

**SIME DARBY BERHAD**  
(Company No: 752404-U)

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

	2016	Quarter ended 30 September 2015 (restated)	% + / (-)	2015 (as previously stated)
<b>Profit for the period</b>	<b>498</b>	<b>355</b>	<b>40.3</b>	<b>360</b>
<b>Other comprehensive income/(loss)</b>				
<b>Items that will be reclassified subsequently to profit or loss:</b>				
Currency translation differences:				
- subsidiaries	472	1,083		1,083
Net changes in fair value of:				
- available-for-sale investments	(10)	14		14
- cash flow hedges	(20)	15		15
Share of other comprehensive income/(loss) of:				
- joint ventures	(15)	143		143
- associates	3	33		33
Tax expense	6	(25)		(25)
	<b>436</b>	<b>1,263</b>		<b>1,263</b>
Reclassified changes in fair value of cash flow hedges to:				
- profit or loss	30	(96)		(96)
- inventories	4	(31)		(31)
Reclassified to profit or loss currency translation differences on :				
- repayment of net investment	14	(50)		(50)
- disposal of a subsidiary	(7)	2		2
Tax expense	(9)	40		40
	<b>468</b>	<b>1,128</b>		<b>1,128</b>
<b>Total comprehensive income for the period</b>	<b>966</b>	<b>1,483</b>	<b>(34.9)</b>	<b>1,488</b>
<b>Attributable to owners of:</b>				
- the Company	913	1,414	(35.4)	1,419
- perpetual sukuk	31	—		—
- non-controlling interests	22	69	(68.1)	69
<b>Total comprehensive income for the period</b>	<b>966</b>	<b>1,483</b>	<b>(34.9)</b>	<b>1,488</b>

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 2016.

**SIME DARBY BERHAD**  
(Company No: 752404-U)

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

	Note	Unaudited As at 30 September 2016	Audited As at 30 June 2016
<b><u>Non-current assets</u></b>			
Property, plant and equipment		24,857	24,456
Prepaid lease rentals		939	947
Investment properties		341	395
Biological assets		44	45
Land held for property development		687	695
Joint ventures		3,042	2,889
Associates		1,341	1,324
Investments		161	158
Intangible assets		4,527	4,337
Deferred tax assets		1,681	1,598
Tax recoverable		563	545
Derivatives	B10(a)	122	139
Receivables		568	549
Amounts due from customers on construction contracts		1,470	1,440
		<b>40,343</b>	<b>39,517</b>
<b><u>Current assets</u></b>			
Inventories		9,656	9,397
Biological assets		19	17
Property development costs		3,389	3,180
Receivables		6,963	6,523
Accrued billings and others		1,440	1,383
Tax recoverable		222	239
Derivatives	B10(a)	134	125
Bank balances, deposits and cash		3,504	3,521
		<b>25,327</b>	<b>24,385</b>
<b>Non-current assets held for sale</b>		<b>17</b>	<b>307</b>
<b>Total assets</b>	<b>A7</b>	<b>65,687</b>	<b>64,209</b>
<b><u>Equity</u></b>			
Share capital		3,164	3,164
Reserves		30,263	29,349
<b>Attributable to owners of the Company</b>		<b>33,427</b>	<b>32,513</b>
Perpetual sukuk		2,198	2,230
Non-controlling interests		985	964
<b>Total equity</b>		<b>36,610</b>	<b>35,707</b>
<b><u>Non-current liabilities</u></b>			
Borrowings	B9	11,679	11,414
Finance lease obligation		128	127
Provisions		264	267
Retirement benefits		231	216
Deferred income		426	421
Deferred tax liabilities		2,810	2,658
Derivatives	B10(a)	17	29
		<b>15,555</b>	<b>15,132</b>
<b><u>Current liabilities</u></b>			
Payables		8,163	8,018
Progress billings and others		245	207
Borrowings	B9	4,567	4,419
Finance lease obligation		10	8
Provisions		154	204
Deferred income		138	211
Tax payable		203	245
Derivatives	B10(a)	42	58
		<b>13,522</b>	<b>13,370</b>
<b>Total liabilities</b>		<b>29,077</b>	<b>28,502</b>
<b>Total equity and liabilities</b>		<b>65,687</b>	<b>64,209</b>

**SIME DARBY BERHAD**  
**(Company No: 752404-U)**

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

	<b>Unaudited As at 30 September 2016</b>	<b>Audited As at 30 June 2016</b>
Net assets per share attributable to owners of the Company (RM)	<u><u>5.28</u></u>	<u><u>5.14</u></u>

**Note:**

**1. Bank balances, deposits and cash**

Cash held under Housing Development Accounts	<b>622</b>	610
Bank balances, deposits and cash	<u><b>2,882</b></u>	<u>2,911</u>
	<u><u><b>3,504</b></u></u>	<u><u>3,521</u></u>

**2. Non-current assets held for sale**

Property, plant and equipment	<b>7</b>	7
Investment property	–	13
Associate	–	278
Joint venture	<b>10</b>	–
Investment	<u>–</u>	<u>9</u>
	<u><u><b>17</b></u></u>	<u><u>307</u></u>

The associate and investment classified under non-current assets held for sale as at 30 June 2016 were in relation to the disposal of a portion of the Group's investment in Eastern & Oriental Berhad of 125,978,324 ordinary stock units of RM1.00 each and 48,795,600 convertible warrants 2015/2019. The disposals were completed on 29 September 2016.

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 2016.

**SIME DARBY BERHAD**  
**(Company No: 752404-U)**

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

	Share capital	Share premium	Revaluation reserve	Capital reserve	Legal reserve	Hedging reserve	Available- for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Perpetual sukuk	Non- controlling interests	Total equity
<b>Quarter ended</b>													
<b>30 September 2016</b>													
At 1 July 2016	3,164	2,602	67	6,826	70	(68)	54	927	18,871	32,513	2,230	964	35,707
Total comprehensive income/(loss) for the period	–	–	–	–	–	10	(15)	475	443	913	31	22	966
Transfer between reserves	–	–	–	(1)	–	–	–	–	1	–	–	–	–
Share capital reserve of associate	–	–	–	1	–	–	–	–	–	1	–	–	1
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7	7
Distribution paid	–	–	–	–	–	–	–	–	–	–	(63)	–	(63)
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	(8)	(8)
At 30 September 2016	3,164	2,602	67	6,826	70	(58)	39	1,402	19,315	33,427	2,198	985	36,610

**SIME DARBY BERHAD**  
**(Company No: 752404-U)**

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

	Share capital	Share premium	Share grant reserve	Revaluation reserve	Capital reserve	Legal reserve	Hedging reserve	Available- for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total equity
<b>Quarter ended 30 September 2015</b>													
At 1 July 2015	3,106	1,795	37	67	6,882	68	(100)	48	634	18,031	30,568	1,003	31,571
Total comprehensive (loss)/income for the period	–	–	–	–	–	–	(97)	13	1,175	323	1,414	69	1,483
Performance-based employee share scheme	–	–	9	–	–	–	–	–	–	–	9	–	9
Share capital reserve of associate	–	–	–	–	1	–	–	–	–	–	1	–	1
Acquisition of non- controlling interest	–	–	–	–	–	–	–	–	–	(2)	(2)	(1)	(3)
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	(147)	(147)
At 30 September 2015	<u>3,106</u>	<u>1,795</u>	<u>46</u>	<u>67</u>	<u>6,883</u>	<u>68</u>	<u>(197)</u>	<u>61</u>	<u>1,809</u>	<u>18,352</u>	<u>31,990</u>	<u>924</u>	<u>32,914</u>

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 2016.

