

QUARTERLY REPORT

On the consolidated results for the second quarter ended 31 December 2018

The Directors are pleased to announce the following:

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

| | | Quarter ended | | | Financial period ended | | |
|--|------|------------------|-----------|---------|------------------------|-----------|---------|
| | Note | 31 December | | % | 31 December | | % |
| | | 2018 | 2017 | + / (-) | 2018 | 2017 | + / (-) |
| Revenue | A7 | 788,808 | 703,625 | 12.1 | 1,269,145 | 1,176,237 | 7.9 |
| Cost of sales | | (701,891) | (454,850) | | (1,077,445) | (810,591) | |
| Gross profit | | 86,917 | 248,775 | (65.1) | 191,700 | 365,646 | (47.6) |
| Other income | | 7,955 | 6,751 | | 13,607 | 10,288 | |
| Selling and marketing expenses | | (28,137) | (22,955) | | (45,261) | (41,081) | |
| Administrative expenses | | (87,985) | (79,174) | | (138,597) | (162,641) | |
| Operating (loss)/profit | | (21,250) | 153,397 | (113.9) | 21,449 | 172,212 | (87.5) |
| Other (losses)/gains | | (26,111) | (2,808) | | (25,906) | 315,964 | |
| Share of results of joint ventures | | (43,471) | 26,409 | | (48,306) | 110,418 | |
| Share of results of associates | | 58 | 649 | | 940 | 1,218 | |
| (Loss)/Profit before interest and tax | A7 | (90,774) | 177,647 | (151.1) | (51,823) | 599,812 | (108.6) |
| Finance income | | 35,687 | 24,157 | | 65,475 | 56,724 | |
| Finance costs | | (36,057) | (18,402) | | (51,798) | (44,961) | |
| (Loss)/Profit before tax | | (91,144) | 183,402 | (149.7) | (38,146) | 611,575 | (106.2) |
| Tax expense | B6 | (255,925) | (45,018) | | (273,033) | (47,567) | |
| (Loss)/Profit for the period | | (347,069) | 138,384 | (350.8) | (311,179) | 564,008 | (155.2) |
| Attributable to: | | | | | | | |
| - owners of the Company | | (347,499) | 138,076 | (351.7) | (318,700) | 559,769 | (156.9) |
| - non-controlling interests | | 430 | 308 | | 7,521 | 4,239 | |
| (Loss)/Profit for the period | | (347,069) | 138,384 | (350.8) | (311,179) | 564,008 | (155.2) |
| Basic (loss)/earnings per share attributable to owners of the Company (sen) | B11 | (5.1) | 2.5 | (304.0) | (4.7) | 11.9 | (139.5) |

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 | | | Financial period ended | | |
|--|---------------------|-----------|------------|------------------------|-----------|------------|
| | 31 December 2018 | 2017 | % +/(-) | 31 December 2018 | 2017 | % +/(-) |
| (Loss)/Profit for the period | (347,069) | 138,384 | (350.8) | (311,179) | 564,008 | (155.2) |
| Other comprehensive (loss)/ income | | | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | | | |
| Currency translation differences | (78,077) | (211,546) | | (11,980) | (169,493) | |
| Net changes in fair value of investments | 6,040 | (1,411) | | 21,411 | (2,455) | |
| Share of other comprehensive loss of an associate | (176) | (444) | | 776 | (1,054) | |
| Reclassified to profit or loss - share of other comprehensive loss on disposal of an associate | - | - | | - | (608) | |
| Other comprehensive (loss)/ income for the period | (72,213) | (213,401) | 66.2 | 10,207 | (173,610) | 105.9 |
| Total comprehensive (loss)/ income for the period | (419,282) | (75,017) | (458.9) | (300,972) | 390,398 | (177.1) |
| Attributable to: | | | | | | |
| - owners of the Company | (418,615) | (72,723) | (475.6) | (307,776) | 388,609 | (179.2) |
| - non-controlling interest | (667) | (2,294) | | 6,804 | 1,789 | |
| Total comprehensive (loss)/ income for the period | (419,282) | (75,017) | (458.9) | (300,972) | 390,398 | (177.1) |

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 31 December 2018 | Audited As at 30 June 2018 |
|--|------|--|----------------------------------|
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | | 640,445 | 735,159 |
| Investment properties | | 644,206 | 605,961 |
| Inventories (note 1) | | 2,127,594 | 1,865,841 |
| Joint ventures | | 2,574,021 | 2,223,949 |
| Associates | | 140,492 | 140,575 |
| Investments | | 59,239 | 39,451 |
| Intangible assets | | 3,454 | 3,964 |
| Deferred tax assets | | 487,225 | 460,284 |
| Receivables | | 88,000 | 73,000 |
| Contract assets | | 1,409,083 | 1,413,417 |
| | | 8,173,759 | 7,561,601 |
| <u>Current assets</u> | | | |
| Inventories (note 1) | | 4,625,027 | 4,913,622 |
| Receivables | | 736,579 | 754,871 |
| Contract assets | | 773,602 | 687,869 |
| Prepayment | | 18,556 | 26,696 |
| Tax recoverable | | 60,226 | 55,924 |
| Cash held under Housing Development Accounts | | 343,518 | 492,969 |
| Bank balances, deposits and cash | | 305,572 | 256,426 |
| | | 6,863,080 | 7,188,377 |
| Assets held for sale (note 2) | | 79,519 | – |
| Total assets | A7 | 15,116,358 | 14,749,978 |
| <u>Equity</u> | | | |
| Share capital | | 6,800,839 | 6,800,839 |
| Fair value reserve | | 38,063 | 15,876 |
| Exchange reserve | | (63,044) | (51,781) |
| Retained profits | | 2,433,661 | 2,969,653 |
| Attributable to owners of the Company | | 9,209,519 | 9,734,587 |
| Non-controlling interests | | 236,881 | 230,837 |
| Total equity | | 9,446,400 | 9,965,424 |
| <u>Non-current liabilities</u> | | | |
| Borrowings | B8 | 1,925,221 | 2,046,521 |
| Provisions | | – | 29,609 |
| Contract liabilities | | 256,232 | 255,552 |
| Deferred tax liabilities | | 170,175 | 144,429 |
| | | 2,351,628 | 2,476,111 |
| <u>Current liabilities</u> | | | |
| Payables | | 1,434,636 | 1,458,605 |
| Borrowings | B8 | 1,347,816 | 495,831 |
| Provisions | | 64,362 | 17,916 |
| Contract liabilities | | 210,531 | 297,930 |
| Tax payable | | 260,985 | 38,161 |
| | | 3,318,330 | 2,308,443 |
| Total liabilities | | 5,669,958 | 4,784,554 |
| Total equity and liabilities | | 15,116,358 | 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 31 December 2018 | Audited As at 30 June 2018 |
|---|---|---|
| Net assets per share attributable to owners of the Company (RM) | <u>1.35</u> | <u>1.43</u> |

