

SIME DARBY BERHAD
(Company No: 752404-U)

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

	Quarter ended 31 March		%	Three quarters ended 31 March		%
	2017	2016	+/(-)	2017	2016	+/(-)
Profit for the period	773	692	11.7	1,975	1,383	42.8
Other comprehensive income/(loss)						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences:						
- subsidiaries	29	(800)		1,166	164	
Net changes in fair value of:						
- available-for-sale investments	3	(15)		(9)	(1)	
- cash flow hedges	(25)	14		33	54	
Share of other comprehensive (loss)/income of:						
- joint ventures	(9)	(143)		70	(52)	
- associates	27	(17)		35	16	
Tax credit/(expense)	14	13		(7)	(10)	
	39	(948)		1,288	171	
Reclassified changes in fair value of cash flow hedges to:						
- profit or loss	32	58		27	(18)	
- inventories	9	17		4	9	
Reclassified changes in fair value of available-for-sale investments to profit or loss	1	—		1	—	
Reclassified to profit or loss currency translation differences on :						
- repayment of net investment	23	20		40	(33)	
- disposal of a subsidiary	—	(9)		(7)	(7)	
Tax (expense)/credit	(13)	(22)		(9)	3	
	91	(884)		1,344	125	
Items that will not be reclassified subsequently to profit or loss:						
Actuarial losses on defined benefit pension plans	(8)	—		(8)	—	
Share of other comprehensive income of a joint venture	—	3		—	5	
	(8)	3		(8)	5	
Total other comprehensive income/(loss)	83	(881)		1,336	130	
Total comprehensive income/(loss) for the period	856	(189)	552.9	3,311	1,513	118.8
Attributable to owners of:						
- the Company	697	(204)	441.7	3,027	1,358	122.9
- perpetual sukuk	30	3		93	3	
- non-controlling interests	129	12		191	152	
Total comprehensive income/(loss) for the period	856	(189)	552.9	3,311	1,513	118.8

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

		Unaudited As at 31 March 2017	Audited As at 30 June 2016
	Note		
<u>Non-current assets</u>			
Property, plant and equipment		25,773	24,456
Prepaid lease rentals		991	947
Investment properties		497	395
Biological assets		48	45
Land held for property development		627	695
Joint ventures		3,507	2,889
Associates		1,362	1,324
Investments		190	158
Intangible assets		4,908	4,337
Deferred tax assets		1,858	1,598
Tax recoverable		517	545
Derivatives	B11(a)	103	139
Receivables		488	549
Amounts due from customers on construction contracts		1,591	1,440
		42,460	39,517
<u>Current assets</u>			
Inventories		9,844	9,397
Biological assets		14	17
Property development costs		3,707	3,180
Receivables		7,674	6,523
Accrued billings and others		1,649	1,383
Tax recoverable		152	239
Derivatives	B11(a)	154	125
Bank balances, deposits and cash		3,984	3,521
		27,178	24,385
Assets held for sale		15	307
Total assets	A7	69,653	64,209
<u>Equity</u>			
Share capital	A5	9,299	3,164
Reserves		27,967	29,349
Attributable to owners of the Company		37,266	32,513
Perpetual sukuk		2,199	2,230
Non-controlling interests		1,114	964
Total equity		40,579	35,707
<u>Non-current liabilities</u>			
Borrowings	B10	8,325	11,414
Finance lease obligation		100	127
Provisions		269	267
Retirement benefits		255	216
Deferred income		435	421
Deferred tax liabilities		2,911	2,658
Derivatives	B11(a)	–	29
		12,295	15,132
<u>Current liabilities</u>			
Payables		8,689	8,018
Progress billings and others		222	207
Borrowings	B10	6,722	4,419
Finance lease obligation		11	8
Provisions		182	204
Deferred income		129	211
Tax payable		380	245
Derivatives	B11(a)	36	58
Dividend payable		408	–
		16,779	13,370
Total liabilities		29,074	28,502
Total equity and liabilities		69,653	64,209

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

	Unaudited As at 31 March 2017	Audited As at 30 June 2016
Net assets per share attributable to owners of the Company (RM)	<u>5.48</u>	<u>5.14</u>

Note:

1. Bank balances, deposits and cash

Cash held under Housing Development Accounts	555	610
Bank balances, deposits and cash	<u>3,429</u>	<u>2,911</u>
	<u>3,984</u>	<u>3,521</u>

2. Assets held for sale

Non-current assets		
Property, plant and equipment	7	7
Investment property	–	13
Associate	–	278
Joint venture	8	–
Investment	–	9
	<u>15</u>	<u>307</u>

The associate and investment classified under non-current assets held for sale as at 30 June 2016 were in relation to the proposed disposal of 125,978,324 ordinary stock units and 48,795,600 convertible warrants 2015/2019 in Eastern & Oriental Berhad. 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
Three quarters ended 31 March 2017													
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	–	–	–	–	–	47	(13)	1,215	1,778	3,027	93	191	3,311
Transfer from share premium (Note A5)	5,899	(5,899)	–	–	–	–	–	–	–	–	–	–	–
Transfer between reserves	–	–	–	(6,291) ¹	2	–	–	–	6,289	–	–	–	–
Share placement	158	2,199	–	–	–	–	–	–	–	2,357	–	–	2,357
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7	7
Distribution paid	–	–	–	–	–	–	–	–	–	–	(124)	–	(124)
Put option revaluation	–	–	–	(4)	–	–	–	–	–	(4)	–	–	(4)
Dividends paid by way of:													
- issuance of shares ²	78	1,110	–	–	–	–	–	–	(1,188)	–	–	–	–
- cash	–	–	–	–	–	–	–	–	(207)	(207)	–	(48)	(255)
Dividend payable	–	–	–	–	–	–	–	–	(408)	(408)	–	–	(408)
Share issue expenses	–	(12)	–	–	–	–	–	–	–	(12)	–	–	(12)
At 31 March 2017	9,299	–	67	531	72	(21)	41	2,142	25,135	37,266	2,199	1,114	40,579