**SIME DARBY BERHAD**  
**(Company No: 752404-U)**

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

		Quarter ended 30 September	
	Note	2016	2015 (restated)
<b>Profit after tax</b>		<b>498</b>	<b>355</b>
Adjustments for:			
Gain on disposal of a subsidiary, interest in an associate and investment		(166)	(8)
Gain on disposal of properties		(31)	(7)
Share of results of joint ventures and associates		(3)	(17)
Finance income		(49)	(33)
Finance costs		93	179
Depreciation and amortisation		419	414
Amortisation of prepaid lease rentals		12	11
Tax expense		131	106
Other non-cash items		73	(38)
		<b>977</b>	<b>962</b>
<b>Changes in working capital:</b>			
Inventories and rental assets		47	(234)
Property development costs		(239)	(176)
Land held for property development		(1)	(6)
Trade and other receivables and prepayments		(149)	380
Trade and other payables and provisions		(105)	(228)
<b>Cash generated from operations</b>		<b>530</b>	<b>698</b>
Tax paid		(139)	(139)
Dividends received from an associate		6	3
<b>Net cash from operating activities</b>		<b>397</b>	<b>562</b>
<b>Investing activities</b>			
Finance income received		29	15
Purchase of property, plant and equipment		(460)	(662)
Purchase/subscription of shares in joint ventures and associates		(190)	(176)
Purchase of intangible assets		(41)	(61)
Purchase of investment		(16)	–
Payment for prepaid lease rental		(1)	(42)
Proceeds from sale of subsidiaries	A11.2	276	115
Proceeds from sale of a joint venture		–	141
Proceeds from sale of property, plant and equipment		11	34
Proceeds from sale of investment property		44	–
Proceeds from sale of prepaid lease rental		8	–
Others		56	6
<b>Net cash used in investing activities</b>		<b>(284)</b>	<b>(630)</b>

**SIME DARBY BERHAD**  
**(Company No: 752404-U)**

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

	Note	Quarter ended 30 September 2016	2015 (restated)
<b>Financing activities</b>			
Purchase of additional interest in a subsidiary		–	(3)
Proceeds from shares issued to owners of non-controlling interest		7	–
Finance costs paid		(162)	(182)
Long-term borrowings raised		99	684
Repayment of long-term borrowings		(102)	(97)
Revolving credits, trade facilities and other short-term borrowings (net)		20	(541)
Distribution to perpetual sukuk holders		(63)	–
Dividends paid		(8)	(147)
<b>Net cash used in financing activities</b>		<u>(209)</u>	<u>(286)</u>
<b>Net changes in cash and cash equivalents</b>		(96)	(354)
Foreign exchange differences		67	210
Cash and cash equivalents at beginning of the period		<u>3,496</u>	<u>4,155</u>
<b>Cash and cash equivalents at end of the period</b>		<u><u>3,467</u></u>	<u><u>4,011</u></u>
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Cash held under Housing Development Accounts		622	599
Bank balances, deposits and cash		2,882	3,440
Less:			
Bank overdrafts	B9	<u>(37)</u>	<u>(28)</u>
		<u><u>3,467</u></u>	<u><u>4,011</u></u>

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 2016.

## **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 Financial Reporting Standard (FRS) 134 – Interim Financial Reporting and other FRS 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 annual financial statements for the financial year ended 30 June 2016.

### **A. EXPLANATORY NOTES PURSUANT TO FRS 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 2016 except as described below.

##### **a) New accounting pronouncements under the Financial Reporting Standards (FRS) Framework**

- i) Accounting pronouncements adopted for this interim financial report are set out below:
- FRS 14 – Regulatory Deferral Accounts
  - Accounting for Acquisitions of Interests in Joint Operations (Amendments to FRS 11)
  - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to FRS 116 and FRS 138)
  - Annual Improvements to FRSs 2012 – 2014 Cycle
  - Equity Method in Separate Financial Statements (Amendments to FRS 127)
  - Investment Entities : Applying the Consolidation Exception (Amendments to FRS 10, FRS 12 and FRS 128)
  - Disclosure Initiative (Amendments to FRS 101)

The adoption of the new accounting standard and amendments to the standards do not have any significant impact to the Group.

- ii) Accounting pronouncements that are not yet effective are set out below:
- FRS 9 – Financial Instruments
  - Disclosure Initiative (Amendments to FRS 107)
  - Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)
  - Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)
- iii) Accounting pronouncements where the effective date has been deferred to a date to be determined by the Malaysian Accounting Standards Board (MASB) are set out below:
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 10 and FRS 128)

##### **b) Malaysian Financial Reporting Standards (MFRS) Framework**

In November 2011, the MASB issued the MFRS Framework to replace the FRS Framework. MFRS Framework is a fully International Financial Reporting Standards (IFRS)-compliant framework which is applicable for all non-private entities for annual periods beginning on or after 1 January 2012, other than Transitioning Entities (TEs) which may defer adoption pending the amendments to MFRS 141 – Agriculture and the issuance of a new standard on revenue recognition which will subsume IC Interpretation 15 – Agreements for the Construction of Real Estate. TE are entities within the scope of MFRS 141 and IN Interpretation 15, including their parent, significant investor and venturer.

Subsequent to the amendment to MFRS 141 and the issuance of MFRS 15 – Revenue from Contracts with Customers, on 28 October 2015, MASB announced that TEs shall apply the MFRS Framework with effect from annual period beginning on or after 1 January 2018.



**A1. Basis of Preparation (continued)**

**b) Malaysian Financial Reporting Standards (MFRS) Framework (continued)**

The Group, being a TE, will continue to comply with FRS until the MFRS Framework is adopted, no later than from the financial period beginning on 1 July 2018.

The Group is in the process of assessing the impact of the new pronouncements that are yet to be adopted, including MFRS 141, MFRS 15 and MFRS 16 – Leases. MFRS 16 was issued by MASB on 15 April 2016 and is applicable to annual periods beginning on or after 1 January 2019.

**A2. Seasonal or Cyclical Factors**

The Group's operations are not materially affected by seasonal or cyclical factors except for the fresh fruit bunch production in the Plantation division which may be affected by the vagaries of weather and cropping patterns.

**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.

**A4. Material Changes in Estimates**

There were no material changes in the estimates of amounts reported in the prior interim periods 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.

Subsequent to the date of reporting, on 13 October 2016, the Company issued 316,353,600 new ordinary shares of RM0.50 each at RM7.45 per share pursuant to a Placement exercise. The new shares ranked pari passu in all respects with the existing ordinary shares of the Company.

**A6. Dividends Paid**

No dividend was paid during the quarter ended 30 September 2016.

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Explanatory Notes on the Quarterly Report – 30 September 2016  
Amounts in RM million unless otherwise stated

**A7. Segment Information**

With effect from 1 July 2016, the Group has reorganised its Energy & Utilities segment. The trading and engineering services have been merged into the Industrial division and the Group's port and water management operations in China have been renamed "Logistics". Following the reorganisation, the Group has five reportable segments. These strategic business units offer different products and services, and are managed separately. Each of the strategic business units are headed by a Managing Director and the President & Group Chief Executive reviews the internal management reports on a monthly basis and conducts performance dialogues with the business units on a regular basis.