Note:

1. Inventories

| | | |
|-----------------------------------|-------------------------|------------------|
| Completed development units | 871,281 | 835,491 |
| On-going development | | |
| Launched | 1,248,047 | 1,614,283 |
| Not yet launched | 2,504,136 | 2,462,378 |
| Others | 1,563 | 1,470 |
| | <u>4,625,027</u> | <u>4,913,622</u> |
| Not within normal operating cycle | 2,127,594 | 1,865,841 |
| | <u>6,752,621</u> | <u>6,779,463</u> |

2. Assets held for sale

| | | |
|-------------------------------|----------------------|----------|
| Property, plant and equipment | <u>79,519</u> | <u>–</u> |
|-------------------------------|----------------------|----------|

During the financial period, the Group classified Darby Park Executive Suites in Singapore and two bungalows in Penang under asset held for sale.

The sale and purchase agreement for Darby Park Executive Suites in Singapore was signed on 1 November 2018. The sale was completed on 31 January 2019 for a consideration of SGD93.0 million and the Group registered a gain on disposal of SGD67.3 million (equivalent to RM204.3 million). The gain will be accounted for in the first quarter of the financial year ending 31 December 2019.

The sale and purchase agreement for the two bungalows was signed on 19 December 2018. The completion is subjected to the fulfilment of conditions precedent.

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 |
|---|---------------|--|--------------------|------------------|------------------|---------------------------------------|---------------------------|--------------|
| Financial period ended 31 December 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)) | – | – | – | – | (13,267) | (13,267) | (760) | (14,027) |
| At 1 July 2018 | 6,800,839 | – | 15,876 | (51,781) | 2,956,386 | 9,721,320 | 230,077 | 9,951,397 |
| Total comprehensive income/(loss) for the period | – | – | 22,187 | (11,263) | (318,700) | (307,776) | 6,804 | (300,972) |
| Transaction with owners | | | | | | | | |
| - dividend paid | – | – | – | – | (204,025) | (204,025) | – | (204,025) |
| At 31 December 2018 | 6,800,839 | – | 38,063 | (63,044) | 2,433,661 | 9,209,519 | 236,881 | 9,446,400 |
| Financial period ended 31 December 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 | – | – | (4,117) | (167,043) | 559,769 | 388,609 | 1,789 | 390,398 |
| Transactions with owners | | | | | | | | |
| - issue of shares | 4,395,343 | (1,500,000) | – | – | – | 2,895,343 | – | 2,895,343 |
| - 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 31 December 2017 | 6,800,839 | – | 16,035 | (92,504) | 3,025,431 | 9,749,801 | 220,902 | 9,970,703 |

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

| | Financial period ended | |
|---|------------------------|------------------|
| | 31 December | 2017 |
| | 2018 | 2017 |
| Cash flow from operating activities | | |
| (Loss)/Profit for the period | (311,179) | 564,008 |
| Adjustments for: | | |
| Share of results of joint ventures and associates | 47,366 | (111,636) |
| Depreciation and amortisation | 22,190 | 22,055 |
| Impairment of: | | |
| - receivables | 26,060 | 6,637 |
| - investment properties | 1,223 | - |
| - investment | 1,623 | - |
| Write-offs of fixed assets | 325 | 290 |
| Write down of inventories (net) | 210,637 | - |
| Gain on disposal | (8,808) | (320,145) |
| Finance income | (65,475) | (56,724) |
| Finance costs | 51,798 | 44,961 |
| Tax expense | 273,033 | 47,567 |
| | 248,793 | 197,013 |
| Changes in working capital: | | |
| - inventories | (150,764) | (26,806) |
| - trade, other receivables and prepayments | (71,652) | 65,901 |
| - contract assets and contract liabilities | (139,325) | (94,642) |
| - trade, other payables and provisions | 49,923 | (416,994) |
| Cash used in operations | (63,025) | (275,528) |
| Tax paid | (53,660) | (10,967) |
| Dividends received from joint ventures and associates | 2,658 | 4,921 |
| Net cash used in operating activities | (114,027) | (281,574) |
| Cash flow from investing activities | | |
| Finance income received | 10,527 | 15,775 |
| Proceeds from sale of: | | |
| - property, plant and equipment | 6,019 | 12,759 |
| - investment properties | 16,324 | 1,860 |
| - an associate | - | 615,846 |
| Net cash inflow from disposal of subsidiaries | - | 59,413 |
| Purchase of: | | |
| - property, plant and equipment | (3,528) | (8,225) |
| - investment properties | (53,083) | (36,798) |
| - intangible assets | (448) | (592) |
| Subscription of shares in joint ventures | (414,721) | (44,419) |
| Net cash (used in)/from investing activities | (438,910) | 615,619 |