SIME DARBY BERHAD
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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	Perpetual Sukuk	Non-controlling interests	Total equity
Three quarters ended 31 March 2016														
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 income/(loss) for the period	–	–	–	–	–	–	40	(2)	43	1,277	1,358	3	152	1,513
Transfer between reserves	–	–	–	–	1	2	–	–	–	(3)	–	–	–	–
Performance-based employee share scheme	–	–	(37)	–	–	–	–	–	–	–	(37)	–	–	(37)
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	–	(2)	(2)	–	(1)	(3)
Issuance of perpetual sukuk, net of expenses	–	–	–	–	–	–	–	–	–	–	–	2,196	–	2,196
Dividends paid by way of:														
- issuance of shares ²	58	807	–	–	–	–	–	–	–	(865)	–	–	–	–
- cash	–	–	–	–	–	–	–	–	–	(315)	(315)	–	(193)	(508)
Dividend payable	–	–	–	–	–	–	–	–	–	(380)	(380)	–	–	(380)
At 31 March 2016	3,164	2,602	– ³	67	6,883	70	(60)	46	677	17,743	31,192	2,199	961	34,352

Note :

1. Included in the capital reserve transferred to retained profit was the merger reserve of RM6,231 million
2. Pursuant to the Dividend Reinvestment Plan
3. The share grant reserve was fully reversed during the period as it is unlikely that the performance target for the Second grant will be achieved in the vesting years

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

		Three quarters ended 31 March	
	Note	2017	2016
Profit after tax		1,975	1,383
Adjustments for:			
Gain on disposal of subsidiaries, interest in an associate and investments		(164)	(414)
Gain on disposal of properties		(75)	(12)
Share of results of joint ventures and associates		(130)	(56)
Finance income		(155)	(120)
Finance costs		220	408
Depreciation and amortisation		1,310	1,306
Amortisation of prepaid lease rentals		39	35
Tax expense		582	344
Other non-cash items		219	114
		3,821	2,988
Changes in working capital:			
Inventories and rental assets		(106)	698
Property development costs		(541)	(459)
Land held for property development		(2)	(60)
Trade and other receivables and prepayments		(1,212)	(183)
Trade and other payables and provisions		443	(864)
Cash generated from operations		2,403	2,120
Tax paid		(417)	(404)
Dividends received from associates and investments		27	29
Net cash from operating activities		2,013	1,745
Investing activities			
Finance income received		88	64
Purchase of property, plant and equipment		(1,497)	(1,515)
Purchase/subscription of shares in joint ventures and associates		(444)	(457)
Purchase of investment properties		(25)	(3)
Purchase of intangible assets		(94)	(142)
Purchase of investments		(86)	-
Payment for prepaid lease rental		(11)	(44)
Proceeds from sale of subsidiaries	A11.3	276	71
Proceeds from sale of a joint venture and an associate		308	141
Proceeds from sale of investments		28	-
Proceeds from sale of property, plant and equipment		109	71
Proceeds from sale of investment property		45	1
Others		(9)	(23)
Net cash used in investing activities		(1,312)	(1,836)

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

	Three quarters ended 31 March	
	2017	2016
Financing activities		
Proceeds from issuance of shares	2,357	-
Proceeds from shares issued to an owner of non-controlling interest	7	-
Proceeds from issuance of perpetual sukuk	-	2,200
Purchase of additional interest in subsidiaries	-	(3)
Share and perpetual sukuk issuance expenses	(12)	(5)
Finance costs paid	(466)	(545)
Long-term borrowings raised	300	2,312
Repayments of long-term borrowings	(1,656)	(1,749)
Revolving credits, trade facilities and other short-term borrowings (net)	(570)	(2,518)
Distribution to perpetual sukuk holders	(124)	-
Dividends paid	(255)	(508)
Net cash used in financing activities	(419)	(816)
Net changes in cash and cash equivalents	282	(907)
Foreign exchange differences	141	111
Cash and cash equivalents at beginning of the period	3,496	4,155
Cash and cash equivalents at end of the period	3,919	3,359
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:		
Cash held under Housing Development Accounts	555	515
Bank balances, deposits and cash	3,429	2,875
Less:		
Bank overdrafts (Note B10)	(65)	(31)
	3,919	3,359

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)
- Applying FRS 9 – Financial Instruments with FRS 4 – Insurance Contracts (Amendments to FRS 4)
- Annual Improvements to FRSs 2014 – 2016 Cycle
- Transfers of Investment Property (Amendments to FRS 140)
- IC Interpretation 22 – Foreign Currency Translations and Advance Consideration

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 IC Interpretation 15, including their parent, significant investor and venturer.

A1. Basis of Preparation (continued)

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

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.

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 current financial year or the previous financial years that have a material effect on the results for the current quarter under review.

A5. Debt and Equity Securities

Save for the following, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period under review.

- a) 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.
- b) On 15 December 2016, the Company issued 157,413,239 new ordinary shares of RM0.50 each at RM7.55 per share pursuant to the Dividend Reinvestment Plan (see Note A6). The new shares ranked pari passu in all respects with the existing ordinary shares of the Company.

With the issuance of the new shares, the Company's issued and paid-up capital has increased from 6,327,072,538 ordinary shares to 6,800,839,377 ordinary shares.

The Companies Act 2016 (2016 Act) which came into effect from 31 January 2017 has repealed the Companies Act 1965. The 2016 Act has abolished the concept of par or nominal value of shares and hence, the share premium, capital redemption reserve and authorised capital are abolished. In accordance with section 618(2) of the 2016 Act, the amount standing to the credit of the share premium account has become part of the Company's share capital. There is no impact on the number of ordinary shares in issue of 6,800,839,377 or the entitlement of the holders of the Company's ordinary shares.

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Explanatory Notes on the Quarterly Report – 31 March 2017
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A6. Dividends Paid

The final single tier dividend of 21.0 sen per share for the financial year ended 30 June 2016 amounting to RM1,395 million and the renewal of the authority to allot and issue new ordinary shares in the Company (new Sime Darby shares) for the purpose of the implementation of the Dividend Reinvestment Plan were approved by the shareholders on 2 November 2016. The final dividend was paid on 15 December 2016 and based on the election made by shareholders, it was paid by way of issuance of 157,413,239 new Sime Darby shares at the issue price of RM7.55 per share, amounting to RM1,188 million and the balance payable in cash amounting to RM207 million.

An interim single tier dividend of 6.0 sen per share for the financial year ending 30 June 2017 amounting to RM408 million was paid on 21 April 2017.