	Plantation	Industrial	Motors	Property	Logistics	Others	Elimination/ Corporate expense	Total
<b>Quarter ended 30 September 2016</b>								
<b>Segment revenue:</b>								
External	2,791	2,164	4,629	434	70	9	2	10,099
Inter-segment	–	15	6	28	–	1	(50)	–
	<b>2,791</b>	<b>2,179</b>	<b>4,635</b>	<b>462</b>	<b>70</b>	<b>10</b>	<b>(48)</b>	<b>10,099</b>
<b>Segment result:</b>								
Operating profit	287	48	131	166	11	2	25	670
Share of results of joint ventures and associates	(14)	3	(1)	6	1	8	–	3
Profit before interest and tax	<b>273</b>	<b>51</b>	<b>130</b>	<b>172</b>	<b>12</b>	<b>10</b>	<b>25</b>	<b>673</b>
<b>Quarter ended 30 September 2015</b>								
<b>Segment revenue:</b>								
External	2,660	2,385	4,411	632	71	12	2	10,173
Inter-segment	–	23	7	42	–	1	(73)	–
	<b>2,660</b>	<b>2,408</b>	<b>4,418</b>	<b>674</b>	<b>71</b>	<b>13</b>	<b>(71)</b>	<b>10,173</b>
<b>Segment result:</b>								
Operating profit	281	68	83	103	18	5	32	590
Share of results of joint ventures and associates	21	(5)	2	(1)	(1)	1	–	17
Profit before interest and tax	<b>302</b>	<b>63</b>	<b>85</b>	<b>102</b>	<b>17</b>	<b>6</b>	<b>32</b>	<b>607</b>

Note: Elimination/Corporate expense recorded a positive profit before interest and tax of RM25 million (2015: RM32 million) mainly attributable to exchange gains.

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Explanatory Notes on the Quarterly Report – 30 September 2016  
Amounts in RM million unless otherwise stated

**A7. Segment Information (continued)**

	Plantation	Industrial	Motors	Property	Logistics	Others	Corporate	Total
<b>As at 30 September 2016</b>								
<b>Segment assets:</b>								
Operating assets	26,666	9,758	9,368	9,700	2,283	78	968	58,821
Joint ventures and associates	673	218	91	2,400	308	693	–	4,383
Non-current assets held for sale	13	3	–	–	–	1	–	17
	<b>27,352</b>	<b>9,979</b>	<b>9,459</b>	<b>12,100</b>	<b>2,591</b>	<b>772</b>	<b>968</b>	<b>63,221</b>
Tax assets								2,466
Total assets								<b>65,687</b>
<b>As at 30 June 2016</b>								
<b>Segment assets:</b>								
Operating assets	25,988	9,339	8,747	9,673	2,234	86	1,240	57,307
Joint ventures and associates	684	241	90	2,268	286	644	–	4,213
Non-current assets held for sale	4	3	13	287	–	–	–	307
	<b>26,676</b>	<b>9,583</b>	<b>8,850</b>	<b>12,228</b>	<b>2,520</b>	<b>730</b>	<b>1,240</b>	<b>61,827</b>
Tax assets								2,382
Total assets								<b>64,209</b>

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Explanatory Notes on the Quarterly Report – 30 September 2016  
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**A8. Capital Commitments**

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

	As at 30 September 2016	As at 30 June 2016
Property, plant and equipment		
- contracted	599	504
- not contracted	<u>2,377</u>	<u>2,296</u>
	2,976	2,800
Other capital expenditure		
- contracted	192	86
- not contracted	<u>29</u>	<u>128</u>
	<u>3,197</u>	<u>3,014</u>

**A9. Significant Related Party Transactions**

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

	Quarter ended 30 September 2016	2015
<b>a) Transactions with a joint venture</b>		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	<u>9</u>	<u>11</u>
<b>b) Transactions with associates</b>		
Sale of products and services to Tesco Stores (Malaysia) Sdn Bhd	4	3
Sales of parts and services to Energy Power Systems (Australia) Pty Ltd	<u>1</u>	<u>3</u>
<b>c) Transactions between subsidiaries and their significant owners of non-controlling interests</b>		
Turnkey works rendered by Brunsfield Engineering Sdn Bhd to Sime Darby Brunsfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Tian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	37	8
Consultancy services for the Malaysia Vision Valley project by Brunsfield Engineering Sdn Bhd to Superglade Sdn Bhd, companies in which Tan Sri Dato' Ir Gan Tian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	1	–
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	8	7
Royalty payment to and procurement of cars, ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	1	1
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group	13	11

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Explanatory Notes on the Quarterly Report – 30 September 2016  
Amounts in RM million unless otherwise stated

**A9. Significant Related Party Transactions (continued)**

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

	<b>Quarter ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
<b>c) Transactions between subsidiaries and their significant owners of non-controlling interests (continued)</b>		
Project management services rendered to Sime Darby Property Selatan Sdn Bhd by Tunas Selatan Construction Sdn Bhd, the holding company of Tunas Selatan Pagoh Sdn Bhd	1	1
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	<u>17</u>	<u>20</u>
<b>d) Transactions with key management personnel and their close family members</b>		
Sales of properties and cars by the Group	<u>1</u>	<u>5</u>
<b>e) Transactions with shareholders and Government</b>		

Permodalan Nasional Berhad (PNB) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (ASNB), together owns 54.24% as at 30 September 2016 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 FRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government-related entities) are related parties of the Group and the Company.

Transactions entered into during the financial period with government-related entities include the purchase of chemicals and fertilisers from Chemical Company of Malaysia Berhad group of RM15 million (2015 : RM26 million). These related party transactions were entered into in the ordinary course of business on normal trade terms and conditions.

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

Other than the issuance of new ordinary shares pursuant to a Placement exercise as disclosed in Note A5, there was no material event subsequent to the end of the current quarter under review to 17 November 2016, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

1. Establishment of new companies

- a) On 26 September 2016, Sime Darby Global Trading (Labuan) Limited (SDGTL) was incorporated in Labuan with its entire issued share capital of USD10 million held by Sime Darby Plantation Sdn Bhd. The principal activities of SDGTL is to carry on business as a trading company including business of commodity trading activities under the Global Incentives for Trading Programme for palm products, other agriculture commodities products and chemicals used in refineries.
- b) On 26 September 2016, Sapphire Industrial Asset Investment Holding Pte Ltd (SIAIH) was incorporated in Singapore with its entire share capital of S\$2.00 comprising two (2) ordinary shares of S\$1.00 each held by Sime Darby Property Singapore Limited (SDPSL). The principal activity of SIAIH is investment holding.

2. Disposal of a subsidiary and partial interest in an associate

- a) On 29 September 2016, SDPSL disposed its entire equity interest in Sime Darby Property (Alexandra) Private Limited (SDP Alexandra) to Aster Investment Holding Pte Ltd (Aster) for a total cash consideration of SGD82.55 million (equivalent to approximately RM249.2 million), subject to certain purchase price adjustments. Aster is a subsidiary of Sime Darby Real Estate Investment Trust 1, a joint venture of SDPSL. Following the disposal, SDP Alexandra became an indirect joint venture and ceased to be a subsidiary of the Group.
- b) On 29 September 2016, Sime Darby Nominees Sendirian Berhad (SD Nominees) disposed 125,978,324 ordinary stock units of RM1.00 each and 48,795,600 convertible warrants 2015/2019 in Eastern & Oriental Berhad (E&O) to Paramount Spring Sdn Bhd for a total cash consideration of RM323.3 million, representing RM2.45 per stock unit and RM0.30 for each convertible warrant. Following the completion of the disposal, the equity interest held by SD Nominees, has reduced from 278,750,700 to 152,772,376 ordinary stock units of RM1.00 each, representing 12.15% (excluding treasury stocks), in E&O.

