

SIME DARBY BERHAD
(Company No: 752404-U)

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

	Quarter ended 30 June		% + / (-)	Year ended 30 June		% + / (-)
	2017	2016		2017	2016	
Profit for the period	625	1,306	(52.1)	2,681	2,612	2.6
Other comprehensive income/(loss)						
<u>Continuing operations</u>						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences	(242)	(1)		305	345	
Net changes in fair value of:						
- cash flow hedges	(4)	42		(12)	109	
Share of other comprehensive income/ (loss) of:						
- joint ventures	(1)	12		20	(2)	
- associates	(23)	(4)		15	11	
Tax credit/(expense)	(3)	(15)		-	(25)	
	(273)	34		328	438	
Reclassified to profit or loss currency translation differences on :						
- repayment of net investment	(14)	(30)		19	(26)	
- disposal of a subsidiary	5	-		5	-	
Reclassified changes in fair value of cash flow hedges to:						
- profit or loss	(8)	(24)		19	(49)	
- inventories	3	(2)		7	7	
Tax credit/(expense)	5	10		(4)	12	
	(282)	(12)		374	382	
Items that will not be reclassified subsequently to profit or loss:						
Actuarial loss on defined benefit pension plans	(3)	-		(3)	-	
Share of other comprehensive loss of a joint venture	-	(3)		-	(3)	
	(3)	(3)		(3)	(3)	
Other comprehensive (loss)/income from continuing operations	(285)	(15)	(1,800.0)	371	379	(2.1)
<u>Discontinuing operations</u>						
Other comprehensive (loss)/income from discontinuing operations	(284)	326	(187.1)	397	62	540.3
Total other comprehensive (loss)/income	(569)	311	(283.0)	768	441	74.1
Total comprehensive income for the period	56	1,617	(96.5)	3,449	3,053	13.0
Attributable to owners of:						
- the Company						
- from continuing operations	(255)	238	(207.1)	957	1,171	(18.3)
- from discontinuing operations	303	1,303	(76.7)	2,200	1,653	33.1
	48	1,541	(96.9)	3,157	2,824	11.8
- perpetual sukuk	31	31		124	33	
- non-controlling interests	(23)	45		168	196	
Total comprehensive income for the period	56	1,617	(96.5)	3,449	3,053	13.0

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	As at 30 June 2017	As at 30 June 2016	As at 1 July 2015
Non-current assets				
Property, plant and equipment		5,599	24,456	23,027
Prepaid lease rentals		359	992	969
Investment properties		275	395	572
Biological assets		—	45	9
Land held for property development		—	695	810
Joint ventures		1,131	2,889	2,238
Associates		652	1,324	1,582
Investments		100	158	140
Intangible assets		1,684	4,544	4,194
Deferred tax assets		611	1,655	1,225
Tax recoverable		160	545	479
Derivatives	B11(a)	44	139	215
Receivables		175	549	528
Contract assets		—	1,440	651
Pension assets		5	—	—
		10,795	39,826	36,639
Current assets				
Inventories		7,103	9,412	9,669
Biological assets		—	132	174
Property development costs		—	3,244	2,843
Tax recoverable		67	239	311
Derivatives	B11(a)	97	125	80
Receivables		3,831	6,523	7,273
Contract assets		39	370	460
Prepayments		473	819	689
Bank balances, deposits and cash		2,072	3,521	4,201
		13,682	24,385	25,700
Assets held for sale		43,203	307	128
Total assets	A7	67,680	64,518	62,467
Equity				
Share capital		9,299	3,164	3,106
Reserves		28,044	29,240	27,273
Attributable to owners of the Company		37,343	32,404	30,379
Perpetual sukuk		2,230	2,230	—
Non-controlling interests		976	965	1,005
Total equity		40,549	35,599	31,384
Non-current liabilities				
Borrowings	B10	1,246	11,414	11,745
Finance lease obligation		5	127	139
Contract liabilities		104	372	341
Provisions		23	267	17
Retirement benefits		—	216	167
Deferred income		187	186	203
Deferred tax liabilities		338	2,936	2,859
Derivatives	B11(a)	—	29	19
		1,903	15,547	15,490
Current liabilities				
Payables		5,067	7,922	8,230
Contract liabilities		630	503	442
Borrowings	B10	1,948	4,419	6,318
Finance lease obligation		6	8	7
Provisions		154	217	229
Tax payable		122	245	223
Derivatives	B11(a)	11	58	61
		7,938	13,372	15,510
Liabilities associated with assets held for sale		17,290	-	83
Total liabilities		27,131	28,919	31,083
Total equity and liabilities		67,680	64,518	62,467

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

	As at 30 June 2017	As at 30 June 2016	As at 1 July 2015
Net assets per share attributable to owners of the Company (RM)	<u>5.49</u>	<u>5.12</u>	<u>4.89</u>

Note:

1. Bank balances, deposits and cash

Cash held under Housing Development Accounts	–	610	556
Bank balances, deposits and cash	<u>2,072</u>	<u>2,911</u>	<u>3,645</u>
	<u>2,072</u>	<u>3,521</u>	<u>4,201</u>

2. Assets held for sale

Non-current assets			
Property, plant and equipment	667	7	8
Investment property	–	13	–
Associate	–	278	–
Joint venture	–	–	–
Investment	–	9	–
Disposal groups	<u>42,536</u>	<u>–</u>	<u>120</u>
	<u>43,203</u>	<u>307</u>	<u>128</u>

3. Liabilities associated with assets held for sale

Disposal groups	<u>17,290</u>	<u>–</u>	<u>83</u>
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The disposal groups are in respect of the assets and liabilities of Sime Darby Plantation Berhad and Sime Darby Property Berhad which are held for distribution to shareholders of the Company (see Note B8).

