government

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (“ASNB”), together own 55.9% as at 30 September 2018 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, YPB and the Malaysian Government are in the position to exercise significant control 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.

Transactions entered by the Group and the Company with shareholders and related parties include purchase of raw materials, placement of bank deposits and use of public utilities and amenities. All the transactions entered into by the Group and the Company with the related parties are conducted in the ordinary course of the Group’s and the Company’s businesses on negotiated terms or terms comparable to those with other entities that are not related. The significant transactions with related parties are as follows:

	Quarter ended 30 September	
	2018	2017
<u>PNB Development Sdn Bhd</u>		
Sale of 40% equity interest in Seriemas Development Sdn Bhd	–	625,000
<u>Sime Darby Holdings Berhad</u>		
Rental income	620	2,762
Interest expense	–	(22,874)
Management fees and internal audit services	–	(5,668)
<u>Sime Darby Far East (1991) Ltd</u>		
Waiver of amount owing by two subsidiaries of the Group	–	159,863
Interest expense	–	(361)
<u>Sime Darby Global Services Centre Sdn Bhd</u>		
Rental income	–	975
Shared services	(3,341)	(3,803)
<u>Sime Darby Rent-A-Car Sdn Bhd</u>		
Car lease rental	(418)	(304)
<u>Sime Darby Lockton Insurance Brokers Sdn Bhd</u>		
Insurance premium	(185)	(696)
<u>Sime Darby Plantation Berhad</u>		
Rental income	1,697	1,662
Acquisition of land	–	(689,587)
<u>Yayasan Sime Darby</u>		
Contribution paid to Yayasan Sime Darby	<u>10,000</u>	<u>–</u>

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

There is no material event subsequent to the end of the current quarter under review to 20 November 2018, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

There were no other changes in the composition of the Group for the financial period ended 30 September 2018.

A12. Contingent Liabilities – unsecured

	As at 30 September 2018	As at 30 June 2018
Claims pending against the Group	<u>39,834</u>	<u>39,834</u>

Details of the claims pending is disclosed in Note B9

A13. Financial Instruments

The carrying amounts of financial instruments measured at amortised cost approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair values of financial instruments measured at FVOCI are as follows:

	As at 30 September 2018	As at 30 June 2018
Investments:		
- quoted shares	3,736	3,951
- unquoted shares	<u>51,086</u>	<u>35,500</u>
	<u>54,822</u>	<u>39,451</u>

The quoted shares are measured at Level 1 of the fair value hierarchy, based on quoted prices of the shares in active markets. Unquoted shares are measured at Level 3 of the fair value hierarchy. The fair values of the unquoted shares are determined using valuation technique based on inputs other than quoted prices.

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

B1. Review of Group Performance

	Quarter ended 30 September		%
	2018	2017	+/(–)
Revenue	<u>480,337</u>	<u>472,612</u>	1.6
Segment results:			
Property development	36,308	112,692	(67.8)
Property investment	10,382	(4,536)	328.9
Leisure and hospitality	(9,837)	(6,629)	(48.4)
Concession arrangement	1,893	1,866	1.4
	<u>38,746</u>	<u>103,393</u>	(62.5)
Other gains	205	318,772	
Profit before interest and tax	38,951	422,165	(90.8)
Finance income	29,788	32,567	
Finance costs	(15,741)	(26,559)	
Profit before tax	52,998	428,173	(87.6)
Tax expense	(17,108)	(2,549)	
Profit after tax	35,890	425,624	(91.6)
Non-controlling interests	(7,091)	(3,931)	
Profit attributable to owners of the Company	<u>28,799</u>	<u>421,693</u>	(93.2)

Group revenue for the first quarter ended 30 September 2018 improved marginally by 1.6% as compared to the corresponding period of the previous year. Profit before tax and net earnings of the Group at RM53.0 million and RM28.8 million declined sharply by 87.6% and 93.2% respectively compared to a year ago.

Excluding Other Gains, the Group's segment results slide by 62.5% primarily due to lower share of results from Battersea.