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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 strategic business units which 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
Three quarters ended 31 March 2017								
Segment revenue:								
External	10,771	7,245	15,162	1,443	222	34	7	34,884
Inter-segment	–	48	17	61	–	5	(131)	–
	10,771	7,293	15,179	1,504	222	39	(124)	34,884
Segment result:								
Operating profit	1,593	180	391	263	36	10	19	2,492
Share of results of joint ventures and associates	(20)	8	1	113	–	28	–	130
Profit before interest and tax	1,573	188	392	376	36	38	19	2,622
Three quarters ended 31 March 2016								
Segment revenue:								
External	8,779	7,217	14,083	1,894	217	39	6	32,235
Inter-segment	25	54	21	122	–	6	(228)	–
	8,804	7,271	14,104	2,016	217	45	(222)	32,235
Segment result:								
Operating profit	537	210	296	740	72	11	93	1,959
Share of results of joint ventures and associates	16	1	9	31	(3)	2	–	56
Profit before interest and tax	553	211	305	771	69	13	93	2,015

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Explanatory Notes on the Quarterly Report – 31 March 2017
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A7. Segment Information (continued)

	Plantation	Industrial	Motors	Property	Logistics	Others	Elimination/ Corporate expense	Total
As at 31 March 2017								
Segment assets:								
Operating assets	28,947	10,404	9,222	9,997	2,371	53	1,248	62,242
Joint ventures and associates	677	281	98	2,788	348	677	–	4,869
Non-current assets held for sale	12	3	–	–	–	–	–	15
	29,636	10,688	9,320	12,785	2,719	730	1,248	67,126
Tax assets								2,527
Total assets								69,653
As at 30 June 2016								
Segment assets:								
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
	26,676	9,583	8,850	12,228	2,520	730	1,240	61,827
Tax assets								2,382
Total assets								64,209

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A8. Capital Commitments

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

	As at 31 March 2017	As at 30 June 2016
Property, plant and equipment		
- contracted	558	504
- not contracted	<u>3,354</u>	<u>2,296</u>
	3,912	2,800
Other capital expenditure		
- contracted	77	86
- not contracted	<u>68</u>	<u>128</u>
	<u>4,057</u>	<u>3,014</u>

A9. Significant Related Party Transactions

Related party transactions conducted during the three quarters ended 31 March are as follows:

	Three quarters ended 31 March 2017	2016
a. Transactions with a joint venture		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	<u>24</u>	<u>36</u>
b. Transactions with an associate		
Sales of products and services to Tesco Stores (Malaysia) Sdn Bhd	12	10
Disposal of subsidiaries to Aster Investment Holding Pte Ltd, a subsidiary of Sime Darby Real Estate Investment Trust 1:		
- Sime Darby Property (Alexandra) Private Limited	249	–
- Sime Darby Property (Dunearn) Private Limited and Sime Darby Property (Kilang) Private Limited	<u>–</u>	<u>601</u>
c. 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	210	229
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	22	20
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	6	36
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	43	35
Project management services rendered by Tunas Selatan Construction Sdn Bhd, the holding company of Tunas Selatan Pagoh Sdn Bhd, to Sime Darby Property Selatan Sdn Bhd	4	6
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	<u>49</u>	<u>75</u>

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A9. Significant Related Party Transactions (continued)

Related party transactions conducted during the three quarters ended 31 March are as follows: (continued)

	Three quarters ended	
	31 March	
	2017	2016
d. Transactions with key management personnel and their close family members		
Sales of properties and cars by the Group	<u>1</u>	<u>5</u>

e. Transactions with shareholders and Government

Permodalan Nasional Berhad (PNB) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (ASNB), together owns 52% as at 31 March 2017 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 RM19 million (2015: RM56 million). These related party transactions were entered into in the ordinary course of business on normal trade terms and conditions.

In addition, the Group entered into the following transactions with YPB group during the financial period:

- i. PNB and funds managed by ASNB subscribed for 60,706,000 new ordinary shares of the Company at RM7.45 per share pursuant to the shares placement undertaken by the Company during the financial period.
- ii. On 5 October 2016, The Glengowrie Rubber Company Sdn Berhad, a subsidiary of Sime Darby Property Berhad, entered into Sale and Purchase Agreements for the proposed disposal of freehold land in Glengowrie Estate measuring approximately 805 acres to Petaling Garden Sdn Bhd (PGSB) for a total cash consideration of RM428.8 million. Concurrently, Sime Darby Plantation Sdn Bhd entered into Business Asset Purchase Agreements for the proposed acquisitions of the assets of Yong Peng Realty Sdn Bhd (YPR) and Perusahaan Minyak Sawit Bintang Sendirian Berhad (PMSB) for a total cash consideration of RM106.69 million. PGSB, YPR and PMSB are subsidiaries of YPB.

The disposal of 403 acres of land (Parcel A) in Glengowrie Estate and the acquisition of YPR's and PMSB's assets were completed on 31 March 2017 and 6 April 2017, respectively.

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

Other than stated below, there were no material event subsequent to the end of the current quarter under review to 23 May 2017, being a date not earlier than 7 days from the date of issue of the quarterly report.

- a) On 6 January 2017, Sime Darby Overseas (HK) Limited (SDOHK) entered into a joint venture arrangement with Shandong Chenming Paper Holdings Limited (SCPHL) in accordance with the following agreement and contract:
 - i. Equity Purchase Agreement between SDOHK, Weifang Sime Darby Port Co Ltd (WSDP) and SCPHL to dispose 50.0% equity interest in Weifang Sime Darby West Port Co Ltd (WSDWP), of which 49.0% is held by SDOHK and 1.0% is held by WSDP, to SCPHL for a total cash consideration of RMB38.61 million (equivalent to approximately RM24.9 million); and
 - ii. Joint Venture Contract between SDOHK and SCPHL for the management and administration of the affairs of WSDWP and the 3x30,000 Deadweight Tonne multipurpose terminal at the Weifang Sime Darby Port located in Shandong Province, China.

The disposal was completed on 6 April 2017. Following the disposal, WSDWP ceased to be an indirect subsidiary of the Group, and became an associate.

- b) On 18 April 2017, the Company invited eligible holders of the Sukuk due in 2018 and 2023 issued pursuant to the USD1.5 billion Multi-Currency Sukuk Programme of Sime Darby Global Berhad to tender for purchase by the Company and to consent to the substitution of Sime Darby Plantation Sdn Bhd (SDP) in place of Sime Darby Berhad (SDB) in its capacities as Obligor, Seller and Lessee in respect of both sukuk (hereinafter referred to as “the substitution consent”). The offer to repurchase expired on 11 May 2017.