The associate and investment classified under non-current assets held for sale as at 30 June 2016 were in relation to the proposed disposals 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	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
Year ended												
30 June 2017												
At 1 July 2016	3,164	2,602	595	69	(68)	54	361	25,627	32,404	2,230	965	35,599
Total comprehensive income/(loss) for the period	–	–	–	–	29	(6)	678	2,456	3,157	124	168	3,449
Transfer from share premium	5,899	(5,899)	–	–	–	–	–	–	–	–	–	–
Transfer between reserves	–	–	(127)	5	–	–	–	122	–	–	–	–
Put option revaluation	–	–	26	–	–	–	–	–	26	–	–	26
Acquisition of non-controlling interests	–	–	32	–	–	–	–	(6)	26	–	(64)	(38)
Share placement	158	2,199	–	–	–	–	–	–	2,357	–	–	2,357
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	7	7
Dividends paid by way of:												
- issuance of shares pursuant to the Dividend Reinvestment Plan	78	1,110	–	–	–	–	–	(1,188)	–	–	–	–
- cash	–	–	–	–	–	–	–	(615)	(615)	–	(100)	(715)
Distribution paid	–	–	–	–	–	–	–	–	–	(124)	–	(124)
Share issue expenses	–	(12)	–	–	–	–	–	–	(12)	–	–	(12)
At 30 June 2017	9,299	–	526	74	(39)	48	1,039	26,396	37,343	2,230	976	40,549

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

Year ended	Share capital	Share premium	Share grant reserve (Note 1)	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
30 June 2016													
At 1 July 2015	3,106	1,795	37	651	68	(100)	48	–	24,774	30,379	–	1,005	31,384
Total comprehensive income/(loss) for the period	–	–	–	–	–	32	6	361	2,425	2,824	33	196	3,053
Transfer between reserves	–	–	–	–	1	–	–	–	(1)	–	–	–	–
Performance-based employee share scheme	–	–	(37)	–	–	–	–	–	–	(37)	–	–	(37)
Share of capital reserve of an associate	–	–	–	2	–	–	–	–	–	2	–	–	2
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	(11)	(11)	–	(2)	(13)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(12)	(12)
Put option adjustments	–	–	–	(58)	–	–	–	–	–	(58)	–	–	(58)
Issuance of perpetual sukuk, net of expenses	–	–	–	–	–	–	–	–	–	–	2,197	–	2,197
Dividends paid by way of:													
- issuance of shares pursuant to the Dividend Reinvestment Plan	58	807	–	–	–	–	–	–	(865)	–	–	–	–
- cash	–	–	–	–	–	–	–	–	(695)	(695)	–	(222)	(917)
At 30 June 2016	3,164	2,602	–	595	69	(68)	54	361	25,627	32,404	2,230	965	35,599

Note :

1. The share grant reserve was fully reversed during the financial year ended 30 June 2016 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

		Year ended 30 June	
	Note	2017	2016
Cash flow from operating activities			
Profit for the financial year		795	864
Adjustments for:			
Share of results of joint ventures and associates		(46)	(36)
Finance income		(512)	(532)
Finance costs		289	429
Gain on disposal and investment income		(196)	(148)
Reversal of impairment losses and bad debts		(14)	(44)
Depreciation, amortisation, impairment and write offs		852	649
Write down of inventories (net)		203	208
Changes in fair value of derivatives		20	(98)
Unrealised foreign currencies exchange loss		(50)	111
Realised foreign currencies exchange loss/(gain) transferred from equity		19	(26)
Tax expense		212	182
Other non-cash items		39	(38)
		<u>1,611</u>	<u>1,521</u>
Changes in working capital:			
Inventories and rental assets		16	701
Trade, other receivables and prepayments		119	362
Trade, other payables and provisions		(562)	(462)
Cash generated from operations		<u>1,184</u>	<u>2,122</u>
Tax paid		(289)	(233)
Dividends received from a joint venture, associates and investments		157	128
Operating cash from continuing operations		<u>1,052</u>	<u>2,017</u>
Operating cash from discontinuing operations		<u>3,056</u>	<u>1,642</u>
Net cash from operating activities		<u>4,108</u>	<u>3,659</u>
Investing activities			
Finance income received		512	527
Purchase of property, plant and equipment		(347)	(914)
Purchase/subscription of shares in joint ventures and associates		(105)	(53)
Purchase of investment properties		(3)	–
Purchase of intangible assets		(122)	(143)
Purchase of investments		(62)	–
Payment for prepaid lease rental		(14)	(43)
Proceeds from sale of subsidiaries	A11.4	104	114
Proceeds from sale of interest in an associate		308	–
Proceeds from sale of investments		15	–
Proceeds from sale of property, plant and equipment		28	167
Proceeds from sale of investment property		45	–
Others		50	(84)
Investing cash from/(used in) continuing operations		<u>409</u>	<u>(429)</u>
Investing cash used in discontinuing operations		<u>(964)</u>	<u>(1,180)</u>
Net cash used in investing activities		<u>(555)</u>	<u>(1,609)</u>