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

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

| | Financial period ended | |
|---|-------------------------------|------------------|
| | 31 December | |
| | 2018 | 2017 |
| Cash flow from financing activities | | |
| Finance costs paid | (73,714) | (91,988) |
| Borrowings raised | 115,934 | 19,071 |
| Repayments of long-term borrowings | (110,376) | (52,902) |
| Revolving credits (net) | 724,500 | 166,750 |
| Dividend paid to non-controlling interests | – | (47,563) |
| Dividends paid | (204,025) | – |
| Repayment to related companies | – | (414,731) |
| Net cash from/(used in) financing activities | 452,319 | (421,363) |
| Net changes in cash and cash equivalents | (100,618) | (87,318) |
| Foreign exchange differences | 313 | (5,906) |
| Cash and cash equivalents at beginning of the period | 749,395 | 1,129,154 |
| Cash and cash equivalents at end of the period | 649,090 | 1,035,930 |

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

| | | |
|--|----------------|------------------|
| Cash held under Housing Development Accounts | 343,518 | 533,425 |
| Bank balances, deposits and cash | 305,572 | 502,505 |
| | 649,090 | 1,035,930 |

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 – 31 December 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 is for 6 months period ended 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 3 | Business Combinations – Definition of a Business |
| Amendments to MFRS 9 | Financial instruments – Prepayment Features with Negative Compensation |
| Amendments to MFRS 101 | Presentation of Financial Statements – Definition of Material |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material |
| 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 | |

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

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 RM16.1 million. This has resulted in a reduction in the retained profits and non-controlling interests by RM13.3 million and RM0.8 million respectively, and an increase in deferred tax asset by RM2.1 million.

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

Explanatory Notes on the Quarterly Report – 31 December 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 | 2,053 | 462,337 |
| Other non-current assets | 7,101,317 | – | 7,101,317 |
| | <u>7,561,601</u> | <u>2,053</u> | <u>7,563,654</u> |
| Current assets | | | |
| Receivables | 754,871 | (16,080) | 738,791 |
| Other current assets | 6,433,506 | – | 6,433,506 |
| | <u>7,188,377</u> | <u>(16,080)</u> | <u>7,172,297</u> |
| Total assets | <u>14,749,978</u> | <u>(14,027)</u> | <u>14,735,951</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 | (13,267) | 2,956,386 |
| Attributable to owners of the Company | <u>9,734,587</u> | <u>(13,267)</u> | <u>9,721,320</u> |
| Non-controlling interests | 230,837 | (760) | 230,077 |
| Total equity | <u>9,965,424</u> | <u>(14,027)</u> | <u>9,951,397</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>(14,027)</u> | <u>14,735,951</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
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

A4. Material Changes in Estimates

Other than the changes in estimates on impairment provisions and tax expense as described in Note B1, there were no material changes in the estimates of amounts reported in the prior interim period of the current financial period or 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 31 December 2018.

A6. Dividends Paid

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

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

Explanatory Notes on the Quarterly Report – 31 December 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 |
|---|-------------------------|------------------------|----------------------------|---------------------------|----------------|------------------|
| Financial period ended 31 December 2018 | | | | | | |
| Revenue: | | | | | | |
| External | 1,165,202 | 17,665 | 47,302 | 38,976 | – | 1,269,145 |
| Inter-segment | 122 | 5,089 | 76 | – | (5,287) | – |
| | 1,165,324 | 22,754 | 47,378 | 38,976 | (5,287) | 1,269,145 |
| Cost of sales | (1,011,795) | (7,720) | (32,468) | (25,674) | 212 | (1,077,445) |
| Gross profit | 153,529 | 15,034 | 14,910 | 13,302 | (5,075) | 191,700 |
| Other income | 4,403 | 5,816 | 3,388 | – | – | 13,607 |
| Selling and marketing expenses | (43,882) | (223) | (1,156) | – | – | (45,261) |
| Administrative expenses | (102,653) | (9,927) | (29,013) | (2,079) | 5,075 | (138,597) |
| Operating profit/(loss) | 11,397 | 10,700 | (11,871) | 11,223 | – | 21,449 |
| Share of results of joint ventures and associates (note) | (1,574) | 822 | – | – | (46,614) | (47,366) |
| Segment results | 9,823 | 11,522 | (11,871) | 11,223 | (46,614) | (25,917) |
| Other losses | (1,754) | (24,148) | (4) | – | – | (25,906) |
| Profit/(loss) before interest and tax | 8,069 | (12,626) | (11,875) | 11,223 | (46,614) | (51,823) |
| Included in other losses are: | | | | | | |
| Provision on obligation for an investment property disposed | – | (24,142) | – | – | – | (24,142) |
| Impairment of investment | (1,623) | – | – | – | – | (1,623) |