At the respective meetings of the 2018 and 2023 sukukholders held on 16 May 2017, the substitution consents were received and the sukuk tendered for repurchase were as follows:

Tranche	Issued USD'000	Tendered and accepted for repurchase USD'000	Balance USD'000
Sukuk due in 2018	400,000	350,370	49,630
Sukuk due in 2023	400,000	277,499	122,501
	<u>800,000</u>	<u>627,869</u>	<u>172,131</u>

The repurchase, including accrued periodic distribution, totaling USD636.4 million (equivalent to RM2,739 million) was made on 23 May 2017, and concurrently, the balance of USD172.1 million was novated from SDB to SDP.

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

1. Establishment of new companies

- a) On 22 August 2016, Sime Darby Allied Operations Pty Ltd (SDAO) was incorporated in Queensland, Australia with its entire share capital of AUD2 held by Sime Darby Industrial Australia Pty Ltd. The principal activity of SDAO is investment holding.
- b) On 23 August 2016, Pakka Jack International Holdings Inc (PJI) was incorporated in Delaware, United States of America with its entire share capital of USD5,000 held by SDAO. The principal activity of PJI is investment holding.
- c) On 23 August 2016, Pakka Jack International Holdings LLC (PJL) was incorporated in Delaware, United States of America with its entire Member's Capital of USD5,000 contributed by PJI. The principal activity of PJL is the provision of a patented hydraulic jacking system for the maintenance of slew bearings in electric rope and hydraulic mining shovels in the United States of America.

A11. Effect of Significant Changes in the Composition of the Group (continued)

1. Establishment of new companies (continued)

- d) 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 a trading company, including the business of commodity trading activities.
- e) On 26 September 2016, Sapphire Industrial Asset Investment Holding Pte Ltd (SIA) was incorporated in Singapore with its entire share capital of SGD2 held by Sime Darby Property Singapore Limited (SDPSL). The principal activity of SIA is investment holding.
- f) On 9 December 2016, Sapphire Australian Industrial Asset Investment Holding Pte Ltd (SAI) was incorporated in Singapore with its entire share capital of SGD2 held by SDPSL. The principal activity of SAI is investment holding.
- g) On 23 December 2016, Sime Darby Asset Management (Australia) Pty Ltd (SDAMA) was incorporated in Australia with its entire share capital of AUD100,000 held by SDPSL. The principal activity of SDAMA is investment management.
- h) On 23 February 2017, Performance Munich Autos Pte Ltd (PMAPL) was incorporated in Singapore with its entire share capital of SGD1 held by Sime Darby Motor Holdings Limited. The principal activity of PMAPL is the business of sale and distribution of new BMW M Series and M Performance cars in Singapore.
- i) On 1 March 2017, Auto Bavaria M Performance Sdn Bhd (ABMP) was incorporated in Malaysia with its entire share capital of RM1 held by Sime Darby Auto Bavaria Sdn Bhd. The principal activities of ABMP are marketing, selling and after-sales servicing of motor vehicles and related spare parts.

2. Acquisition of a subsidiary

On 20 March 2017, Sime Darby Property Berhad acquired 2 ordinary shares representing the entire issued and paid-up share capital of MVV Holdings Sdn Bhd (MVVH) for a total cash consideration of RM2. The intended principal activities of MVVH are property development and investment holding.

3. 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 ceased to be a subsidiary of the Group and became an indirect joint venture.
- b) On 29 September 2016, Sime Darby Nominees Sendirian Berhad (SD Nominees) disposed 125,978,324 ordinary stock units 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, representing 12.15% (excluding treasury stocks), in E&O.

A11. Effect of Significant Changes in the Composition of the Group (continued)

3. Disposal of a subsidiary and partial interest in an associate (continued)

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

	Three quarters ended 31 March 2017
Investment properties	60
Net current assets	10
Net assets disposed	70
Gain on disposal	131
Less: Exchange gain included in the gain on disposal	(7)
Proceeds from disposal, net of transaction costs	194
Less: Cash and cash equivalent in subsidiary disposed	(8)
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	276

4. Others

During the financial period, the Group entered into the following agreements:

- i. On 15 August 2016, Sime Darby Property Singapore Limited (SDPSL) entered into a conditional Share Purchase Agreement (SPA) with Japan Regional Assets Manager Limited (JRegional) for the acquisition of 80% of the issued shares of Japan Residential Assets Manager Limited (JRAM).
- ii. 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:
 - a. 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, and
 - b. the proposed acquisition of new units in Saizen REIT by SDPSL.

On 31 March 2017, SDEIPL, SDPSL, JRAM, JRegional and HAUT Trustee have entered into a termination agreement to terminate the SPA and Implementation Agreement.

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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:

	As at 23 May 2017	As at 30 June 2016
Performance guarantees and advance payment guarantees to customers of the Group	2,250	2,254
Guarantees in respect of credit facilities granted to:		
- certain associates and a joint venture	178	90
- plasma stakeholders	73	62
	2,501	2,406

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 23 May 2017, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM184 million (30 June 2016: RM258 million).

b) Claims

	As at 23 May 2017	As at 30 June 2016
Claims pending against the Group	14	11

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

	Three quarters ended 31 March		% +/(–)
	2017	2016	
Revenue	<u>34,884</u>	<u>32,235</u>	8.2
Segment results:			
Plantation	1,573	553	184.4
Industrial	188	211	(10.9)
Motors	392	305	28.5
Property	376	771	(51.2)
Logistics	36	69	(47.8)
Others	<u>38</u>	<u>13</u>	192.3
	2,603	1,922	35.4
Exchange gain/(loss):			
Unrealised	49	(47)	
Realised	39	97	
Corporate expense and elimination	<u>(69)</u>	<u>43</u>	
Profit before interest and tax	2,622	2,015	30.1
Finance income	155	120	
Finance costs	<u>(220)</u>	<u>(408)</u>	
Profit before tax	2,557	1,727	48.1
Tax expense	<u>(582)</u>	<u>(344)</u>	
Profit for the period	1,975	1,383	42.8
Perpetual sukuk	(93)	(3)	
Non-controlling interests	<u>(96)</u>	<u>(108)</u>	
Profit attributable to owners of the Company	<u>1,786</u>	<u>1,272</u>	40.4

Group revenue for the three quarters ended 31 March 2017 was higher by 8.2% compared to the corresponding period of the previous year. Profit before tax of the Group at RM2,557 million was higher by 48.1% largely due to the higher earnings from Plantation and Motors and the reduction in finance costs. Net earnings for the period increased by 40.4% to RM1,786 million from RM1,272 million a year ago.