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

		Year ended 30 June	
	Note	2017	2016
Financing activities			
Proceeds from issuance of shares, net of expenses		2,345	–
Proceeds from shares issued to an owner of non-controlling interest		7	–
Proceeds from issuance of perpetual sukuk		–	2,197
Purchase of additional interest in subsidiaries		–	(11)
Capital repayment by a subsidiary to owners of non-controlling interest		(29)	–
Finance costs paid		(371)	(449)
Long-term borrowings raised		45	227
Repayments of long-term borrowings		(4,250)	(1,114)
Revolving credits, trade facilities and other short-term borrowings (net)		(437)	(2,878)
Distribution to perpetual sukuk holders		(124)	–
Dividends paid		(664)	(740)
Financing cash used in continuing operations		(3,478)	(2,768)
Financing cash from/(used in) discontinuing operations		169	(32)
Net cash used in financing activities		(3,309)	(2,800)
Net changes in cash and cash equivalents		244	(750)
Foreign exchange differences		102	91
Cash and cash equivalents at beginning of the year		3,496	4,155
Cash and cash equivalents at end of the year		3,842	3,496
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Cash held under Housing Development Accounts		–	610
Bank balances, deposits and cash		2,072	2,911
Less:			
Bank overdrafts	B10	(78)	(25)
Cash and cash equivalent from continuing operations		1,994	3,496
Cash and cash equivalent from discontinuing operations		1,848	–
		3,842	3,496

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 Malaysian Financial Reporting Standard (MFRS) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (MASB). The interim financial report is unaudited and should be read in conjunction with the Group's audited annual financial statements for the financial year ended 30 June 2016.

A. EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The financial statements of the Group for the financial year ended 30 June 2017 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards and MFRS 141 – Agriculture. Subject to certain transition elections as disclosed in Note A1(b), the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 July 2015, being the transition date, and throughout all years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group's reported financial position, financial performance and cash flows, are disclosed in Note A1(b).

Except for the adoption of MFRS and below, 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.

a) New accounting pronouncements

- i) Accounting pronouncements that has been early adopted for this interim financial report:

The Group has early adopted MFRS 15 – Revenue from Contracts with Customers in the current financial year. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods and services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. The impact of the adoption of MFRS 15 is shown in Note A1(b).

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

- MFRS 9 – Financial Instruments
- MFRS 16 – Leases
- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Applying MFRS 9 – Financial Instruments with MFRS 4 – Insurance Contracts (Amendments to MFRS 4)
- Annual Improvements to MFRSs 2014 – 2016 Cycle
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 – Foreign Currency Translations and Advance Consideration

- 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 MFRS 10 and MFRS 128)

A1. Basis of Preparation (continued)

b) First-time Adoption of MFRS and Early Adoption of MFRS 15

i) Transition from Financial Reporting Standards (FRSs) to MFRS

The Company, in its consolidated financial statements, measured the assets and liabilities of subsidiaries at the same carrying amounts as in the financial statements of these subsidiaries that have adopted the MFRS framework or International Financial Reporting Standards (IFRS) earlier than the Company, after adjusting for consolidation adjustments. During the financial year, certain subsidiaries which have adopted the IFRS earlier than the Company changed its accounting policy on deferred tax liabilities on indefinite useful life intangible assets in light of the IFRIC agenda decision. The change in accounting policy has been applied retrospectively and resulted in additional goodwill and deferred tax liabilities by RM200 million and RM207 million at 1 July 2015 and 30 June 2016, respectively. The Group has reflected these impacts in its consolidated financial statements accordingly.

As provided in MFRS 1, first-time adopter of MFRS can elect optional exemptions from full retrospective application of MFRSs. The Group has elected to apply MFRS 3 – Business Combinations and MFRS 10 – Consolidated Financial Statements prospectively from the date FRS 3 – Business Combinations was adopted and to deem the carrying amount of investment in each subsidiary, joint venture and associate to be the cost of the investment in the separate financial statements as at the date of transition to MFRSs.