Other Gains of RM205,000 consist of net foreign exchange gain whilst the previous year consists of gains on disposal of the entire 100% equity stake in Malaysia Land Development Company Berhad and the 40% equity stake in Seriemas Development Sdn Bhd of RM40.6 million and RM278.2 million, respectively.

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

a) Property development

Property development performance dropped by 67.8% compared to the previous year due to the share of loss of Battersea of RM5.7 million against a profit of RM86.8 million in the similar quarter of the previous year. Profit recognition for Battersea is upon completion and hand over of unit to buyer. Phase 1 of Battersea consisting of 867 units was completed in December 2017 and a total of 855 units has been delivered to the buyers up to 30 June 2018. During the quarter, Battersea recognised sales of 2 units as compared to 431 units in the corresponding period of the previous year.

Excluding the share of results of joint ventures and associates, property development performance registered a marked increase of 69.6% mainly contributed by higher sales and development activities at Serenia City and Denai Alam townships, Cantara Residences and Melawati Corporate Centre in spite of the lower contribution from Bukit Jelutong, Bandar Bukit Raja, Elmina and Bandar Universiti Pagoh townships.

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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) Property investment

Property investment segment recorded profit of RM10.4 million compared to a loss of RM4.5 million the previous year. The strong performance was mainly due to the commencement of tenancy of an investment property and a gain on disposal of an investment property in the United Kingdom of RM2.6 million.

The improved performance was also contributed by lower share of loss of RM1.2 million from Sime Darby CapitaLand (Melawati Mall) Sdn Bhd compared to a loss of RM5.4 million in the similar quarter of the previous year. The mall recorded an improved occupancy rate of 80% (September 2017: 60%) since its opening in July 2017.

c) Leisure and hospitality

Leisure and hospitality increased its loss to RM9.8 million compared to RM6.6 million last year. The higher loss was mainly due to lower occupancy rate achieved following the winding down of the operations of certain hospitality units.

d) Concession arrangement

Contribution from facility and asset management services recorded slight improvement of 1.4% during the current quarter.

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

	Quarter ended		%
	30 September 2018	30 June 2018	
Revenue	<u>480,337</u>	<u>617,365</u>	(22.2)
Segment results:			
Property development	36,308	20,657	75.8
Property investment	10,382	(489)	2,223.1
Leisure and hospitality	(9,837)	(7,888)	(24.7)
Concession arrangement	<u>1,893</u>	<u>33,502</u>	(94.3)
	38,746	45,782	(15.4)
Other gains/(loss)	<u>205</u>	<u>(265)</u>	
Profit before interest and tax	38,951	45,517	(14.4)
Finance income	29,788	39,449	
Finance costs	<u>(15,741)</u>	<u>(11,157)</u>	
Profit before tax	52,998	73,809	(28.2)
Tax expense	(17,108)	17,753	
Profit for the period	35,890	91,562	(60.8)
Non-controlling interests	<u>(7,091)</u>	<u>(44,992)</u>	
Profit attributable to owners of the Company	<u>28,799</u>	<u>46,570</u>	(38.2)

Group revenue for the first quarter ended 30 September 2018 declined by 22.2% as compared to the preceding quarter. Profit before tax and net earnings of the Group dropped by 28.2% and 38.2%, respectively, mainly due to lower contribution from Concession arrangement segment.

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

a) Property development

Contribution from property development improved significantly by 75.8% to RM36.3 million compared to the preceding quarter.

The improvement was mainly due to higher contribution from Elmina, Denai Alam, Putra Heights and Serenia City townships but partially affected by lower contribution from Bandar Bukit Raja, Cantara Residences and The Glades.

b) Property investment

Property investment segment registered a profit of RM10.4 million against a loss of RM0.5 million in the preceding quarter, substantially attributable to rental income recognised from an investment property and a gain on disposal of an investment property in the United Kingdom of RM2.6 million.

c) Leisure and hospitality

Leisure and hospitality incurred loss of RM9.8 million as compared to a lower loss of RM7.9 million in the preceding quarter. The higher loss recorded in the current quarter was mainly due to lower occupancy rate achieved.

d) Concession arrangement

Concession arrangement registered a sharp decline in profit of 94.3% as compared to the preceding quarter primarily due to the absence of the supply of teaching equipment in current quarter as compared to the preceding quarter.