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

a) Plantation

Plantation division profit jumped 184.4% to RM1,573 million compared to the similar period of the previous year of RM553 million mainly attributable to the higher average crude palm oil (CPO) price realised of RM2,861 per tonne as compared to RM2,113 per tonne previously. The Group fresh fruit bunch (FFB) production declined by 2.4% from 7.515 million MT to 7.331 million MT whilst the oil extraction rate (OER) declined from 22.0% to 21.3%. The lower FFB production was mainly due to the lingering effect of El Nino and the reduction in mature hectares as the division accelerates its replanting exercise with better planting materials.

Midstream and downstream operations recorded a lower profit of RM160 million compared to the previous year of RM164 million mainly due to the gain on disposal of oleochemical assets and business in Dusseldorf, Germany by the Emery group of RM21 million in the previous year and higher costs of sales and lower margin realised in the current period.

B1. Review of Group Performance (continued)

b) Industrial

Contribution from Industrial division declined by 10.9% to RM188 million principally due to lower engine deliveries to oil & gas and marine sectors in Singapore. The decline was partially mitigated by higher contribution from Australasia, China and Malaysia.

Business sentiment in Australasia has improved slightly as coal prices stabilised. This has resulted in better performance in the product support business coupled with higher equipment deliveries in Papua New Guinea. In China and Malaysia, equipment deliveries and product support sales has also improved driven by the construction sector.

c) Motors

Motors division registered a higher profit by 28.5% to RM392 million due to higher contribution from Malaysia, China and New Zealand, and a gain on disposal of a property in Hong Kong of RM30 million.

The higher profit in Malaysia was mainly due to improved performance from Hyundai, arising from new launches and the car rental business whilst in China, the higher profit was due to the surge in demand for BMW and super luxury cars. In New Zealand, higher profit was recorded from Trucks operations.

The division's Vietnam operations registered lower profit mainly due to the impact of the changes to the Special Consumption Tax. Excluding the gain on disposal of property, Hong Kong/Macau recorded a poorer performance due to lower sales in the premium segment.

d) Property

Property division registered a lower profit of RM376 million as compared to RM771 million in the corresponding period of the previous year largely attributable to the gain on disposal of Sime Darby Property (Dunearn) Pte Ltd and Sime Darby Property (Kilang) Pte Ltd of RM406 million in the previous year as compared to the gain on the disposal of Sime Darby Property (Alexandra) Pte Ltd of RM131 million in the current period. The results for the nine months ended 31 March 2017 includes the provision for unsold stocks and abortive cost on the termination of proposed acquisition of Japan Residential Assets Manager Limited and new units in Saizen Real Estate Investment Trust (see Note A11.4) of RM79 million and RM39 million, respectively, the gain on partial disposal of the Group's interest in Eastern & Oriental Berhad of RM35 million and the gains on compulsory acquisition/disposal of land of RM260 million.

During the period under review, the division recognised its share of profit from the Battersea Project of RM87 million following the completion of three residential blocks from Phase 1 which mitigated the effect of the lower construction progress in several townships and no contribution from Pagoh Education Hub project as construction works had been substantially completed in the previous financial year.

d) Logistics

Profit from Logistics dropped by RM33 million (47.8%) compared to similar period in the previous year mainly due to the recognition of RM19 million government grant in the previous year and the lower throughput at Jining ports in the current period as a result of tighter environmental control by Jining authority. However, the results was partially mitigated 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.

e) Others

Contribution from Others increased by RM25 million mainly due to the share of losses in Tesco of RM19 million in the previous year. The Group has discontinued recognising its share of further losses in excess of its investment in Tesco.

Insurance brokerage business recorded a lower profit compared to the previous year but was mitigated by higher contribution from Healthcare business following the increase in both inpatient and outpatient visits.

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B1. Review of Group Performance (continued)

f) Finance costs

Finance costs reduced by 46.1% to RM220 million mainly due to the repayment of borrowings from the proceeds of the RM2.2 billion perpetual sukuk issued on 24 March 2016 and shares placement of RM2.3 billion on 13 October 2016.

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

	Quarter ended		
	31 March 2017	31 December 2016	% +/(–)
Revenue	<u>12,446</u>	<u>12,339</u>	0.9
Segment results:			
Plantation	732	568	28.9
Industrial	82	55	49.1
Motors	126	136	(7.4)
Property	67	137	(51.1)
Logistics	13	11	18.2
Others	14	14	-
	<u>1,034</u>	<u>921</u>	12.3
Exchange gain:			
Unrealised	4	21	
Realised	12	18	
Corporate expense and elimination	<u>(28)</u>	<u>(33)</u>	
Profit before interest and tax	<u>1,022</u>	<u>927</u>	10.2
Finance income	54	52	
Finance costs	<u>(69)</u>	<u>(58)</u>	
Profit before tax	<u>1,007</u>	<u>921</u>	9.3
Tax expense	<u>(234)</u>	<u>(217)</u>	
Profit for the period	<u>773</u>	<u>704</u>	9.8
Perpetual sukuk	<u>(30)</u>	<u>(32)</u>	
Non-controlling interests	<u>(44)</u>	<u>(28)</u>	
Profit attributable to owners of the Company	<u>699</u>	<u>644</u>	8.5

Group revenue and pre-tax profit for the third quarter ended 31 March 2017 increase by 0.9% and 9.3%, respectively, compared to the preceding quarter. Net earnings of the Group increased by 8.5% mainly attributable to the higher earnings from Plantation, Industrial and Logistics.

a) Plantation

Plantation division's profit of RM732 million is 28.9% higher compared to the preceding quarter mainly due to higher average CPO price realised of RM3,088 per tonne as compared to RM2,835 per tonne in the preceding quarter but was partially offsetted by the lower FFB production. FFB production was lower by 9.6% compared to the preceding quarter.

Midstream and downstream operations recorded a lower profit of RM39 million as compared to RM83 million in the preceding quarter mainly due to higher costs of sales and lower margin realised in the current quarter.

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

b) Industrial

Industrial division's profit improved by 49.1% compared to the preceding quarter mainly due to higher contribution from Australasia and China. In Australasia, higher equipment deliveries and product support sales were registered following the improvement in business sentiment as coal prices stabilised. The higher profit in China was mainly due to improved performance of the rental and product support business to the mining and construction sectors.