The following optional exemptions elected by the Group that have an impact on the reported financial positions prepared in accordance with FRSs have been applied in the opening MFRS statement of financial position as at 1 July 2015 and throughout all periods presented in the financial statements.

i. Property, plant and equipment – Deemed cost exemption

Under FRS, valuation adjustments on certain plantation land and building were incorporated into the financial statements. The Group have elected to use the previous revaluation as deemed cost under MFRSs. The revaluation reserve of RM67 million as at 1 July 2015 was reclassified to retained earnings.

ii. Exemption for cumulative translation differences

The Group have elected to reset the exchange reserve to zero. The exchange reserve of RM638 million as at 1 July 2015 was reclassified to retained earnings.

iii. Effects of MFRS 141

Prior to the adoption of MFRS 141 and Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141), produce growing on bearer plants were not recognised and livestock were stated at cost. Following the adoption, these biological assets are measured at fair value less cost to sell. Changes in fair value less costs to sell are recognised in profit or loss.

ii) Early Adoption of MFRS 15

With the adoption of MFRS 15, revenue are recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue are recognised when the performance obligation is satisfied, which may be at a point in time or over time.

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

A1. Basis of Preparation (continued)

b) First-time Adoption of MFRS and Early Adoption of MFRS 15 (continued)

iii) Reconciliation of profit or loss

	Note	Quarter ended 30 June 2016				Year ended 30 June 2016			
		Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs	Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs
Revenue		7,660	–	68	7,728	29,221	–	231	29,452
Other operating income		332	6	(68)	270	695	6	(231)	470
Operating expenses		(7,723)	–	–	(7,723)	(28,974)	–	–	(28,974)
Other gains and losses		1	(11)	–	(10)	(20)	(21)	–	(41)
Operating profit	i	270	(5)	–	265	922	(15)	–	907
Profit for the financial year:									
- from continuing operations		291	(5)	–	286	879	(15)	–	864
- from discontinuing operations	ii, iii	926	(56)	150	1,020	1,721	(66)	93	1,748
Profit for the financial year		1,217	(61)	150	1,306	2,600	(81)	93	2,612
Profit for the financial year attributable to owners of:									
- the Company									
- from continuing operations		258	(5)	–	253	807	(15)	–	792
- from discontinuing operations		879	(56)	150	973	1,602	(65)	93	1,630
		1,137	(61)	150	1,226	2,409	(80)	93	2,422
- perpetual sukuk		31	–	–	31	33	–	–	33
- non-controlling interests		49	–	–	49	158	(1)	–	157
		1,217	(61)	150	1,306	2,600	(81)	93	2,612

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Explanatory Notes on the Quarterly Report – 30 June 2017
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A1. Basis of Preparation (continued)

b) First-time Adoption of MFRS and Early Adoption of MFRS 15 (continued)

iii) Reconciliation of profit or loss (continued)

	Note	Quarter ended 30 June 2016			Restated under MFRSs	Year ended 30 June 2016			Restated under MFRSs
		Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15		Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	
		Sen			Sen	Sen			Sen
Basic earnings per share attributable to owners of the Company:									
- from continuing operations		4.1			4.0	12.9			12.6
- from discontinuing operations		13.9			15.4	25.5			26.0
		<u>18.0</u>			<u>19.4</u>	<u>38.4</u>			<u>38.6</u>

Notes:

- The operating profit prepared under FRSs included the net exchange gains recycled from exchange reserve following the repayment of foreign currencies denominated net investment and the disposal of foreign subsidiaries. The MFRS adjustments are in relation to the portion of exchange gains which arose prior to 1 July 2015, where the amount has been reset to zero upon the adoption of MFRSs.
- The profit for the financial year from discontinuing operations prepared under FRSs included a net exchange gain of RM49 million recycled from exchange reserve. The MFRS adjustments comprise the elimination of the portion of exchange gains of RM49 million, and the recognition of the changes in the fair value of biological assets of RM17 million in accordance with the requirement of MFRS 141.
- The MFRS 15 adjustments are mainly due to the changes to the timing of revenue recognition for the property development activities and golf club membership fees.

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Explanatory Notes on the Quarterly Report – 30 June 2017
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A1. Basis of Preparation (continued)

b) First-time Adoption of MFRS and Early Adoption of MFRS 15 (continued)

iv). Reconciliation of comprehensive income

Note	Quarter ended 30 June 2016				Year ended 30 June 2016			
	Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs	Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs
Profit for the financial year	1,217	(61)	150	1,306	2,600	(81)	93	2,612
Reclassified to profit or loss:								
- currency translation differences on:								
- repayment of net investments	(36)	6	–	(30)	(47)	21	–	(26)
- disposal of a subsidiary	6	(6)	–	–	6	(6)	–	–
Other items	15	–	–	15	405	–	–	405
Other comprehensive income from continuing operations	(15)	–	–	(15)	364	15	–	379
Other comprehensive income from discontinuing operations	259	67	–	326	10	52	–	62
Total other comprehensive income	244	67	–	311	374	67	–	441
Total comprehensive income for the financial year	1,461	6	150	1,617	2,974	(14)	93	3,053
Total comprehensive income for the financial year attributable to owners of:								
- the Company								
- from continuing operations	243	(5)	–	238	1,171	–	–	1,171
- from discontinuing operations	1,142	11	150	1,303	1,573	(13)	93	1,653
	1,385	6	150	1,541	2,744	(13)	93	2,824
- perpetual sukuk	31	–	–	31	33	–	–	33
- non-controlling interests	45	–	–	45	197	(1)	–	196
	1,461	6	150	1,617	2,974	(14)	93	3,053