Details of net assets and net cash inflow arising from the disposal of subsidiary are as follows:

	<b>Quarter ended 30 September 2016</b>
Investment properties	60
Net current assets	10
Net assets disposed	<u>70</u>
Gain on disposal	131
Less: Exchange gain included in the gain on disposal	<u>(7)</u>
Proceeds from disposal, net of transaction costs	194
Less: Cash and cash equivalent in subsidiary disposed	<u>(8)</u>
Net cash inflow from disposal of subsidiary during the period	<u>186</u>
Net cash inflow from disposal of subsidiary during the period	186
Proceeds from disposal of subsidiaries in previous years	90
Net cash inflow from disposal of subsidiaries	<u>276</u>

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**A12. Contingent Liabilities – unsecured**

a) Guarantees

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

The performance guarantees and financial guarantees are as follows:

	<b>As at 17 November 2016</b>	<b>As at 30 June 2016</b>
Performance guarantees and advance payment guarantees to customers of the Group	<b>2,254</b>	2,234
Guarantees in respect of credit facilities granted to:		
- certain associates and joint ventures	<b>77</b>	90
- plasma stakeholders	<b>65</b>	62
	<b><u>2,396</u></b>	<u>2,386</u>

In addition, the Group guarantees the payment from its customers under a risk sharing arrangement with a third party leasing company in connection with the sale of its equipment up to a pre-determined amount. As at 17 November 2016, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM159 million (30 June 2016: RM258 million)

b) Claims

	<b>As at 17 November 2016</b>	<b>As at 30 June 2016</b>
Claims pending against the Group	<b><u>12</u></b>	<u>11</u>

The claims include disputed amounts for the supply of goods and services.

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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**

	<b>Quarter ended 30 September</b>		<b>% +/(–)</b>
	<b>2016</b>	<b>2015 (restated)</b>	
Revenue	<b>10,099</b>	10,173	(0.7)
Plantation	<b>273</b>	302	(9.6)
Industrial	<b>51</b>	63	(19.0)
Motors	<b>130</b>	85	52.9
Property	<b>172</b>	102	68.6
Logistics	<b>12</b>	17	(29.4)
Others	<b>10</b>	6	66.7
Segment results	<b>648</b>	575	12.7
Exchange gain/(loss):			
Unrealised	<b>24</b>	(32)	
Realised	<b>9</b>	100	
Corporate expense and elimination	<b>(8)</b>	(36)	
Profit before interest and tax	<b>673</b>	607	10.9
Finance income	<b>49</b>	33	
Finance costs	<b>(93)</b>	(179)	
<b>Profit before tax</b>	<b>629</b>	461	36.4
Tax expense	<b>(131)</b>	(106)	
Profit for the period	<b>498</b>	355	40.3
Perpetual sukuk	<b>(31)</b>	–	
Non-controlling interests	<b>(24)</b>	(32)	
<b>Profit after tax and non-controlling interests</b>	<b>443</b>	323	37.2

Group revenue for the first quarter ended 30 September 2016 was lower by 0.7% compared to the corresponding period of the previous year. Profit before tax of the Group at RM629 million was higher by 36.4% largely due to the higher earnings from Motors and Property and reduction in finance costs. Net earnings for the period increased by 37.2% to RM443 million from RM323 million a year ago.

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

**a) Plantation**

The Plantation division registered a slightly lower profit by RM29 million to RM273 million compared to previous year mainly attributable to the lower fresh fruit bunch (FFB) production, lower oil extraction rate (OER) and lower crude palm oil (CPO) sales volume. FFB production declined by 23.8% from 2.827 million MT to 2.154 million MT whilst the OER declined from 22.0% to 21.3%, due to prolonged dry season in parts of Malaysia and Indonesia. These, together with the adverse impact of 30.5% lower CPO sales volume, were partially mitigated by the higher average CPO price realised of RM2,592 per tonne as compared to RM2,088 per tonne previously.

Midstream and downstream operations recorded higher profit than the previous year mainly due to the higher selling prices and sales achieved coupled with lower overheads.



**B1. Review of Group Performance (continued)**

**b) Industrial**

Contribution from Industrial division declined by 19.0% to RM51 million principally due to lower deliveries to shipyard and marine sectors in Singapore and weak demand for equipment and product sales support from construction and mining sectors in China/Hong Kong.

In Australasia, major mining companies spending on capital expenditure remain moderate despite the recovery in coal prices. A higher profit of RM21 million was recorded as compared to the previous year mainly due to higher contribution from parts and services in the current quarter against the impairment of an associate of RM11 million and the higher provision for aged equipment in the corresponding period.

Contribution from Malaysia remained subdued due to low equipment deliveries and product support sales coupled with tight profit margin due to the weak Ringgit Malaysia against the US Dollar.

**c) Motors**

Motors division's profit surged by 52.9% to RM130 million due to higher contribution from all regions except Vietnam, Australia and Macau. Higher profit was registered from Ford and car rental business in Malaysia, BMW in Singapore and Trucks operations in New Zealand. Hong Kong recorded higher profit mainly due to the gain on disposal of a property of RM30 million.

Contribution from Vietnam declined due to the impact of the changes to the Special Consumption Tax.

**d) Property**

In the quarter under review, the construction progress in several townships were significantly lower than the previous year. No contribution was recognised for Pagoh Education Hub project as construction works had been substantially completed in the previous financial year. Nevertheless, a higher profit of RM172 million was achieved compared to RM102 million in the corresponding period in the previous year largely attributable to the gains on the disposals of 10% equity interest and convertible warrants in Eastern & Oriental Berhad of RM35 million and the entire equity interest in Sime Darby Property (Alexandra) Pte Ltd of RM131 million.

**e) Logistics**

Profit from Logistics reduced by RM5 million compared to similar period in the previous year due to lower throughput at Jining ports as a result of stiff competition from alternate modes of transportation. However, the results was partially compensated by higher water consumption and higher throughput in Weifang port following the commencement of operations of the new 3 x 30,000 MT berth in August 2016.

**f) Others**

Contribution from Others increased by RM4 million compared to corresponding period in the previous year mainly due to lower share of losses from Tesco as compared to the share of loss of RM5 million in the previous year.

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

	Quarter ended		
	30 September 2016	30 June 2016	% + / (-)
Revenue	<b>10,099</b>	11,728	(13.9)
Plantation	<b>273</b>	499	(45.3)
Industrial	<b>51</b>	129	(60.5)
Motors	<b>130</b>	197	(34.0)
Property	<b>172</b>	294	(41.5)
Logistics	<b>12</b>	29	(58.6)
Others	<b>10</b>	11	(9.1)
Segment results	<b>648</b>	1,159	(44.1)
Exchange gain/(loss):			
Unrealised	<b>24</b>	15	
Realised	<b>9</b>	(39)	
Corporate expense and elimination	<b>(8)</b>	(34)	
Profit before interest and tax	<b>673</b>	1,101	(38.9)
Finance income	<b>49</b>	34	
Finance costs	<b>(93)</b>	(46)	
<b>Profit before tax</b>	<b>629</b>	1,089	(42.2)
Tax (expense)/refund	<b>(131)</b>	128	
Profit for the period	<b>498</b>	1,217	(59.1)
Perpetual sukuk	<b>(31)</b>	(31)	
Non-controlling interests	<b>(24)</b>	(49)	
<b>Profit after tax and non-controlling interests</b>	<b>443</b>	1,137	(61.0)

Group revenue and pre-tax profit for the first quarter ended 30 September 2016 declined by 13.9% and 42.2% respectively compared to the preceding quarter. Net earnings of the Group declined by 61.0% attributable to lower earnings from all divisions and the recognition of a tax benefit of RM348 million on fixed assets revaluation in Indonesia in the preceding quarter.

**a) Plantation**

Plantation division registered a lower profit by 45.3% in the current quarter mainly due to the 26.1% lower CPO sales volume achieved and lower average CPO price realised of RM2,592 per tonne against RM2,636 per tonne in the preceding quarter. FFB production in Malaysia and Indonesia were higher by 5.4% and 26.4% respectively whilst Papua New Guinea was lower by 30.0%.

Midstream and downstream operations recorded a lower profit of RM38 million compared to a profit of RM77 million in the preceding quarter due to lower sales volume.

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

**b) Industrial**

For the current quarter, profit declined by 60.5% compared to the preceding quarter as deliveries to shipyard, marine, construction and mining sectors remained weak and coupled with the recognition of cost savings on completion of projects, higher equipment and engines deliveries and a gain on disposal of a property of RM10 million registered in the preceding quarter.