Lower profit was recorded in Malaysia mainly due to lower engine and equipment sales and weak Ringgit Malaysia against the US Dollar which increased the cost of imports, hence shrinking margins.

c) Motors

Motors division's profit declined marginally by 7.4% to RM126 million compared to the preceding quarter. The lower results was mainly attributable to lower sales in Hong Kong, Singapore and Vietnam but partially mitigated by higher sales in China and Australia.

In Malaysia, better results were registered by BMW and Hyundai but offsetted by lower performance from Ford operation.

d) Property

Property division registered a profit of RM67 million for the current quarter mainly attributable to RM202 million gain on disposal of 403 acres of land in Glengowrie Estate which was partially offsetted by the provision for unsold stocks and the abortive cost incurred for the proposed acquisition of Japan Residential Assets Manager Limited and new units in Saizen Real Estate Investment Trust (see Note A11.4). The higher profit in the preceding quarter of RM137 million includes the gain on compulsory acquisition of land of RM58 million and the recognition of the division's share of profit from the Battersea Project of RM95 million.

e) Logistics

Logistics results remained the same compared to the preceding quarter. Higher profit and throughput were recorded by Weifang Port but were offsetted by lower profit and throughput at Jining ports and Weifang water.

B3. Prospects

The global financial markets continue to be marked by uncertainty due to changes in economic policies by the world's major economies. This has led to continued volatility in foreign exchange rates and commodity prices resulting in challenging market conditions for the Group's operations.

The performance of the Plantation division in the current financial year has been underpinned by the higher crude palm oil and palm kernel prices. Fresh Fruit Bunch (FFB) production in Malaysia and Indonesia have been affected by the prolonged effects of El Nino in 2016 and the ongoing intensive replanting exercise. The investment in New Britain Palm Oil Limited is generating healthy contribution as a result of the higher crude palm oil prices, higher FFB production and improved cost efficiency. The performance of the Liberia operations has been affected by the impact of the Ebola outbreak and hence an assessment of the investment is being undertaken. Nevertheless, efforts are continuing to improve the water management and irrigation system to increase the yield in Liberia.

The intense replanting exercise and the introduction of higher yielding planting materials will contribute significantly towards improving productivity and reducing operating cost for the Plantation division in the longer term.

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B3. Prospects (continued)

The recovery of coal prices from the lows in 2016 have led to an upswing in mining industry activity. Demand for equipment and product support has started to pick up though still at levels significantly below the mining boom years. Consequently, the division is assessing the carrying value of its distribution rights for the Bucyrus equipment in Australia. With the prevailing low crude oil price, demand for engines from the oil and gas industry continues to remain subdued. However, the division is expanding its energy solutions business to diversify its income stream and continues to rationalise its cost base to maintain competitiveness.

The Motors operations in Hong Kong have been impacted by weak consumer spending while the Vietnam operations were affected by the special consumption tax introduced in 2016. With the disposals of the Australia and New Zealand distribution businesses of Peugeot and Citroen vehicles, the division will focus on the expansion of the retail car and commercial truck operations in these countries. In addition, launches of new car models in the upcoming quarters will help boost sales for the division in 2017.

The Malaysian residential property market remains weak due to cautious consumer sentiment and tight lending conditions. The division expects further contribution from the Battersea project with the delivery of the remaining Phase 1 units in 2017. The Group's sizeable land bank in the Malaysia Vision Valley and the involvement of the Group in its development is expected to contribute positively in the long term.

The Port operations in Weifang have been affected by strong competition and slower economic growth in the Shandong region in China. The on-going channel and berth upgrades with strategic partners to accommodate larger vessels and capacity expansion of the port are expected to complete by end of 2017, and would further enhance the competitiveness of Weifang Port.

Against the challenging operating environment and the immense efforts to drive productivity, the Board expects the Group's performance for the financial year ending 30 June 2017 to be satisfactory.

B4. Statement by Board of Directors on Internal Targets

The Group's key performance indicators (KPI) for the financial year ending 30 June 2017 as approved by the Board of Directors on 24 November 2016 and the achievement for the three quarters ended 31 March 2017 are as follows:

	Actual Three quarters ended 31 March 2017	Target Year ending 30 June 2017
Profit attributable to owners of the Company (RM million)	<u>1,786</u>	<u>2,200</u>
Return on average shareholders' equity (%)	<u>5.1</u>	<u>6.4</u>

For the three quarters ended 31 March 2017, the profit attributable to ordinary equity holders and the return on average shareholders' equity achieved by the Group are approximately 81% and 80% respectively of its targets for the financial year.

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

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

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B6. Operating Profit and Finance Costs

	Quarter ended 31 March		Three quarters ended 31 March	
	2017	2016	2017	2016
Included in operating profit are:				
Depreciation and amortisation	(456)	(437)	(1,310)	(1,306)
Amortisation of prepaid lease rentals	(14)	(11)	(39)	(35)
Reversal of impairment/(Impairment) of				
- property, plant and equipment	-	-	10	(2)
- prepaid lease rentals	-	-	(3)	-
- investment properties	-	-	8	(1)
- receivables	13	(38)	(4)	(40)
Write down of inventories (net)	(123)	(78)	(215)	(135)
Gain/(loss) on disposal of				
- property, plant and equipment				
- land and buildings	33	1	45	12
- others	-	1	7	(1)
- investment properties	-	-	30	-
- subsidiaries	-	406	131	414
- interest in an associate	-	-	30	-
- investments	(2)	-	3	-
Net foreign exchange gain	89	32	203	43
Fair value gain/(loss) on warrant in an associate	-	1	-	(2)
(Loss)/gain on cross currency swap contract	(27)	(43)	(19)	31
Gain/(loss) on commodity future contracts	103	(5)	17	(1)
(Loss)/gain on forward foreign exchange contracts	(21)	2	(37)	(9)
Included in finance costs are:				
Loss on interest rate swap contracts	(8)	(10)	(8)	(12)
(Loss)/gain on cross currency swap interest	(1)	16	(15)	(24)

B7. Tax Expense

	Quarter ended 31 March		Three Quarters ended 31 March	
	2017	2016	2017	2016
In respect of the current year:				
- current tax	364	95	692	351
- deferred tax	(108)	3	(84)	(5)
	256	98	608	346
In respect of prior years:				
- current tax	5	11	20	23
- deferred tax	(27)	(10)	(46)	(25)
	234	99	582	344

The effective tax rates for both the current quarter and the three quarters ended 31 March 2017 of 23% were lower than the Malaysian income tax rate of 24% mainly due to the gain on disposal of Sime Darby Property (Alexandra) Pte Ltd of RM131 million which was not subjected to tax, the recognition of an Indonesian special tax incentive of RM71 million and the overprovision of tax in prior years.