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A1. Basis of Preparation (continued)

b) First-time Adoption of MFRS and Early Adoption of MFRS 15 (continued)

v) Reconciliation of financial position and equity

	Note	Previously stated under FRSs	As at 30 June 2016 Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs	Previously stated under FRSs	As at 1 July 2015 Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs
<u>Non-current assets</u>									
Intangible assets	i	4,337	207	–	4,544	3,994	200	–	4,194
Deferred tax assets	ii	1,598	–	57	1,655	1,139	–	86	1,225
Other non-current assets		33,627	–	–	33,627	31,220	–	–	31,220
		39,562	207	57	39,826	36,353	200	86	36,639
<u>Current assets</u>									
Inventories	ii	9,397	–	15	9,412	9,661	–	8	9,669
Biological assets	iii	17	115	–	132	41	133	–	174
Property development costs	ii	3,180	–	64	3,244	2,604	–	239	2,843
Contract assets	ii	519	–	(149)	370	897	–	(437)	460
Other current assets		11,227	–	–	11,227	12,554	–	–	12,554
		24,340	115	(70)	24,385	25,757	133	(190)	25,700
Assets held for sale		307	–	–	307	128	–	–	128
Total assets		64,209	322	(13)	64,518	62,238	333	(104)	62,467

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A1. Basis of Preparation (continued)

b) First-time Adoption of MFRS and Early Adoption of MFRS 15 (continued)

v) Reconciliation of financial position and equity (continued)

		As at 30 June 2016				As at 1 July 2015			
	Note	Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs	Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs
<u>Equity</u>									
Share capital		3,164	–	–	3,164	3,106	–	–	3,106
Revaluation reserve		67	(67)	–	–	67	(67)	–	–
Exchange reserve		928	(567)	–	361	634	(634)	–	–
Retained profit		18,871	6,948	(192)	25,627	18,031	7,028	(285)	24,774
Capital reserve		6,826	(6,231)	–	595	6,882	(6,231)	–	651
Share premium and other reserves		2,657	–	–	2,657	1,848	–	–	1,848
Attributable to owners of the Company	i, ii, iii	32,513	83	(192)	32,404	30,568	96	(285)	30,379
Perpetual sukuk		2,230	–	–	2,230	–	–	–	–
Non-controlling interests		964	1	–	965	1,003	2	–	1,005
		35,707	84	(192)	35,599	31,571	98	(285)	31,384
<u>Non-current liabilities</u>									
Contract liabilities		–	–	372	372	–	–	341	341
Deferred income		421	–	(235)	186	408	–	(205)	203
Deferred tax liabilities		2,658	238	40	2,936	2,587	235	37	2,859
Other non-current liabilities		12,053	–	–	12,053	12,087	–	–	12,087
	ii, iii	15,132	238	177	15,547	15,082	235	173	15,490
<u>Current liabilities</u>									
Payables		8,039	–	(117)	7,922	8,347	–	(117)	8,230
Contract liabilities		186	–	317	503	172	–	270	442
Deferred income		211	–	(211)	–	159	–	(159)	–
Provisions		204	–	13	217	215	–	14	229
Other current liabilities		4,730	–	–	4,730	6,609	–	–	6,609
		13,370	–	2	13,372	15,502	–	8	15,510
Liabilities associated with assets held for sale		–	–	–	–	83	–	–	83
Total equity and liabilities		64,209	322	(13)	64,518	62,238	333	(104)	62,467

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A1. Basis of Preparation (continued)

b) First-time Adoption of MFRS and Early Adoption of MFRS 15 (continued)

v) Reconciliation of financial position and equity (continued)

Notes:

- i. The MFRS adjustments comprised the transfer of the revaluation reserve and exchange reserve to retained profit following the election made by the Group to use the previous revaluation as deemed cost and to reset the exchange reserve as at 1 July 2015 to zero.

The Group has also adjusted the intangible assets and deferred tax liabilities to the same carrying amounts as those subsidiaries that have adopted the MFRS framework or IFRS earlier than the Company, after adjusting for consolidation adjustments.

In addition, the merger reserve of RM6,231 million has been transferred to retained profit.