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

| | Property Development | Property Investment | Leisure and Hospitality | Concession Arrangement | Elimination | Total |
|---|---------------------------------|--------------------------------|------------------------------------|-----------------------------------|--------------------|------------------|
| Financial period ended 31 December 2017 | | | | | | |
| Revenue: | | | | | | |
| External | 1,065,119 | 23,249 | 52,406 | 35,463 | – | 1,176,237 |
| Inter-segment | 18 | 5,085 | 318 | – | (5,421) | – |
| | <u>1,065,137</u> | <u>28,334</u> | <u>52,724</u> | <u>35,463</u> | <u>(5,421)</u> | <u>1,176,237</u> |
| Cost of sales | (735,012) | (19,663) | (24,691) | (31,672) | 447 | (810,591) |
| Gross profit | 330,125 | 8,671 | 28,033 | 3,791 | (4,974) | 365,646 |
| Other income | 7,098 | 1,516 | 1,154 | 592 | (72) | 10,288 |
| Selling and marketing expenses | (40,016) | – | (1,065) | – | – | (41,081) |
| Administrative expenses | (113,071) | (10,243) | (42,682) | (1,691) | 5,046 | (162,641) |
| Operating profit/(loss) | 184,136 | (56) | (14,560) | 2,692 | – | 172,212 |
| Share of results of joint ventures and associates | 117,133 | (5,497) | – | – | – | 111,636 |
| Segment results | 301,269 | (5,553) | (14,560) | 2,692 | – | 283,848 |
| Other gains/(losses) | 276,464 | (4) | 39,628 | (124) | – | 315,964 |
| Profit/(loss) before interest and tax | <u>577,733</u> | <u>(5,557)</u> | <u>25,068</u> | <u>2,568</u> | <u>–</u> | <u>599,812</u> |
| Included in other gains are: | | | | | | |
| Gain on disposal of: | | | | | | |
| - subsidiaries | – | – | 39,628 | – | – | 39,628 |
| - an associate | 278,192 | – | – | – | – | 278,192 |

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

Explanatory Notes on the Quarterly Report – 31 December 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 31 December 2018 | | | | | | |
| Segment assets: | | | | | | |
| Operating assets | 9,267,748 | 922,240 | 594,169 | 1,739,478 | (748,760) | 11,774,875 |
| Joint ventures and associates | 2,526,874 | 234,253 | – | – | (46,614) | 2,714,513 |
| Non-current assets held for sale | – | 1,950 | 77,569 | – | – | 79,519 |
| | <u>11,794,622</u> | <u>1,158,443</u> | <u>671,738</u> | <u>1,739,478</u> | <u>(795,374)</u> | <u>14,568,907</u> |
| Tax assets | | | | | | 547,451 |
| Total assets | | | | | | <u>15,116,358</u> |
| As at 30 June 2018 | | | | | | |
| Segment assets: | | | | | | |
| Operating assets | 9,316,320 | 845,945 | 642,242 | 1,768,427 | (703,688) | 11,869,246 |
| Joint ventures and associates | 2,158,369 | 206,155 | – | – | – | 2,364,524 |
| | <u>11,474,689</u> | <u>1,052,100</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>14,749,978</u> |

Note:

Included in the share of results of joint ventures and associates in the current period is the elimination of unrealised profit of RM46.6 million following the sale of land by the Group to Sime Darby MIT Development Sdn Bhd for RM154.1 million for the development of managed industrial park.

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

| | Financial period ended | |
|--|-------------------------------|------------------|
| | 31 December | |
| | 2018 | 2017 |
| Revenue comprise the following: | | |
| Revenue from contracts with customers | 1,247,229 | 1,145,265 |
| Revenue from rental income | 21,916 | 30,972 |
| | <u>1,269,145</u> | <u>1,176,237</u> |
| Disaggregation of the Group's revenue from contracts with customers: | | |
| Geographical market | | |
| - Malaysia | 1,214,822 | 1,098,525 |
| - Australia | 29,399 | 41,208 |
| - Singapore | 2,519 | 1,074 |
| - Vietnam | 489 | 4,458 |
| | <u>1,247,229</u> | <u>1,145,265</u> |
| Timing of revenue recognition | | |
| - at point in time | 391,894 | 297,207 |
| - over time | 855,335 | 848,058 |
| | <u>1,247,229</u> | <u>1,145,265</u> |

A8. Capital Commitments

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

| | As at | As at |
|---------------------------------|-------------------------|---------------------|
| | 31 December 2018 | 30 June 2018 |
| Contracted | | |
| - property, plant and equipment | 17 | 1,772 |
| - investment properties | 122,773 | 175,868 |
| | <u>122,790</u> | <u>177,640</u> |
| Not contracted | | |
| - property, plant and equipment | 19,377 | – |
| | <u>142,167</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 31 December 2018 is estimated up to GBP143.9 million (equivalent to RM759.1 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 31 December 2018, the limit of equity injection authorised is RM86.7 million (30 June 2018: RM112.0 million).

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

A9. Significant Related Party Transactions

Related party transactions conducted during the financial period ended 31 December are as follows:

| | Financial period ended | |
|---|-------------------------------|-----------------|
| | 31 December | |
| | 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>(58,841)</u> | <u>(54,567)</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 57% as at 31 December 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: | | |
| | Financial period ended | |
| | 31 December | |
| | 2018 | 2017 |
| <u>PNB Development Sdn Bhd</u> | | |
| Sale of 40% equity interest in Seriemas Development Sdn Bhd | - | 625,000 |
| Sale of land | - | 85,500 |
| <u>Yayasan Sime Darby</u> | | |
| Contribution | (10,000) | - |
| <u>Sime Darby Berhad group</u> | | |
| Annual branding royalty fee | (2,000) | - |
| Progress claim, repairs and maintenance services rendered | (535) | (1,692) |
| Rental income | 60 | 6,745 |
| Shared services | (6,493) | (10,244) |
| Car lease rental | (810) | (872) |
| Insurance premium | (446) | (1,310) |
| Interest expense | - | (29,924) |
| Management fees and internal audit services | - | (6,422) |
| Waiver of amount owing by two subsidiaries of the Group | - | 159,863 |
| <u>Sime Darby Plantation Berhad group</u> | | |
| Rental income | 3,781 | 1,643 |
| Rental expense | (284) | (140) |
| c. Transactions with a joint venture | | |
| Sale of land to Sime Darby MIT Development Sdn Bhd | 154,086 | - |
| d. Transactions with key management personnel | | |
| Sale of a property | <u>771</u> | <u>-</u> |