**c) Motors**

Motors division's profit declined by RM67 million mainly attributable to lower contributions from all regions, mitigated by the profit of RM30 million from the disposal of a property in Hong Kong.

**d) Property**

Profit from Property for the current quarter declined by 41.5% compared to the preceding quarter largely due to substantial completion of the construction works of Pagoh Education Hub despite boosted by the gains on disposals of the Group's investments in Eastern & Oriental Berhad and Sime Darby Property (Alexandra) Pte Ltd of RM35 million and RM131 million respectively. The results of the preceding quarter included the gains on the disposals of Syarikat Malacca Straits Inn Sdn Bhd of RM39 million and the sale of land in Semenyih of RM185 million.

**e) Logistics**

Logistics recorded a profit of RM12 million compared to RM29 million in the preceding quarter mainly attributable to the gain on disposal of 50% equity interest in Weifang Sime Darby Liquid Terminal of RM18 million in the preceding quarter.

### **B3. Prospects**

The global financial market is marked by uncertainty and volatility post the US presidential elections and the UK Brexit vote. The greater volatility, if prolonged, will affect the prospects of economic recovery which just recently began to strengthen. Commodity prices and foreign exchange rates have been extremely volatile in recent months. This volatility and uncertain market environment will remain a challenge for the Group.

The Group has further strengthened its financial position in the current financial year with the disposal of another Singapore property in Alexandra Road in September 2016 and successful completion of the equity private placement in October 2016. The proposed sale and leaseback of the Group's industrial assets in Australia is currently on-going and expected to be completed in early 2017.

CPO prices have recovered to about RM2,800 per MT recently due to the weaker Ringgit Malaysia and decline in production as result of the strong El-Nino earlier in 2016. The Plantation division continues to focus on improving productivity to meet its target Fresh Fruit Bunch yield and Oil Extraction Rate of 23MT/ha and 23% respectively by FY2018.

Coal prices have increased significantly in the last few months, with coking coal rising to over USD300 per tonne from recent lows of under USD100 per tonne. While it is uncertain whether these prices can be sustained over a longer period, the mining industry has seen some pick-up in activity recently as a result of the coal price recovery. This is expected to boost demand for product support in the coming year. However, the prevailing low crude oil price continues to affect demand for engines from the oil and gas industry.

The Motors operations in Malaysia continue to be impacted by stringent bank lending policies on vehicle financing. The weakening of the Ringgit against foreign currencies, particularly the US Dollar, will adversely affect margins and price competitiveness. Demand for new motor vehicles in Singapore is expected to remain strong in the near term due to the car replacement cycle.

The Malaysian residential property market remains soft due to cautious consumer sentiment and tight lending conditions. The Group's sizeable land bank in strategic locations augurs well for its future growth. The impact of the Brexit vote on the Group's Battersea Development Project continues to be monitored closely. Nevertheless, the Group is on track to recognise its maiden profit from this project in the financial year ending June 2017.

In this uncertain and difficult operating environment, the Board expects the Group's performance for the financial year ending 30 June 2017 to be satisfactory.

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**B4. Statement by Board of Directors on Internal Targets**

The Board of Directors wish to announce the following key performance indicators (KPI) for the financial year ending 30 June 2017:

	<b>Target Year ending 30 June 2017</b>
Profit attributable to owners of the Company (RM million)	<u>2,200</u>
Return on average shareholders' equity (%)	<u>6.4</u>

**B5. Variance of Actual Profit from Profit Forecast or Profit Guarantee**

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

**B6. Operating Profit and Finance Costs**

	<b>Quarter ended 30 September 2016</b>	<b>2015 (restated)</b>
Included in operating profit are:		
Depreciation and amortisation	(419)	(414)
Amortisation of prepaid lease rentals	(12)	(11)
(Impairment)/reversal of impairment of		
- property, plant and equipment	10	(1)
- investment property	8	(1)
- investment	(6)	–
- receivables	(24)	–
Write down of inventories (net)	(38)	(23)
Gain/(loss) on disposal of		
- property, plant and equipment		
- land and buildings	1	7
- others	1	(2)
- investment properties	30	–
- a subsidiary	131	8
- interest in an associate	30	–
- investment	5	–
Net foreign exchange gain	88	37
(Loss)/gain on cross currency swap contract	(19)	113
Fair value loss on warrant in an associate	–	(2)
Gain/(Loss) on forward foreign exchange contracts	4	(11)
Loss on commodity future contracts	<u>(13)</u>	<u>(7)</u>

Included in finance costs are:

Loss on interest rate swap contracts	–	(23)
Loss on cross currency swap interest	<u>(8)</u>	<u>(22)</u>

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**B7. Tax Expense**

	Quarter ended 30 September	
	2016	2015
In respect of the current period:		
- current tax	113	125
- deferred tax	32	(8)
	<u>145</u>	<u>117</u>
In respect of prior years:		
- current tax	4	12
- deferred tax	(18)	(23)
	<u>131</u>	<u>106</u>

The effective tax rate for the current quarter is low compared to the Malaysian income tax rate of 24% mainly due to gains on disposal of a subsidiary and interest in an associate as disclosed in Notes A11.2 and B6, which are not subjected to tax.

**B8. Status of Corporate Proposals**

The corporate proposals announced but not completed as at 17 November 2016 are as follows:

- a) On 15 August 2016, Sime Darby Property Singapore Limited (SDPSL) entered into a conditional Share Purchase Agreement with Japan Regional Assets Manager Limited (JRegional) for the acquisition of 80% of the issued shares of Japan Residential Assets Manager Limited (JRAM) for a consideration equivalent to the aggregate of 80% of JRAM's net assets and USD1 million (equivalent to RM4.1 million). SDPSL shall be entitled to a call option to acquire the remaining 20% equity interest held by JRegional at any time after 24 months from the completion of the acquisition at an amount to be determined and mutually agreed.
- b) On 10 October 2016, Sime Darby Eastern Investments Private Limited (SDEIPL) and SDPSL entered into an implementation agreement (Implementation Agreement) with JRAM (in its capacity as manager of Saizen Real Estate Investment Trust (Saizen REIT)) and Perpetual Corporate Trust Limited (in its capacity as trustee of Sime REIT Australia) (HAUT Trustee) in relation to:
  - i. the proposed disposal by Hastings Deering (Australia) Limited and Austchrome Pty Ltd, indirect wholly-owned subsidiaries of SDEIPL, of 20 industrial properties located in Queensland and the Northern Territory, Australia to Saizen REIT for a total consideration of AUD355.8 million (equivalent to RM1,119.2 million), and
  - ii. the proposed acquisition of new units in Saizen REIT by SDPSL.

The consideration for the properties shall be satisfied in the following manner:

- i. the sum of AUD282.6 million shall be satisfied with:
  - (a) promissory notes to be issued by SDPSL, and
  - (b) cash proceeds from placement of new units in Saizen REIT
- ii. AUD73.2 million in cash from external bank financing

Saizen REIT intends to acquire and hold the properties through a sub-trust of Sime REIT Australia, a wholly-owned head Australian trust (HAUT). The properties will be master leased to Hastings Deering Property Services Pty Ltd. SDPSL is expected to hold not less than 25.0% of the enlarged Saizen REIT after the completion of the placement exercise to be undertaken by SDPSL.

The completion of the proposal is subject to certain conditions precedent. The completion of the transactions (a) and (b) above are inter-conditional and shall occur simultaneously.