- ii. The MFRS 15 adjustments are mainly due to the changes to the timing of revenue recognition for property development activities and golf club membership fees.
- iii. The MFRS adjustments are in relation to the recognition of the fair value of biological assets of RM115 million (1 July 2015: RM133 million) in accordance with the requirement of MFRS 141, and the related tax effects of RM31 million (1 July 2015: RM35 million).

vi) Reconciliation of cash flows

		30 June 2016			
	Note	Previously stated under FRSs	Effects of transition to MFRSs	Effects of MFRS 15	Restated under MFRSs
Cash flow from operating activities					
Profit for the financial year		879	(15)	—	864
Adjustment for non-cash items		642	15	—	657
		1,521	—	—	1,521
Changes in working capital		601	—	—	601
Cash generated from operations		2,122	—	—	2,122
Tax paid		(233)	—	—	(233)
Dividends received from associates and investments		128	—	—	128
Operating cash flow from continuing operations		2,017	—	—	2,017
Operating cash flow from discontinuing operations		1,642	—	—	1,642
Net cash from operating activities		3,659	—	—	3,659
Net cash used in investing activities		(1,609)	—	—	(1,609)
Net cash used in financing activities		(2,800)	—	—	(2,800)
Net decrease in cash and cash equivalents		(750)	—	—	(750)
Foreign exchange differences		91	—	—	91
Cash and cash equivalents at beginning of the financial year		4,155	—	—	4,155
Cash and cash equivalents at end of the financial year		3,496	—	—	3,496

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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

Except as disclosed in Note B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial year 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. However, changes in estimates during the current period under review has resulted in impairments disclosed in Note B1 and B2.

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 year under review.

Share capital

- 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 on 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.

Sukuk

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").

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A5. Debt and Equity Securities (continued)

Sukuk (continued)

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.

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 amounting to RM207 million was paid in cash.

An interim single tier dividend of 6.0 sen per share for the financial year ended 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". In addition, following the proposed creation of three standalone listed entities which will be pure plays in the plantation, property and trading and logistics sectors on the Main Market of Bursa Malaysia Securities Berhad (see Note B8), the results of the plantation and property businesses for the current and previous financial years are now classified as discontinuing operations and their assets/(liabilities) are now classified as assets/(liabilities) held for sale.

	Continuing operations						Discontinuing operations			
	Industrial	Motors	Logistics	Others	Corporate/ Elimination	Total	Plantation	Property	Total	Total
Year ended 30 June 2017										
Segment revenue:										
External	10,127	20,602	303	55	–	31,087	14,765	2,193	16,958	48,045
Inter-segment	70	24	–	131	(650)	(425)	3	422	425	–
	10,197	20,626	303	186	(650)	30,662	14,768	2,615	17,383	48,045
Segment result:										
Operating (loss)/profit	(7)	629	62	41	13	738	2,060	486	2,546	3,284
Share of results of joint ventures and associates	3	4	2	37	–	46	(83)	315	232	278
(Loss)/Profit before interest and tax	(4)	633	64	78	13	784	1,977	801	2,778	3,562
Year ended 30 June 2016										
Segment revenue:										
External	9,946	19,155	294	57	–	29,452	11,877	3,163	15,040	44,492
Inter-segment	62	27	–	127	(425)	(209)	–	209	209	–
	10,008	19,182	294	184	(425)	29,243	11,877	3,372	15,249	44,492
Segment result:										
Operating profit	338	493	102	4	(30)	907	1,039	1,158	2,197	3,104
Share of results of joint ventures and associates	3	10	1	22	–	36	(8)	21	13	49
Profit before interest and tax	341	503	103	26	(30)	943	1,031	1,179	2,210	3,153

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A7. Segment Information (continued)

	Continuing operations				Discontinuing operations		Elimination/ Corporate expense	Total
	Industrial	Motors	Logistics	Others	Plantation	Property		
As at 30 June 2017								
Segment assets:								
Operating assets	9,473	8,816	2,212	146	26,968	8,498	1,209	57,322
Joint ventures and associates	264	87	414	1,018	609	2,375	–	4,767
Non-current assets held for sale	667	–	–	–	183	1,865	–	2,715
	10,404	8,903	2,626	1,164	27,760	12,738	1,209	64,804
Tax assets *								2,876
Total assets								67,680

* include RM2,038 million tax recoverable and deferred tax assets of Plantation and Property

As at 30 June 2016

Segment assets:								
Operating assets	9,555	8,746	2,228	181	26,104	9,601	1,144	57,559
Joint ventures and associates	261	90	286	625	683	2,268	–	4,213
Non-current assets held for sale	3	13	–	–	4	287	–	307
	9,819	8,849	2,514	806	26,791	12,156	1,144	62,079
Tax assets								2,439
Total assets								64,518

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A8. Capital Commitments

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

	As at 30 June 2017	As at 30 June 2016
Property, plant and equipment		
- contracted	536	504
- not contracted	1,809	2,296
	<u>2,345</u>	<u>2,800</u>
Other capital expenditure		
- contracted	87	86
- not contracted	50	128
	<u>2,482</u>	<u>3,014</u>

A9. Significant Related Party Transactions

Related party transactions conducted during the financial year ended 30 June are as follows:

	Year ended 30 June 2017	2016
a. Transactions with joint ventures		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	33	51
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>
b. Transactions with an associate		
Sales of products and services to Tesco Stores (Malaysia) Sdn Bhd	<u>15</u>	<u>13</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	265	378
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	38	37
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	52	41
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	33	47
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	5	9
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	<u>60</u>	<u>92</u>

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A9. Significant Related Party Transactions (continued)

Related party transactions conducted during the financial year ended 30 June are as follows: (continued)