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

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

Save for the following, there was no material event subsequent to the end of the current quarter under review to 20 February 2019, being a date not earlier than 7 days from the date of issue of the quarterly report.

The Group completed the disposal of Darby Park Executive Suites on 31 January 2019 and recognised a gain on disposal of approximately SGD67.3 million (equivalent to RM204.3 million) which will be accounted for in the first quarter of the financial year ending 31 December 2019.

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

There were no significant changes in the composition of the Group for the financial period ended 31 December 2018.

A12. Contingent Liabilities – unsecured

| | As at 31 December 2018 | As at 30 June 2018 |
|--|-----------------------------------|-------------------------------|
| Claims pending against the Group (refer Note B9) | <u>79,842</u> | <u>39,834</u> |

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 31 December 2018 | As at 30 June 2018 |
|-------------------|-----------------------------------|-------------------------------|
| Investments: | | |
| - quoted shares | 2,328 | 3,951 |
| - unquoted shares | <u>56,911</u> | <u>35,500</u> |
| | <u>59,239</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.

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

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

B1. Review of Group Performance

| | Financial period ended | | % +/(-) |
|---|-------------------------|------------------|------------|
| | 2018 | 2017 | |
| Revenue | <u>1,269,145</u> | <u>1,176,237</u> | 7.9 |
| Segment results: | | | |
| Property development | 9,823 | 301,269 | (96.7) |
| Property investment | 11,522 | (5,553) | 307.5 |
| Leisure and hospitality | (11,871) | (14,560) | 18.5 |
| Concession arrangement | 11,223 | 2,692 | 316.9 |
| Elimination | (46,614) | – | (100.0) |
| | <u>(25,917)</u> | <u>283,848</u> | (109.1) |
| Other (losses)/gains | <u>(25,906)</u> | <u>315,964</u> | |
| (Loss)/Profit before interest and tax | (51,823) | 599,812 | (108.6) |
| Finance income | 65,475 | 56,724 | |
| Finance costs | (51,798) | (44,961) | |
| (Loss)/Profit before tax | (38,146) | 611,575 | (106.2) |
| Tax expense | (273,033) | (47,567) | |
| (Loss)/Profit after tax | (311,179) | 564,008 | (155.2) |
| Non-controlling interests | (7,521) | (4,239) | |
| (Loss)/Profit attributable to owners of the Company | <u>(318,700)</u> | <u>559,769</u> | (156.9) |

Revenue for the financial period ended 31 December 2018 improved by 7.9% as compared to the corresponding period of the previous year. However, the net earnings declined sharply by 156.9% from RM559.8 million to a loss of RM318.7 million. Whilst the previous year's result included gains on disposal of a subsidiary and an associate totaling RM317.8 million, the current period's result was impacted by high impairment of inventories, negative contribution from Battersea and higher tax provision.

Included in other (losses)/gains are impairment of investment of RM1.6 million and additional provision of RM24.1 million for disposal obligations in relation to a property disposed in financial year 2017. The additional provision was made following the change in the strategic direction of the Group in relation to its Property Investment portfolio.

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

a) Property development

Property development registered a higher revenue of 9.4% but the segment results declined by 96.7%. The results was adversely impacted by the impairment of completed inventories and write-off of development expenditure for two projects where launches have been deferred, of RM110.8 million and RM99.8 million, respectively. The two projects are being replanned to respond to the current market demand. The results also included the impairment of long outstanding receivables of RM26.0 million.

For six months period ended 31 December 2018, the Group's share of loss from Battersea was RM7.7 million compared to a profit of RM112.1 million recorded in the previous year. This was mainly due to only 3 units of Phase 1 delivered as compared to 494 units previously.

These adverse charges were partially set-off by the profit from the sale of land in Bandar Bukit Raja of RM122.7 million to Sime Darby MIT Development Sdn Bhd for the development of managed industrial park. The profit on sale of land in the previous year amounted to RM84.3 million.

Excluding one-off provisions and write-offs, property development registered a lower profit of 18.2% primarily due to negative contribution from Battersea despite higher profit by Bandar Bukit Raja and Denai Alam townships, Cantara Residences and Melawati.

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

B1. Review of Group Performance (continued)

b) Property investment

Property investment segment registered a profit of RM11.5 million compared to a loss of RM5.6 million the previous year. The improvement was due to a one-off income recognition amounting to RM7.0 million on the commencement of tenancy of an investment property and the gains on disposal of investment properties in the United Kingdom totalling RM5.6 million.