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B8. Status of Corporate Proposal

The following is the corporate proposal announced but not completed as at 23 May 2017:

On 27 February 2017, the Board of Directors of the Company have announced an internal restructuring to pursue a pure-play strategy involving the creation of standalone listed entities in the plantation, property and trading & logistics sectors on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities) with the aim of unlocking sustainable value. The proposal involves the distribution of the Company's entire shareholding in Sime Darby Plantation Sdn Bhd and Sime Darby Property Berhad to shareholders of the Company. Upon the completion of the proposal, the Company will remain listed on the Main Market of Bursa Securities with the following businesses:

- a. trading comprising motors and industrial;
- b. logistics; and
- c. other businesses comprising healthcare, insurance, retail and other investments.

The completion of the proposal is subject to the approval of the Securities Commission, Bursa Securities and shareholders of the Company.

B9. Status of Utilisation of Placement Proceeds

The utilisation of the proceeds raised from the Shares Placement on 13 October 2016 is as follows:

Purpose	Proposed utilisation	Actual utilisation	Amount yet to be utilised
Repayment of borrowings	1,200	1,200	–
Capital expenditure for the plantation, motors and property businesses	950	600	350
Working capital	195	195	–
Placement expenses	12	12	–
	<u>2,357</u>	<u>2,007</u>	<u>350</u>

The proceeds yet to be utilised is expected to be fully utilised within 12 months from 14 October 2016, being the date of listing of the shares.

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B10. Group Borrowings

	As at 31 March 2017		
	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	404	3,931	4,335
Islamic Medium Term Notes	–	700	700
Sukuk	–	1,764	1,764
Syndicated Islamic financing	850	–	850
Islamic financing	271	250	521
Revolving credits and other long-term borrowings	–	155	155
	<u>1,525</u>	<u>6,800</u>	<u>8,325</u>
<u>Short-term borrowings</u>			
Bank overdrafts	–	65	65
Term loans due within one year	44	1,167	1,211
Islamic Medium Term Notes due within one year	–	9	9
Sukuk due within one year	–	1,776	1,776
Syndicated Islamic financing due within one year	45	–	45
Islamic Bankers Acceptance	–	10	10
Islamic financing	24	–	24
Revolving credits, trade facilities and other short-term borrowings	325	3,257	3,582
	<u>438</u>	<u>6,284</u>	<u>6,722</u>
Total borrowings	<u>1,963</u>	<u>13,084</u>	<u>15,047</u>

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

	As at 31 March 2017		
	Secured	Unsecured	Total
Borrowings			
- principal	1,959	13,056	15,015
- interest	4	28	32
Total borrowings	<u>1,963</u>	<u>13,084</u>	<u>15,047</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	3,235	523	3,758
Australian dollar	–	500	500
Chinese renminbi	–	304	304
European Union Euro	475	102	577
Indonesian Rupiah	–	218	218
New Zealand dollar	–	201	201
Pacific franc	34	3	37
Singapore Dollar	–	32	32
Taiwan dollar	–	37	37
Thailand baht	57	151	208
United States dollar	4,524	4,651	9,175
Total borrowings	<u>8,325</u>	<u>6,722</u>	<u>15,047</u>

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

B11. 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 31 March 2017 are as follows:

	Classification in Statement of Financial Position				Net Fair Value
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	
Forward foreign exchange contracts	–	34	–	17	17
Interest rate swap contracts	13	2	–	5	10
Cross currency swap contract	90	77	–	–	167
Commodity futures contracts	–	41	–	14	27
	103	154	–	36	221

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 30 June 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 31 March 2017, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional Amount	Fair Value Assets/ (Liabilities)
- less than 1 year	3,500	17

B11. 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 financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

The outstanding interest rate swap contracts, all plain vanilla, as at 31 March 2017 are as follows:

Effective period	Notional amount	All-in swap rate per annum
12 December 2012 to 12 December 2018	USD133 million	1.822% to 1.885%
11 June 2015 to 4 February 2022	USD350 million	2.85% to 2.99%
30 June 2015 to 17 December 2018	MYR156 million	3.938%

As at 31 March 2017, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Notional Amount	Fair Value Assets/ (Liabilities)
- less than 1 year	542	(3)
- 1 year to less than 3 years	1,063	8
- 3 years to 6 years	687	5
	2,292	10

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 the foreign currency exchange rate. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 31 March 2017, the notional amount, fair value and maturity tenor of the cross currency swap contract are as follows:

	Notional Amount	Fair Value Assets/ (Liabilities)
- less than 1 year	299	77
- 1 year to less than 3 years	297	90
	596	167

B11. 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 31 March 2017 that are not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	Notional Amount	Fair Value Assets/ (Liabilities)
Purchase contracts	86,270	241	(7)
Sales contracts	205,645	586	34
			<u>27</u>

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:

	As at 31 March 2017	As at 30 June 2016
Total retained profits of the Company and its subsidiaries		
- realised	24,010	26,255
- unrealised	7,361	5,188
	<u>31,371</u>	<u>31,443</u>
Total share of retained profits from joint ventures		
- realised	57	(74)
- unrealised	2	28
	<u>59</u>	<u>(46)</u>
Total share of retained profits from associates		
- realised	267	266
- unrealised	(24)	(30)
	<u>243</u>	<u>236</u>
Less: consolidation adjustments	(6,538)	(12,762)
Total retained profits of the Group	<u>25,135</u>	<u>18,871</u>

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

B12. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 23 May 2017 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 and four subsidiaries (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 approximately RM348 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 with damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce judgment upon recovering all claims from the projects and proceeds from the sale of the derrick lay barge, or after the expiry of 3 years from the date of final judgment, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages and the Defendants have filed a Notice of Application for a stay of proceedings. The application for a stay of the proceedings has been fixed for case management on 7 June 2017.