	Year ended	
	30 June	
	2017	2016
d. Transactions with key management personnel and their close family members		
Sales of properties and cars by the Group	<u>2</u>	<u>9</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 51.87% as at 30 June 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 (2016: RM122 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 year:

- 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 on 13 October 2016;
- ii. On 31 March 2017 and 29 June 2017, The Glengowrie Rubber Company Sdn Bhd disposed freehold land in Glengowrie Estate measuring approximately 805 acres to Petaling Garden Sdn Bhd, a subsidiary of PNB, for a total cash consideration of RM428.8 million;
- iii. On 4 April 2017, Sime Darby Plantation Berhad acquired the assets of Yong Peng Realty Sdn Bhd (YPR) and Perusahaan Minyak Sawit Bintang Sdn Bhd (PMSB) for a total cash consideration of RM106.7 million. YPR and PMSB are subsidiaries of PNB; and
- iv. On 29 June 2017, Sime Darby Builders Sdn Bhd entered into a Sale and Purchase Agreement for the proposed disposal of freehold land in New Lunderston Estate measuring approximately 297.51 acres to PNB Development Sdn Bhd, a subsidiary of PNB, for a total cash consideration of RM85.5 million. This transaction is yet to complete as at 30 June 2017.

Subsequent to the reporting date, on 31 July 2017, Sime Darby Property Berhad entered into a Share Sale Agreement with PNB Development Sdn Bhd for the disposal of its entire 40% equity interest in Seriemas Development Sdn Bhd for a total cash consideration of RM625 million.

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

There were no material event subsequent to the end of the current quarter under review to 17 August 2017, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

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 (PJI) was incorporated in Delaware, United States of America with its entire Member's Capital of USD5,000 contributed by PJI. The principal activity of PJI 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.
- 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 Berhad. The principal activities of SDGTL is to carry on business as a trading company including business of commodity trading activities.
- e) On 23 February 2017, Performance Munich Autos Pte Ltd (PMAPL) was incorporated in Singapore with its entire share capital of SGD1.00 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.
- f) On 1 March 2017, Auto Bavaria M Performance Sdn Bhd (ABMP) was incorporated in Malaysia with its entire share capital of RM1.00 held by Sime Darby Auto Bavaria Sdn Bhd. The principal activities of ABMP are to carry out the business of marketing, selling and after-sales servicing of motor vehicles and related spare parts.

2. Acquisition of a subsidiary and businesses

- a) 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 RM2.00. The intended principal activities of MVVH are property development and investment holding.
- b) On 31 March 2017, Sime Darby Plantation Berhad acquired the businesses and assets of Yong Peng Realty Sdn Bhd and Perusahaan Minyak Sawit Bintang Sendirian Berhad for a total cash consideration of RM106.69 million.

Details of the assets, liabilities and net cash outflow arising from the acquisition of subsidiary and businesses, included in discontinuing operations, are as follows:

	Year ended 30 June 2017
Net assets acquired – property, plant and equipment	104
Goodwill	3
Purchase consideration	107

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

3. Acquisition of non-controlling interests

On 16 May 2017, Sime Singapore Limited (SSL) acquired the remaining 10.85% equity interest in Europe Automobiles Corporation Holdings Pte Ltd (EACH) for a total consideration of USD6 million pursuant to the put option exercised in accordance with the Shareholders' Agreement dated 15 November 2013. Following the acquisition, EACH became wholly-owned subsidiary of SSL.

4. Disposal of subsidiaries 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. The disposal results in a gain of RM131 million. 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 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. The disposal resulted in a gain of RM35 million. 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.
- c) 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).

The disposal was completed on 6 April 2017. The disposal resulted in a gain of RM10 million. Following the disposal, WSDWP ceased to be an indirect subsidiary of the Group, and became an associate.

- 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.

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

4. Disposal of subsidiaries and partial interest in an associate (continued)

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

	Year ended 30 June 2017
Property, plant and equipment	177
Prepaid lease rentals	13
Investment properties	60
Amount due to the Group	(90)
Net current liabilities	(58)
Net assets disposed	102
Gain on disposal	141
Less: Exchange gain included in the gain on disposal	(2)
Retained as joint venture	(22)
Proceeds from disposal, net of transaction costs	219
Less: Cash and cash equivalent in subsidiaries disposed	(19)
Net cash inflow from disposal of subsidiaries during the period	200
Net cash inflow from disposal of subsidiaries during the period	200
Proceeds from disposal of subsidiary in previous years	90
Net cash inflow from disposal of subsidiaries	290

Of the RM290 million net cash inflow, RM104 million relates to the continuing operations while RM186 million is included under discontinuing operations in the statement of cash flows.