The better performance was also contributed by lower share of loss of Sime Darby CapitaLand (Melawati Mall) Sdn Bhd's loss of RM1.1 million compared to share of loss of RM7.9 million a year ago. The mall recorded an improved occupancy rate of 85% (December 2017: 70%) since its opening in July 2017.

c) Leisure and hospitality

Leisure and hospitality's losses reduced from RM14.6 million in the previous year to RM11.9 million. The lower loss was mainly due to the gain on disposal of Darby Park Serviced Residence, Margaret River of RM3.2 million.

d) Concession arrangement

Concession arrangement segment ended the financial period with a higher profit of RM11.2 million or an improvement of 316.9% compared to that of last year. The strong performance was largely from the supply of teaching equipment and better contribution from facility and asset management services.

e) Elimination

The elimination amounting to RM46.6 million represents the unrealised profit net of tax, from the sale of land to the 50% owned joint venture, Sime Darby MIT Development Sdn Bhd as mentioned in (a) above.

f) Tax expense

The entities in the Group are subjected to periodic challenges by tax authorities on a range of tax matters and its interpretation of the tax laws during the normal course of business, including transfer pricing, direct and indirect taxes, and transaction related tax matters.

As at 31 December 2018, based on management's judgement and purely for the purposes of complying with the relevant accounting standards, the Group has provided an amount of RM177.5 million for tax related purposes. The Group is engaging with the Inland Revenue Board ("IRB") on their preliminary findings of the tax audits and the basis of the treatments and assumptions used by the IRB in computing the purported additional taxes and has engaged external specialists to advise on its tax position. Hence the tax provisions should not in any way be deemed as an admission of liability by the Group or any of the entities in the Group.

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

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

| | Quarter ended | | % |
|---|-------------------------|----------------------|-----------|
| | 31 December 2018 | 30 September 2018 | |
| Revenue | <u>788,808</u> | <u>480,337</u> | 64.2 |
| Segment results: | | | |
| Property development | (26,485) | 36,308 | (172.9) |
| Property investment | 1,140 | 10,382 | (89.0) |
| Leisure and hospitality | (2,034) | (9,837) | 79.3 |
| Concession arrangement | 9,330 | 1,893 | 392.9 |
| Elimination | <u>(46,614)</u> | <u>–</u> | (100.0) |
| | <u>(64,663)</u> | 38,746 | (266.9) |
| Other (losses)/gains | <u>(26,111)</u> | <u>205</u> | |
| (Loss)/Profit before interest and tax | <u>(90,774)</u> | 38,951 | (333.0) |
| Finance income | 35,687 | 29,788 | |
| Finance costs | <u>(36,057)</u> | <u>(15,741)</u> | |
| (Loss)/Profit before tax | <u>(91,144)</u> | 52,998 | (272.0) |
| Tax expense | <u>(255,925)</u> | <u>(17,108)</u> | |
| (Loss)/Profit for the period | <u>(347,069)</u> | 35,890 | (1,067.0) |
| Non-controlling interests | <u>(430)</u> | <u>(7,091)</u> | |
| (Loss)/Profit attributable to owners of the Company | <u><u>(347,499)</u></u> | <u><u>28,799</u></u> | (1,306.6) |

Revenue for the second quarter ended 31 December 2018 increased by 64.2% as compared to the preceding quarter. The net earnings of the Group for the current quarter was a loss of RM347.5 million mainly due to impairment of inventories and receivables, tax expense provision and provision for disposal obligation in relation to a property disposed in financial year 2017.

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

a) Property development

Contribution from property development declined by 172.9% to a loss of RM26.5 million compared to the preceding quarter.

The decline was due to impairment of inventories and write-off of development expenditure of RM110.8 million and RM99.8 million respectively, coupled with the impairment of long outstanding receivables of RM26.0 million.

The impairment and write-offs were partially mitigated by profit from the sale of land in Bandar Bukit Raja of RM122.7 million and improvement in contribution from Elmina, Denai Alam and Bandar Bukit Raja 2 & 3 townships and Cantara Residences.

b) Property investment

Property investment segment registered a lower profit of RM1.1 million as compared to RM10.4 million in the preceding quarter. The profit in the preceding quarter include a gain on disposal of an investment property of RM2.6 million and the one-off income of RM7.0 million recognised following the commencement of the tenancy of an investment property.

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

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

c) Leisure and hospitality

Leisure and hospitality registered lower loss of RM2.0 million as compared to loss of RM9.8 million in the preceding quarter. The improved results were mainly due to better contribution achieved from leisure business units and a gain on disposal of a freehold building in Australia of RM3.2 million.

d) Concession arrangement

Concession arrangement registered an increased in profit of 392.9% as compared to the preceding quarter primarily due to contribution from the supply of teaching equipment.

B3. Prospects for the Next Financial Year

The Malaysian economy expanded by 4.7% year-on-year (“YoY”) in 2018, down from 5.9% in 2017. Going forward, the economy is expected to remain on a stable growth path.

The Malaysian property market remains muted and lacklustre and this is expected to persist in the near term due to the high volume of unsold properties, mismatch in demand and supply, continued stringent lending conditions and cautious sentiment among buyers. The Group hopes to benefit from the recent introduction of new policies and incentives aimed at the property market, such as the National Housing Policy 2.0 and the funding initiative announced by Bank Negara Malaysia, which are expected to encourage greater home ownership and improve the current lending constraints, thereby boosting the property sector.

For the six months ended 31 December 2018, the Group had launched a total of 801 units, with a combined gross development value of RM675.5 million, namely in Bandar Bukit Raja, Serenia City, Nilai Impian and Elmina West, strategically priced in the mid-range between RM500,000 to RM800,000. Despite the weaker confidence in the market, the demand for residential products at reasonable price points and in strategic locations remain resilient. This is evidenced by the increase in the Group’s Net Sales Value of 33% YoY to RM1,337.7 million, of which 60% were generated from City of Elmina and Bandar Bukit Raja. As at 31 December 2018, total unbilled sales stood at RM2.2 billion.