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

On 24 December 2010, Sime Darby Berhad and three subsidiaries (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 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 with damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce judgment 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 Plaintiffs have filed a Notice of Application for directions to assess damages and the Defendants have filed a Notice of Application for a stay of proceedings. The application for a stay of the proceedings has been fixed for case management on 7 June 2017.

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.

SDE filed its Statement of Defence and Counter Claim for the sum of AED100 million (equivalent to approximately RM120 million) on 14 August 2011, with a request for the matter to be referred to arbitration. On 22 August 2011, the Court dismissed the First Suit.

i. Proceedings at the Judicial Department of Abu Dhabi

On 31 March 2012, EMAS filed a second suit against SDE at the Judicial Department of Abu Dhabi for USD178.2 million based on the same facts and grounds as the First Suit.

B12. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 23 May 2017 are as follows: (continued)

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

i. Proceedings at the Judicial Department of Abu Dhabi (continued)

The Court issued judgment for the sum of AED41 million (equivalent to approximately RM49 million) against SDE. The judgment was subsequently reversed by the Court of Appeal and the Supreme Court on 2 July 2014 and 25 December 2014, respectively. By virtue of the Supreme Court's decision, EMAS has 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, claiming an amount of AED41 million (equivalent to approximately RM49 million).

The tribunal set the proceeding schedule and tentatively fixed the matter for hearing from 15 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 approximately RM1.2 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 21 July 2016, the Court ordered QP to pay QAR12.9 million (equivalent to approximately RM16 million) to SDE (Judgment). On 24 August 2016, SDE filed enforcement proceedings against QP to enforce the Judgment.

QP and SDE appealed to the Court of Appeal against the Judgment on 6 September 2016 and 25 September 2016, respectively. On 5 January 2017, the Court allowed QP's application for a stay of the enforcement proceedings pending disposal of the parties' appeal.

The Court has fixed the parties' appeal for hearing and decision on 30 October 2017.

e) Oil and Natural Gas Corporation Ltd (ONGC) (05 Wellhead Platform)

The Consortium which comprises Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) was awarded the 05 Wellhead Platform Project by ONGC. Disputes have arisen between the Consortium and ONGC and the parties have subsequently referred the dispute to an Outside Expert Committee (OEC). SDE's portion of the Consortium's claim is circa USD32.5 million.

On 2 December 2014, the OEC recommended payment of USD12 million in full and final settlement in favour of the Consortium (OEC Recommendation), of which USD6.7 million (equivalent to approximately RM30 million) was apportioned to SDE. The Consortium sought a higher amount of compensation which was rejected by ONGC.

On 21 December 2015, the Consortium notified ONGC of its intention to proceed with arbitration. On 13 July 2016, the tribunal set the proceedings schedule.

On 5 October 2016, the parties agreed to reconsider the OEC Recommendation. The procedural meeting on 17 December 2016 was adjourned pending the outcome of a potential settlement between the parties.

B12. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 23 May 2017 are as follows: (continued)

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

The Consortium which comprises Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) was awarded the B-193 Process Platform Project by ONGC. On 1 June 2016, the Consortium initiated arbitration proceedings against ONGC. SDE's portion of the Consortium's claim is circa USD76 million.

On 16 February 2017, the tribunal fixed the matter for hearing on 10 to 14 July 2017 and 21 to 25 August 2017.

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 RM393.5 million and 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) be novated by SDE to MMHE with effect from 31 March 2012 for RM20 million.

On 16 March 2015, MMHE referred the disputes relating to the KPOC Project to arbitration before the Regional Centre for Arbitration Kuala Lumpur. The claim from MMHE is RM56.9 million but was subsequently revised to RM49.3 million on 7 September 2015.

Hearing was concluded on 24 March 2017. The tribunal has fixed the matter for closing submission on 26 May 2017 and oral submissions on 29 June 2017.

h) Claim against PT Anzawara Satria

On 11 May 2006, PT Sajang Heulang (PT SHE) claimed against PT Anzawara Satria (PT AS) 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 was alleged to have carried out illegal coal mining activities.

The District Court of Kotabaru, the High Court of Kalimantan Selatan at Banjarmasin and 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, 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. The State Administration Court ruled in favour of PT SHE and dismissed PT AS's claim. PT AS appealed to the High Court of State Administration against the said decision and the appeal was allowed on 19 February 2007. On 26 October 2010, the High Court decision was reversed by the Supreme Court which declared PT SHE as the lawful owner of HGU 35 (2nd Judicial Review Decision).

PT SHE filed judicial review proceedings seeking a decision on the conflicting decisions of the 1st and the 2nd Judicial Review Decisions but the application was dismissed by the Supreme Court on 28 December 2012 on the ground that the application could not be determined by another judicial review decision.

B12. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 23 May 2017 are as follows: (continued)

h) Claim against PT Anzawara Satria (continued)

On 27 March 2013, PT AS in carrying out execution proceedings of the 1st Judicial Review Decision, 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 claimed against PT AS for IDR672.8 billion (approximately RM223 million).

The Court decided in favour of PT SHE and awarded damages in the sum of IDR69.9 billion (approximately RM23 million). PT AS appealed to the High Court of Kalimantan Selatan Banjarmasin and the appeal was allowed on 10 February 2016 on the ground that the same subject matter and the same object matter had been deliberated and decided by the High Courts and Supreme Courts (3rd High Court Decision).

On 22 February 2016, PT SHE appealed to the Supreme Court against the 3rd High Court Decision. The parties are awaiting the decision of the Supreme Court.

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, NBPOL initiated legal actions against Masile, Rikau and Meloks (collectively, Defendants) in the National Court of Justice at Waigani, Papua New Guinea. 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.

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 RM43 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.

On 11 December 2014, the Defendants 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.

B13. Dividend

No dividend has been declared for the current quarter under review.

SIME DARBY BERHAD
(Company No: 752404-U)

Explanatory Notes on the Quarterly Report – 31 March 2017
Amounts in RM million unless otherwise stated

B14. Earnings Per Share

	Quarter ended 31 March		Three quarters ended 31 March	
	2017	2016	2017	2016
Basic/Diluted earnings per share attributable to owners of the Company are computed as follows:				
Profit for the period	699	663	1,786	1,272
Weighted average number of ordinary shares in issue (million)	6,800	6,321	6,584	6,249
Earnings per share (sen)	<u>10.3</u>	<u>10.5</u>	<u>27.1</u>	<u>20.4</u>

Kuala Lumpur
30 May 2017

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