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**B9. Group Borrowings**

	As at 30 September 2016		
	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	428	4,438	4,866
Islamic Medium Term Notes	–	700	700
Sukuk	–	3,305	3,305
Syndicated Islamic financing	871	–	871
Islamic financing	215	300	515
Revolving credits and other long-term borrowings	–	1,422	1,422
	<u>1,514</u>	<u>10,165</u>	<u>11,679</u>
<u>Short-term borrowings</u>			
Bank overdrafts	–	37	37
Term loans due within one year	44	810	854
Islamic Medium Term Notes due within one year	–	1,027	1,027
Sukuk due within one year	–	15	15
Syndicated Islamic financing	22	–	22
Islamic Bankers Acceptance	–	72	72
Revolving credits, trade facilities and other short-term borrowings	318	2,222	2,540
	<u>384</u>	<u>4,183</u>	<u>4,567</u>
Total borrowings	<u>1,898</u>	<u>14,348</u>	<u>16,246</u>

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

	As at 30 September 2016		
	Secured	Unsecured	Total
Borrowings			
- principal	1,895	14,295	16,190
- interest	3	53	56
Total borrowings	<u>1,898</u>	<u>14,348</u>	<u>16,246</u>

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

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	3,376	1,774	5,150
Australian dollar	–	24	24
Chinese renminbi	–	310	310
European Union Euro	464	150	614
Indonesian Rupiah	–	267	267
New Zealand dollar	–	49	49
Pacific franc	34	3	37
Singapore dollar	–	70	70
Taiwan dollar	–	35	35
Thailand baht	68	126	194
United States dollar	7,737	1,617	9,354
Vietnamese dong	–	142	142
Total borrowings	<u>11,679</u>	<u>4,567</u>	<u>16,246</u>

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

**B10. Financial Instruments and Realised and Unrealised Profits or Losses**

a) Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts, cross currency swap contracts and commodity futures contracts to manage its exposure to various financial risks. The fair values of these derivatives as at 30 September 2016 are as follows:

	Classification in Statement of Financial Position				Net Fair Value
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	
Forward foreign exchange contracts	–	50	–	(18)	32
Interest rate swap contracts	2	2	(17)	(9)	(22)
Cross currency swap contract	120	70	–	–	190
Commodity futures contracts	–	12	–	(15)	(3)
	122	134	(17)	(42)	197

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial period ended 30 September 2016.

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

Forward foreign exchange contracts

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

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

As at 30 September 2016, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:

	Notional Amount	Fair Value Assets
- less than 1 year	3,615	32
- 1 year to 2 years	7	–
	<b>3,622</b>	<b>32</b>



**B10. Financial Instruments and Realised and Unrealised Profits or Losses (continued)**

a) Derivatives (continued)

Interest rate swap contracts

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

The outstanding interest rate swap contracts, all plain vanilla, as at 30 September 2016 are as follows:

<b>Effective period</b>	<b>Notional amount</b>	<b>All-in swap rate per annum</b>
12 December 2012 to 12 December 2018	USD166.5 million	1.822% to 1.885%
11 June 2015 to 4 February 2022	USD350.0 million	2.85% to 2.99%
30 June 2015 to 17 December 2018	MYR192.0 million	3.938%

As at 30 September 2016, the notional amount, fair value and maturity period of the interest rate swap contracts are as follows:

	<b>Notional Amount</b>	<b>Fair Value Liabilities</b>
- less than 1 year	348	(7)
- 1 year to 3 years	1,177	(10)
- 3 years to 6 years	804	(5)
	<b>2,329</b>	<b>(22)</b>

Cross currency swap contract

The Group has entered into a cross currency swap contract to exchange the principal payments of a foreign currency denominated loan into another currency to reduce the Group's exposure from adverse fluctuations in foreign currency. All changes in fair value during the period are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 30 September 2016, the notional amount, fair value and maturity period of the cross currency swap contract are as follows:

	<b>Notional Amount</b>	<b>Fair Value Assets</b>
- less than 1 year	368	70
- 1 year to 3 years	550	120
	<b>918</b>	<b>190</b>

**B10. Financial Instruments and Realised and Unrealised Profits or Losses (continued)**

a) Derivatives (continued)

Commodity futures contracts

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

The outstanding commodity futures contracts as at 30 September 2016 that are not held for the purpose of physical delivery are as follows:

	<b>Quantity (metric tonne)</b>	<b>Notional Amount</b>	<b>Fair Value Assets</b>
Purchase contracts	<b>47,661</b>	<b>125</b>	<b>10</b>
Sales contracts	<b>151,336</b>	<b>395</b>	<b>(13)</b>
			<b>(3)</b>

All contracts mature within one year.

b) Fair Value Changes of Financial Liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

c) Realised and Unrealised Profits or Losses

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

	<b>As at 30 September 2016</b>	<b>As at 30 June 2016</b>
Total retained profits of the Company and its subsidiaries		
- realised	<b>27,750</b>	26,255
- unrealised	<b>4,052</b>	5,188
	<b>31,802</b>	31,443
Total share of retained profits from joint ventures		
- realised	<b>(75)</b>	(74)
- unrealised	<b>28</b>	28
	<b>(47)</b>	(46)
Total share of retained profits from associates		
- realised	<b>266</b>	266
- unrealised	<b>(31)</b>	(30)
	<b>235</b>	236
Less: consolidation adjustments	<b>(12,675)</b>	(12,762)
Total retained profits of the Group	<b>19,315</b>	18,871

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

## **B11. Material Litigation**

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 November 2016 are as follows:

### **a) Qatar Petroleum Project (QP Project), Maersk Oil Qatar Project (MOQ Project) and the Marine Project Civil Suits (O&G Suit)**

On 23 December 2010, Sime Darby Berhad, Sime Darby Engineering Sdn Bhd (SDE), Sime Darby Energy Sdn Bhd, Sime Darby Marine Sdn Bhd and Sime Darby Marine (Hong Kong) Pte Ltd (collectively, the Plaintiffs) filed a civil suit in the High Court against Dato' Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato' Mohamad Shukri Baharom, Abdul Rahim Ismail, Abdul Kadir Alias and Mohd Zaki Othman (collectively, the Defendants) claiming, inter alia, damages arising from the Defendants' negligence and breaches of duty in relation to the QP Project, the MOQ Project and the project relating to the construction of a derrick lay barge known as the Marine Project. The aggregate amount claimed was RM93.3 million and USD78.8 million (equivalent to RM326.1 million) together with general and aggravated damages to be assessed and other relief.

On 13 June 2014, all the Defendants consented to judgment being recorded on the Defendants' liability (Consent Judgment) with damages to be assessed.

The Plaintiffs shall be permitted to enforce judgment against any of the Defendants upon the Plaintiffs recovering all claims from the respective employers for the QP Project and the MOQ Project and the proceeds of sale of the derrick lay barge, or after the expiry of 3 years from the date of final judgment, whichever is earlier.

The amount of damages will be assessed by the Court. The Plaintiffs have filed a Notice of Application for directions to assess damages and the matter has been fixed for hearing on 23 January 2017.

### **b) Bakun Hydroelectric Project (Bakun Project) and the Indemnity Agreement Civil Suits (Bakun Suit)**

On 24 December 2010, Sime Darby Berhad, Sime Engineering Sdn Bhd, Sime Darby Holdings Berhad and Sime Darby Energy Sdn Bhd (collectively, the Plaintiffs) filed a civil suit in the High Court against Dato' Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato' Mohamad Shukri Baharom (DMS) and Abdul Rahim Ismail (collectively, the Defendants) claiming, inter alia, damages in connection with the Defendants' negligence and breaches of duty in relation to the Package CW2-Main Civil Works for the Bakun Project and in respect of the Receipt, Discharge and Indemnity Agreement dated 12 January 2010 (Indemnity Agreement) given to DMS. The aggregate amount claimed was RM91.4 million together with general and aggravated damages to be assessed and other relief.

On 13 June 2014, all the Defendants consented to judgment being recorded on the Defendants' liability (Consent Judgment) with damages to be assessed.