For the financial period ended 31 December 2018, on the back of a soft and extremely competitive market, the Group had taken firm measures, which include re-pricing its unsold inventories and a review of the projects in its pipeline launches to ensure that the products are aligned to market demand. Consequently, the Group took a one-off impairment and write-off of its inventories, receivables and development expenditures totalling RM236.6 million. Following this, the Group would be able to start on a clean slate for the financial year ending 31 December 2019. It will also have more flexibility to focus on its profitability, manage its inventories at a sustainable level, improve its cash management and strengthen its gearing profile. Overall, with the alignment of its launch plans and pricing strategy and, with continued operational efficiency improvement, the Group would be in a better financial position in the coming quarters.

On the Group’s 40% venture in the Battersea Power Station Project in London, the proposed disposal of the Phase 2 Commercial Assets by Battersea Power Station Holding Co Limited, to Permodalan Nasional Berhad and the Employees Provident Fund, is on-track for completion by end of Q1 2019. The completion of the proposed disposal would ease the Group’s funding commitment for the remaining phases of the Battersea Power Station project.

On the divestment of the Group’s non-core and low-yielding assets, the Group completed the disposal of the Darby Park Executive Suites in Singapore on 31 January 2019, for a consideration of S\$93.0 million. The disposal registered a gain of approximately RM204.3 million. The Group will continue to unlock value from its non-core assets and to re-invest and expand its recurring income asset portfolio, particularly managed industrial parks.

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

B3. Prospects for the Next Financial Year (continued)

The industrial segment of the property market is expected to be the key driver for growth, particularly with the rise of the logistics and warehousing business, to keep with consumer demand on the back of an e-commerce wave across the region. The Group is well positioned to ride on this demand as its maiden exposure in industrial logistics development on a 39-acre site in Bandar Bukit Raja, via its joint venture with Mitsui & Co. Ltd. and Mitsubishi Estate Co. Ltd. is now on the execution phase, having received all regulatory approvals. The project has drawn strong interest from both local and foreign logistics players. The Group will focus on growing this sector, leveraging on the strategic location of our land bank and our strategic partnerships.

The Group's Galleria, KL East Mall is expected to commence operations in the fourth quarter of 2019, which will add to our existing mall investment portfolio, namely the Melawati Mall, via our 50% joint venture with CapitaLand Limited. The occupancy of the Melawati Mall has increased from 70% in December 2017 to 85% in December 2018.

For the financial year ending 31 December 2019, the Group has set its targets, benchmarking against its FY2018 performance, for Sales and Unbilled Sales of RM2.3 billion and RM2.0 billion, respectively.

Barring unforeseen circumstances and against the backdrop of a very challenging market, the Board of Directors of the Company expects the results for the financial year ending 31 December 2019 to be satisfactory.

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 | | Financial period ended | |
|---|----------------------|-------------|-------------------------------|-------------|
| | 31 December | | 31 December | |
| | 2018 | 2017 | 2018 | 2017 |
| Included in operating profit are: | | | | |
| Depreciation and amortisation | (10,561) | (12,133) | (22,190) | (22,055) |
| Impairment of receivables | (26,546) | (139) | (26,060) | (6,637) |
| Impairment of investment properties | (1,223) | – | (1,223) | – |
| Write-offs of: | | | | |
| - property, plant and equipment | (289) | (51) | (303) | (290) |
| - intangible assets | (22) | – | (22) | – |
| Write down of inventories (net) | (210,637) | – | (210,637) | – |
| Gain on disposal of: | | | | |
| - property, plant and equipment | | | | |
| - land and buildings | 3,160 | 291 | 3,160 | 895 |
| - others | 7 | 109 | 8 | 112 |
| - investment properties | 2,998 | 986 | 5,640 | 1,318 |
| Included in other (losses)/gains are: | | | | |
| Provision on obligation for an investment | | | | |
| property disposed in previous years | (24,142) | – | (24,142) | – |
| Impairment of investment | (1,623) | – | (1,623) | – |
| Net foreign exchange (loss) | (346) | (40) | (141) | (40) |
| Gain on disposal of: | | | | |
| - subsidiaries | – | (952) | – | 39,628 |
| - an associate | – | – | – | 278,192 |

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

B6. Tax Expense

| | Quarter ended 31 December | | Financial period ended 31 December | |
|-----------------------------------|------------------------------|----------|---------------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| In respect of the current period: | | | | |
| - current tax | 64,425 | 87,452 | 84,079 | 119,509 |
| - deferred tax | (31,307) | (42,698) | (34,955) | (60,822) |
| | 33,118 | 44,754 | 49,124 | 58,687 |
| In respect of prior years: | | | | |
| - current tax | 188,175 | (3,591) | 188,175 | (9,563) |
| - deferred tax | 34,632 | 3,855 | 35,734 | (1,557) |
| | 255,925 | 45,018 | 273,033 | 47,567 |

Tax expenses provided for the current quarter and for the period were mainly attributable to ongoing tax audits by the Inland Revenue Board (“IRB”), the absence of group relief for losses incurred by certain subsidiaries and the write down of deferred tax assets following the changes to the tax legislation.

The provisions are made in the financial statements purely for the purposes of complying with the relevant accounting standards as the Group is engaging with the IRB on their preliminary findings of the tax audits and the basis of the treatments and assumptions used by the IRB in computing the purported additional taxes. Hence the tax provisions should not in any way be deemed as an admission of liability by the Group or any of the entities in the Group.

B7. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 20 February 2019.