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B3. Prospects for the Current Financial Period

The Malaysian economic outlook remains positive with GDP growth forecasted at 4.8%, albeit the continued softness in the real estate sector.

The Budget 2019, announced by the Government on 2 November 2018 have injected greater thrust into the property market, in particular the stance on affordable housing and providing various incentives and support for home ownership. The waiver of stamp duties for residential properties valued between RM300,001 to RM1.0 million per unit, for first-time home buyers would spur the demand of first-time home ownerships and, to an extent, address the existing property overhang in the country.

Notwithstanding the subdued property market, for the first quarter ended 30 September 2018, the Group launched a total of 284 units, with a combined gross development value of RM310.5 million driven by flagship townships namely Bandar Bukit Raja, Serenia City and Nilai Impian. This is a marginal increase of about 1.1% Year-on-Year (YoY). These products were priced strategically in the affordable range of RM200,000 to RM800,000 per unit.

The Group achieved a Net Sales Value of RM712.1 million, an increase of 35% YoY, of which 79% of the total sales were generated from City of Elmina and Bandar Bukit Raja. As at 30 September 2018, the total Unbilled Sales of the Group amounted to RM2.3 billion, representing approximately 1.1 times the annual sales revenue.

The Group had announced that its financial year-end will be changed from 30 June to 31 December and the next financial closing of the Group will be 31 December 2018. For the remaining three months of the financial period ending 31 December 2018, the Group's upcoming launches are concentrated on landed properties within the affordable to medium price range, in the established townships, where the underlying demand are still strong. The Group is focusing to meet the Financial Period Sales Target of RM1.0 billion.

In the United Kingdom, Battersea Power Station Holding Co Limited, the Group's 40% joint venture, is on track to enter into agreements for the Proposed Disposal of Phase 2 Commercial Assets to Permodalan Nasional Berhad and the Employees Provident Fund by the end of 2018, with the target completion by the first quarter of 2019.

The key challenges in the property market, with high unsold inventory units, coupled with low absorption rates, attributable to the current economic uncertainties and tight lending conditions, have resulted in very competitive marketing promotion and price discounting by property developers. In tandem, the Group is currently undertaking a tactical price review of all unsold inventories particularly the completed development units. Nonetheless, Budget 2019 has provided a number of initiatives to support home ownership. The Group envisage that these positive developments would provide a boost to the property market.

Barring unforeseen circumstances, the Board of Directors of the Company expects the results for the financial period ending 31 December 2018 to be satisfactory.

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

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

B5. Profit Before Interest and Tax

	Quarter ended 30 September	
	2018	2017
Included in operating profit are:		
Depreciation and amortisation	(11,629)	(9,922)
Reversal of impairment/(Impairment) of receivables	486	(6,498)
Write offs of property, plant and equipment	(14)	(239)
Gain on disposal of		
- property, plant and equipment		
- land and buildings	-	604
- others	1	3
- investment properties	2,642	332
Net foreign exchange gain	<u>205</u>	<u>-</u>
Included in other gains are:		
Gain on disposal of		
- subsidiaries	-	40,580
- an associate	<u>-</u>	<u>278,192</u>

B6. Tax Expense

	Quarter ended 30 September	
	2018	2017
In respect of the current period:		
- current tax	19,654	32,057
- deferred tax	<u>(3,648)</u>	<u>(18,124)</u>
	16,006	13,933
In respect of prior years:		
- current tax	-	(5,972)
- deferred tax	<u>1,102</u>	<u>(5,412)</u>
	<u>17,108</u>	<u>2,549</u>

The effective tax rate for the quarter of 30.0% is higher than the Malaysian income tax rate of 24% mainly attributable to certain expenses disallowed for tax purposes and under provision of tax in prior years by certain subsidiaries within the Group.