The Plaintiffs shall be permitted to enforce judgment against any of the Defendants upon the Malaysia-China Hydro Joint Venture receiving full settlement from Sarawak Hidro Sdn Bhd or the Ministry of Finance and/or an assignee or successor in title thereof in relation to the Bakun Project, or after the expiry of 3 years from the date of final judgment, whichever is earlier.

The amount of damages will be assessed by the Court. The Plaintiffs have filed a Notice of Application for directions to assess damages and the matter has been fixed for hearing on 23 January 2017.

**B11. Material Litigation (continued)**

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 November 2016 are as follows: (continued)

**c) Emirates International Energy Services (EMAS)**

EMAS had on 13 January 2011, filed a civil suit in the Plenary Commercial Court in Abu Dhabi against Sime Darby Engineering Sdn Bhd (SDE) (First Suit) claiming payment of USD178.2 million comprising (a) a payment of USD128.2 million for commissions; and (b) a payment of USD50.0 million as “morale compensation”.

SDE filed its Statement of Defence and Counter Claim for the sum of AED100 million (equivalent to RM112.6 million) on 14 August 2011. SDE’s Statement of Defence contained a request for the matter to be referred to arbitration and on 22 August 2011, the Court dismissed the First Suit. EMAS did not appeal against the Court’s decision.

**i. Proceedings at the Judicial Department of Abu Dhabi**

On 31 March 2012, EMAS filed the Second Suit against SDE at the Judicial Department of Abu Dhabi. The claim of USD178.2 million by EMAS was based on the same facts and grounds as the First Suit.

On 11 June 2013, the Court appointed a court expert specialising in commercial agencies. On 30 July 2013, the court expert released his report recommending SDE to pay EMAS compensation of approximately USD11.2 million. On 18 May 2014, despite the objection of the parties, the Court issued judgment for the sum of AED41.0 million (equivalent to RM46.2 million) against SDE.

The parties appealed to the Court of Appeal against the Court’s decision. On 2 July 2014, the Court of Appeal reversed the finding of the Court (“Court of Appeal’s Decision”).

On 1 September 2014, EMAS filed an appeal to the Supreme Court against the Court of Appeal’s Decision. On 25 December 2014, the Supreme Court dismissed EMAS’s appeal against the Court of Appeal’s Decision. By virtue of the Supreme Court’s decision, EMAS has effectively exhausted all its avenues in the Abu Dhabi courts in pursuing its claim against SDE.

**ii. Proceedings at Dubai Chamber of Commerce and Industry (DIAC)**

On 24 January 2016, EMAS submitted a Request for Arbitration against SDE to DIAC. The amount claimed by EMAS as stated in the Request is AED41.0 million (equivalent to RM46.2 million).

On 20 March 2016, SDE submitted its response to the Request. DIAC confirmed the appointment of the arbitrators and the tribunal chairman on 6 June 2016 and 26 June 2016, respectively.

During the preliminary meeting, the tribunal set the proceeding schedule and fixed the matter for hearing tentatively from 15 January 2018 to 20 January 2018.

**d) Qatar Petroleum (QP) Statement of Claim**

On 15 August 2012, Sime Darby Engineering Sdn Bhd (SDE) filed a Statement of Claim at the Qatar Court against QP for the sum of QAR1.0 billion (equivalent to RM1.1 billion). The claim seeks the repayment of a liquidated performance bond, payment of outstanding invoices, compensation and additional costs incurred in relation to an offshore engineering project in Qatar undertaken by SDE pursuant to a contract dated 27 September 2006.

On 15 May 2014, a panel of 3 experts were appointed to assist the Court. On 1 April 2015, the experts submitted their report and recommended that SDE be compensated in the sum of QAR13.5 million (equivalent to RM15.3 million) (Expert Report). At the hearing on 14 April 2015, the parties submitted their objections to the Expert Report.

**B11. Material Litigation (continued)**

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 November 2016 are as follows: (continued)

**d) Qatar Petroleum (QP) Statement of Claim (continued)**

On 8 June 2016, the experts submitted their 2nd report and recommended that SDE be compensated the sum of QAR12.9 million (Expert 2nd Report). At the hearing on 23 June 2016, the parties submitted their objections to the Expert 2nd Report. On 21 July 2016, the Court delivered its judgment and ordered QP to pay the sum of QAR12.9 million (equivalent to RM14.6 million) to SDE (Judgment). On 24 August 2016, SDE filed enforcement proceedings against QP to enforce the Judgment. The matter is fixed for hearing on 21 November 2016.

On 6 September 2016, QP filed an appeal to the Court of Appeal against the Judgment. On 25 September 2016, SDE filed its appeal against the Judgment sum and the appeal has been fixed for hearing on 25 October 2016. On 25 October 2016, the Court adjourned the hearing of the parties' appeal to 8 January 2017.

**e) Oil and Natural Gas Corporation Ltd (ONGC) (O5WHP Project)**

Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) entered into a Consortium Agreement dated 23 February 2010 (CA) to govern their relationship as a Consortium in relation to the execution and performance of the 05 Well Head Platform Project (O5WHP Project) awarded by ONGC. A contract dated 26 February 2010 (Contract) was executed for a total contract price of USD188.9 million.

Disputes and differences relating to the O5WHP Project have arisen between the Consortium and ONGC and the Consortium has invoked the referral of the dispute to arbitration pursuant to the Contract. SDE's portion of the Consortium's claim is circa USD32.5 million. The Consortium and ONGC agreed to refer the dispute to an Outside Expert Committee (OEC).

On 2 December 2014, the OEC issued its report, recommending USD12 million in full and final settlement in favour of the Consortium, of which USD6.7 million (equivalent to RM27.7 million) was apportioned to SDE and USD5.3 million (equivalent to RM21.9 million) to SOC. On 20 March 2015, the Consortium informed ONGC of its objection to the OEC's recommendation and sought a higher amount of compensation. On 19 April 2015, ONGC rejected the Consortium's request.

On 21 December 2015, the Consortium issued a notice to ONGC of its intention to proceed with arbitration. During the preliminary meeting held on 13 July 2016 in Mumbai, the tribunal set the proceedings schedule and the next procedural meeting has been fixed on 17 December 2016.

**f) Oil and Natural Gas Corporation Ltd (ONGC) (B-193 Process Platform)**

Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) entered into a Consortium Agreement dated 3 July 2010 (CA) to govern their relationship as a Consortium to undertake works relating to the B-193 Process Platform Project (PP Project) awarded by ONGC. A contract dated 3 July 2010 (Contract) was executed for a total contract price of USD618.4 million.

On 1 June 2016, the Consortium initiated arbitration proceedings against ONGC and nominated its arbitrator. SDE's portion of the Consortium's claim is circa USD76 million. On 12 September 2016, ONGC nominated its arbitrator. The tribunal chairman fixed a preliminary meeting on 8 October 2016.

The Consortium agreed to refer the dispute to an Outside Expert Committee (OEC) and sought ONGC's agreement to the same. The Consortium is awaiting ONGC's response.

In view of the Consortium's intention to refer the dispute to the OEC, the preliminary meeting on 8 October 2016 has been adjourned pending the decision on the referral to the OEC.

**B11. Material Litigation (continued)**

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 November 2016 are as follows: (continued)

**g) Malaysia Marine and Heavy Engineering (MMHE) Notice of Arbitration**

MMHE and Sime Darby Engineering Sdn Bhd (SDE) entered into a Sale and Purchase Agreement dated 25 August 2011 (SPA) for the disposal of SDE's oil and gas business to MMHE for a consideration of RM393.5 million and subsequently entered into a Supplemental Agreement dated 30 March 2012 (SSPA) to vary certain terms and conditions of the SPA.