B8. Group Borrowings

The breakdown of the borrowings as at 31 December 2018 is as follows:

| | Secured | Unsecured | Total |
|--|------------------|------------------|------------------|
| <u>Long-term borrowings</u> | | | |
| Term loans | 185,436 | 49,000 | 234,436 |
| Islamic financing | 744,678 | – | 744,678 |
| Syndicated Islamic financing | 765,567 | – | 765,567 |
| Amounts due to non-controlling interests | – | 180,540 | 180,540 |
| | 1,695,681 | 229,540 | 1,925,221 |
| <u>Short-term borrowings</u> | | | |
| Term loans due within one year | 102,901 | 186,119 | 289,020 |
| Islamic financing due within one year | 52,297 | – | 52,297 |
| Syndicated Islamic financing | 63,572 | – | 63,572 |
| Revolving credits | – | 940,618 | 940,618 |
| Amounts due to non-controlling interests | – | 2,309 | 2,309 |
| | 218,770 | 1,129,046 | 1,347,816 |
| Total borrowings | 1,914,451 | 1,358,586 | 3,273,037 |

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

B8. Group Borrowings (continued)

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

| | Secured | Unsecured | Total |
|------------------|------------------|------------------|------------------|
| Borrowings | | | |
| - principal | 1,904,235 | 1,357,348 | 3,261,583 |
| - interest | 10,216 | 1,238 | 11,454 |
| Total borrowings | <u>1,914,451</u> | <u>1,358,586</u> | <u>3,273,037</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 February 2019 are as follows:

a) 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.

The trial commenced on 16 April 2018 and a joint site inspection was conducted together with the Judge on 17 April 2018. On 14 November 2018, the Plaintiffs’ counsel concluded examination-in-chief of their first expert witness. Trial will continue on 19 to 21 March 2019 and 1, 2, 4, 29 and 30 April 2019.

b) Arbitration between Bumimetro Construction Sdn Bhd (“BCSB”) v Sime Darby Melawati Development Sdn Bhd (“SDMD”)

BCSB (“Claimant”), the main contractor of a project at Melawati, Kuala Lumpur (“Project”) has referred disputes arising from the Project and the construction contract (“Contract”) with SDMD (“Respondent”) to arbitration, by issuance of its notice of arbitration (“Notice”) on 20 September 2018. In the Notice, the Claimant is claiming for specific damages of approximately RM40 million comprising of alleged outstanding progress claims, non-release of the retention sum, loss and expense, unlawful deduction of the Claimant’s performance bond and outstanding goods and services tax. The Respondent had disputed the claims by the Claimant, in its written response to the Notice (“Response”) on 22 October 2018. In the Response, the Respondent contends that there are no sums payable to the Claimant as among others, the latter’s claims are set-off and/or deducted against the sums incurred by the Respondent such as the liquidated and ascertained damages suffered by the Respondent due to the Claimant’s delay in completing the Project and third party rectification costs incurred by the Respondent due to the Claimant’s failure to rectify the defects.

The arbitration proceedings will be held in accordance with the rules of the Asian International Arbitration Centre before a single arbitrator. The hearing will commence on 13 January 2020.

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

Explanatory Notes on the Quarterly Report – 31 December 2018
 Amounts in RM thousand unless otherwise stated

B9. Material Litigations (continued)

Changes in material litigations since the date of the last audited annual statement of financial position up to 20 February 2019 are as follows: (continued)

b) Arbitration between Bumimetro Construction Sdn Bhd (“BCSB”) v Sime Darby Melawati Development Sdn Bhd (“SDMD”) (continued)

The solicitors of the Respondent are of the view that there are tenable grounds on the positions taken by the Respondent in resisting the claim. However, these grounds would have to be assessed in detail when full documentation is disclosed in the proceedings. The Respondent’s chances of success are closely linked to the Project Architect’s advice given/position taken during their administration of the Contract as well as evidence to be given during the proceedings.

B10. Dividend

An interim single tier dividend of 1.0 sen per ordinary share in respect of the financial period ended 31 December 2018, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of schedule 6 of the Income Tax Act 1967 has been declared and will be paid on 26 April 2019. The entitlement date for the dividend payment is 29 March 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) Shares deposited into the depositor’s securities account before 12.30 pm on 27 March 2019 in respect of shares which are exempted from mandatory deposit;
- (ii) Shares transferred into the depositor’s securities account before 4.00 pm on 29 March 2019 in respect of transfers; and
- (iii) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The Board of Directors do not recommend the payment of any final dividend for the financial period ended 31 December 2018.

B11. Earnings Per Share

| | Quarter ended | | Financial period ended | |
|--|----------------------|------------------|-------------------------------|------------------|
| | 31 December | | 31 December | |
| | 2018 | 2017 | 2018 | 2017 |
| Basic (loss)/earnings per share attributable to owners of the Company are computed as follows: | | | | |
| (Loss)/Profit for the period | <u>(347,499)</u> | <u>138,076</u> | <u>(318,700)</u> | <u>559,769</u> |
| Weighted average number of ordinary shares in issue (thousand) | <u>6,800,839</u> | <u>5,541,995</u> | <u>6,800,839</u> | <u>4,723,745</u> |
| Basic (loss)/earnings per share (sen) | <u>(5.1)</u> | <u>2.5</u> | <u>(4.7)</u> | <u>11.9</u> |

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

Explanatory Notes on the Quarterly Report – 31 December 2018
Amounts in RM thousand unless otherwise stated

B11. Earnings Per Share (continued)

The weighted average number of ordinary shares for the comparative period has been calculated on the basis 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 February 2019

By Order of the Board
Moriama binti Mohd
Company Secretary