B7. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 20 November 2018.

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B8. Group Borrowings

The breakdown of the borrowings as at 30 September 2018 is as follows:

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	263,300	49,000	312,300
Islamic financing	647,738	–	647,738
Syndicated Islamic financing	796,906	–	796,906
Amounts due to non-controlling interests	–	179,520	179,520
	<u>1,707,944</u>	<u>228,520</u>	<u>1,936,464</u>
<u>Short-term borrowings</u>			
Term loans due within one year	33,044	185,883	218,927
Islamic financing due within one year	53,248	–	53,248
Syndicated Islamic financing	54,449	–	54,449
Revolving credits	–	480,156	480,156
Amounts due to non-controlling interests	–	1,798	1,798
	<u>140,741</u>	<u>667,837</u>	<u>808,578</u>
Total borrowings	<u>1,848,685</u>	<u>896,357</u>	<u>2,745,042</u>

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

	Secured	Unsecured	Total
Borrowings			
- principal	1,843,668	894,019	2,737,687
- interest	5,017	2,338	7,355
Total borrowings	<u>1,848,685</u>	<u>896,357</u>	<u>2,745,042</u>

The Group borrowings are denominated in Ringgit Malaysia.

Certain borrowings are secured by fixed and floating charges over property, plant and equipment, investment property and other assets of certain subsidiaries.

B9. Material Litigations

Changes in material litigations since the date of the last audited annual statement of financial position up to 20 November 2018 are as follows:

Claim against Sime Darby Ara Damansara Development Sdn Bhd (“SDAD”)

A civil suit has been commenced by 72 purchasers of Ara Hill (“Plaintiffs”) against SDAD, claiming, among other things, both general and specific damages of RM39.8 million and specific performance arising from SDAD’s alleged breaches of the terms of the sale and purchase agreements and the provisions of various statutes including, the Uniform Building By-Laws 1984 and the Street, Drainage and Building Act 1974.

The Plaintiffs alleged that the breaches by SDAD have, amongst others, caused the delay in delivery of strata titles, which caused the Plaintiffs to suffer loss and damage, including indirect losses (which have not been proven by the Plaintiffs). The dispute was referred to mediation and the parties explored possible settlement proposals. However, the parties did not reach a global settlement.

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B9. Material Litigations (continued)

Changes in material litigations since the date of the last audited annual statement of financial position up to 20 November 2018 are as follows: (continued)

Claim against Sime Darby Ara Damansara Development Sdn Bhd (“SDAD”) (continued)

The trial commenced on 16 April 2018 and a joint site inspection was conducted together with the Judge on 17 April 2018. The matter was fixed for continued trial on 14 November 2018 with the Plaintiffs’ 1st expert witness’ testimony. The hearing will continue on 30 and 31 January 2019, 19 to 21 March 2019 and 1, 2, 4, 29 and 30 April 2019 (“2019 Trial Dates”). The Court directed SDAD to file witness statements by 17 December 2018, and fixed case management on 24 January 2019 for the Court to give further directions on the 2019 Trial Dates.

B10. Dividend

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

B11. Earnings Per Share

	Quarter ended 30 September	
	2018	2017
Basic earnings per share attributable to owners of the Company are computed as follows:		
Profit for the period	<u>28,799</u>	<u>421,693</u>
Weighted average number of ordinary shares in issue (thousand)	<u>6,800,839</u>	<u>3,905,496</u>
Basic earnings per share (sen)	<u>0.4</u>	<u>10.8</u>

The weighted average number of ordinary shares for the comparative period has been recalculated as if the issuance of 2,905.5 million new ordinary shares on 10 November 2017 for the redemption of 1,405.5 million redeemable preference shares and RM1,500.0 million capitalisation of deemed equity to Sime Darby Berhad had occurred as at 1 July 2017.

The basic and diluted earnings per share is the same as there is no potential ordinary shares in issue as at the end of the financial period.

Selangor Darul Ehsan
27 November 2018

By Order of the Board
Moriami binti Mohd
Company Secretary