The SSPA provides, inter alia, that the fabrication of KBB Topsides Contract No. KPOC/COC/2009/015 for the Kebabangan Northern Hub Development (KPOC Project) between Kebabangan Petroleum Operating Company Sdn Bhd and SDE dated 20 September 2011 shall be novated by SDE to MMHE with effect from 31 March 2012 for a consideration of RM20.0 million.

Disputes relating to the KPOC Project have since arisen between the parties.

On 17 March 2015, SDE received a Notice of Arbitration dated 16 March 2015 (Notice) from MMHE to refer the disputes to arbitration before the Regional Centre for Arbitration Kuala Lumpur (KLRCA) in accordance with the Rules of Arbitration of the KLRCA. The claim from MMHE as stated in the Notice is RM56.9 million but was subsequently revised to RM49.3 million on 7 September 2015.

Hearing commenced from 8 November 2016 to 18 November 2016 and the case was adjourned for continued hearing on 20 March 2017.

**h) Claim against PT Anzawara Satria**

On 11 May 2006, PT Sajang Heulang (PT SHE), a subsidiary of Sime Darby Plantation Sdn Bhd filed legal action in the District Court of Kotabaru against PT Anzawara Satria (PT AS) claiming for the surrender of approximately 60 hectares of land forming part of Hak Guna Usaha (HGU) 35 belonging to PT SHE on which PT AS had allegedly carried out illegal coal mining activities.

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

Meanwhile, on 24 May 2006, PT AS claimed in the State Administration Court Banjarmasin for an order that the mining rights held by PT AS superseded the HGU 35 held by PT SHE and that the said HGU 35 measuring approximately 2,128 hectares was improperly issued to PT SHE. On 26 September 2006, the State Administration Court Banjarmasin ruled in favour of PT SHE and dismissed PT AS's claim (State Administration Court Banjarmasin Decision). PT AS appealed to the High Court of State Administration at Jakarta against the State Administration Court Banjarmasin Decision. On 19 February 2007, the High Court of State Administration at Jakarta ruled in favour of PT AS and nullified PT SHE's HGU 35 (2nd High Court Decision). On 9 December 2009, PT SHE appealed to the Supreme Court against the 2nd High Court Decision. On 26 October 2010, the Supreme Court declared PT SHE as the lawful owner of HGU 35 (2nd Judicial Review Decision).

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

Explanatory Notes on the Quarterly Report – 30 September 2016  
Amounts in RM million unless otherwise stated

#### **B11. Material Litigation (continued)**

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 November 2016 are as follows: (continued)

##### **h) Claim against PT Anzawara Satria (continued)**

On 27 March 2013, PT AS commenced execution of the 1st Judicial Review Decision and in carrying out the execution proceedings, felled oil palm trees and destroyed buildings and infrastructure, resulting in damage to approximately 1,500 hectares of land.

On 23 April 2014, PT SHE filed a claim at the District Court of Batu Licin against PT AS for the sum of IDR672.8 billion (approximately RM214.6 million) for loss and/or damage caused by PT AS in executing the 1st Judicial Review Decision.

On 20 January 2015, the District Court of Batu Licin decided in favour of PT SHE and awarded damages in the sum of IDR69.9 billion (approximately RM22.3 million) and on 13 February 2015 issued a written decision (District Court Batu Licin Decision). On 29 January 2015, PT AS filed an appeal to the High Court of Kalimantan Selatan, Banjarmasin against the District Court Batu Licin Decision.

On 10 February 2016, the High Court of Kalimantan Selatan, Banjarmasin ruled in favour of PT AS on the ground that the same subject matter (claim for execution/compensation) and the same object matter (being 60 hectares of land in Desa Bunati) had been deliberated and decided by the High Courts and Supreme Courts. Thus, PT SHE is not entitled to bring the same action before the District Court of Batu Licin (3rd High Court Decision).

On 22 February 2016, PT SHE filed an appeal to the Supreme Court against the 3rd High Court Decision. On 28 March 2016, PT AS filed its reply to PT SHE's appeal.

##### **i) New Britain Palm Oil Limited ("NBPOL") v. Masile Incorporated Land Group ("Masile"), NBPOL v. Rikau Incorporated Land Group ("Rikau") & NBPOL v. Meloks Incorporated Land Group ("Meloks")**

On 30 August 2011 (prior to the acquisition of NBPOL by Sime Darby Plantation Sdn Bhd on 2 March 2015), NBPOL initiated three separate legal actions against Masile, Rikau and Meloks (collectively, Defendants) in the National Court of Justice at Waigani, Papua New Guinea (Court). All three actions relate to the same cause of action in that the Defendants had defaulted in their obligations to surrender the Special Agricultural Business Leases (SABLs) to NBPOL for registration of the sub-leases despite having received benefits under the sub-lease agreements (SLAs), which include, rent paid by NBPOL for the customary land of 3,720 hectares (Land), royalties for the fresh fruit bunches harvested from the Land and 31,250 ordinary shares in NBPOL issued to each of the Defendants. NBPOL sought orders for specific performance requiring the Defendants forthwith deliver to NBPOL the SABLs to enable the sub-leases to be registered in accordance with the Land Registration Act.

By an Amended Statement of Claim dated 3 November 2014, in addition to NBPOL's claim for specific performance for the Defendants to surrender their SABLs, in the alternative, NBPOL claimed compensation for costs incurred by NBPOL in developing the Land into an oil palm estate amounting to PGK30.7 million (equivalent to RM40.1 million), compensation for appreciation of the value of the Land due to the development by NBPOL and compensation for 31,250 ordinary shares in NBPOL issued to each of the Defendants pursuant to the SLAs.

The Defendants in turn via their Defence and Cross-Claim filed on 23 April 2012, Amended Defence and Cross-Claim filed on 9 September 2012 and Further Amended Defence and Cross-Claim filed on 11 December 2014, cross-claimed amongst others, that the SLAs were unfair and inequitable agreements, and should be declared invalid, void and of no effect as well as damages for environmental damage and trespass to property by NBPOL.

Trial relating to the Meloks claim was concluded on 2 November 2016. The Court will fix a date for decision.

Explanatory Notes on the Quarterly Report – 30 September 2016  
 Amounts in RM million unless otherwise stated

## **B12. Dividend**

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

The Board has recommended a final single tier dividend of 21.0 sen per share in respect of the financial year ended 30 June 2016 (Final Dividend) which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967. The proposed dividend was approved by members at the Annual General Meeting (AGM) held on 2 November 2016.

At the AGM, the renewal of the authority to allot and issue new ordinary shares of RM0.50 each in the Company (Sime Darby Shares) for the purpose of implementation of the dividend reinvestment plan (DRP) was also approved by the members. The Board has determined that the DRP applies to the Final Dividend and shareholders of the Company be given an option to elect to reinvest up to the entire Final Dividend in Sime Darby Shares. The issue price has been fixed at RM7.55 per share and the entitlement date has been fixed on 16 November 2016.

## **B13. Earnings Per Share**

	<b>Quarter ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
Earnings per share attributable to owners of the Company are computed as follows:		
<u>Basic and Diluted</u>		
Profit for the period	<b>443</b>	323
Weighted average number of ordinary shares in issue (million)	<b>6,327</b>	6,211
Earnings per share (sen)	<u><b>7.0</b></u>	<u>5.2</u>

## **B14. Comparatives**

The Group changed its accounting policy for bearer plants to be in line with the accounting requirements of FRS 116 – Property, Plant and Equipment in the third quarter ended 31 March 2016 for the financial year ended 30 June 2016. The change in the accounting policy has been applied retrospectively. Accordingly, the results, statement of changes in equity and cash flows for first quarter ended 30 September 2015 shown as comparatives to this interim financial report have been restated to comply with the new accounting policy.

Kuala Lumpur  
 24 November 2016

By Order of the Board  
 Norzilah Megawati Abdul Rahman  
 Mazlina Mohd Zain  
 Company Secretaries