5. Others

During the financial year, 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.
- iii. On 31 March 2017, SDEIPL, SDPSL, JRAM, JRegional and HAUT Trustee have entered into a termination agreement to terminate the SPA and the 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 17 August 2017	As at 30 June 2016
Performance guarantees and advance payment guarantees to customers of the Group	2,300	2,234
Guarantees in respect of credit facilities granted to:		
- certain associates and a joint venture	203	90
- plasma stakeholders	73	62
	<u>2,576</u>	<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 30 June 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 RM226 million (30 June 2016: RM258 million).

b) Claims

	As at 17 August 2017	As at 30 June 2016
Claims pending against the Group	<u>23</u>	<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

	Year ended 30 June 2017	2016	% +/(–)
<u>Continuing operations</u>			
Revenue	<u>31,087</u>	<u>29,452</u>	5.6
Segment results:			
Industrial	(4)	341	(101.2)
Motors	633	503	25.8
Logistics	64	103	(37.9)
Others	<u>78</u>	<u>26</u>	200.0
	<u>771</u>	<u>973</u>	(20.8)
Exchange gain/(loss):			
Unrealised	18	(32)	
Realised	102	(6)	
Corporate expense and elimination	<u>(107)</u>	<u>8</u>	
Profit before interest and tax	<u>784</u>	<u>943</u>	(16.9)
Finance income	512	532	
Finance costs	<u>(289)</u>	<u>(429)</u>	
Profit before tax	<u>1,007</u>	<u>1,046</u>	(3.7)
Tax expense	<u>(212)</u>	<u>(182)</u>	
Profit from continuing operations	<u>795</u>	<u>864</u>	(8.0)
<u>Discontinuing operations</u>			
Profit from discontinuing operations	<u>1,886</u>	<u>1,748</u>	
Profit after tax	<u>2,681</u>	<u>2,612</u>	2.6
Perpetual sukuk	(124)	(33)	
Non-controlling interests	<u>(119)</u>	<u>(157)</u>	
Profit attributable to owners of the Company	<u><u>2,438</u></u>	<u><u>2,422</u></u>	0.7
Profit from discontinuing operations include:			
Segment results:			
Plantation	1,977	1,031	91.8
Property	<u>801</u>	<u>1,179</u>	(32.1)

Group revenue from continuing operations for the financial year ended 30 June 2017 was higher than previous year by 5.6% but the profit before tax at RM1,007 million was lower by 3.7% largely due to the lower earnings from Industrial and Logistics. Net earnings of the Group from both continuing and discontinuing operations was higher at RM2,438 million as compared to RM2,422 million a year ago largely due to higher earnings from discontinuing operations.

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

a) Industrial

Industrial division registered a loss of RM4 million for the financial year primarily due to an impairment charge for the Bucyrus distribution rights of RM214 million and the provision for onerous contracts of RM43 million for the leasing of Bucyrus equipment. Excluding the impairment and provision for onerous contracts, the division's profit of RM253 million was 25.8% lower than that registered of RM341million last year.

B1. Review of Group Performance (continued)

a) Industrial (continued)

The adverse performance of the division was mainly caused by the lower engine deliveries to oil & gas and marine sectors in Singapore, project delays in Hong Kong and intense competition in Australasia. Mining business sentiment in Australasia has improved slightly as coal prices stabilised but competitors continue to maintain low pricing strategy to remain competitive. The lower contribution from these regions was partially mitigated by improved performance in Malaysia driven by the construction sector.

b) Motors

Motors division registered a sterling performance for the financial year with a higher profit by 25.8% to RM633 million. This was mainly attributable to better performance in Malaysia, China and New Zealand despite the challenging and competitive markets. In Malaysia, higher contribution was registered from BMW, Hyundai and car rental business whilst in China, the higher profit was due to the strong demand for BMW and super luxury cars. In New Zealand, higher profit was recorded from Truck operations.

Operations in Singapore registered a lower profit mainly due to the gain on disposal of a property of RM17 million in the previous year.

c) Logistics

Profit from Logistics declined by RM39 million or 37.9% as compared to last year due to the recognition of RM19 million government grant and gain on disposal of 50% equity interest in Weifang Sime Darby Liquid Terminal Co Ltd of RM18 million in the previous year vis-à-vis a gain of RM10 million on the disposal of 50% equity interest in Weifang Sime Darby West Port Co Ltd in the current year. Excluding the gains from the government grant and disposals, contribution from operations declined by 18% as compared to the last financial year. The lower contribution was largely due to the lower throughput at Jining ports as a result of tighter environmental control by Jining authority despite the higher water consumption of Weifang Water and higher average tariff rate registered in Weifang port.

d) Others

Contribution from Others increased by RM52 million mainly due to higher contribution from healthcare business and a gain on partial disposal of the Group's interest in Eastern & Oriental Berhad of RM35 million during the current financial year and the share of losses in Tesco of RM19 million included in the previous year. The Group has discontinued recognising its share of further losses in excess of its investment in Tesco.

The higher share of profit from Healthcare business was due to the increase in both inpatient and outpatient visits for both the Malaysian and Indonesian operations.

e) Finance costs

Finance costs reduced by 32.6% to RM289 million mainly due to the repayment of borrowings from the proceeds of RM2.2 billion perpetual sukuk issued on 24 March 2016 and shares placement of RM2.3 billion on 13 October 2016.

f) Discontinuing operations

Plantation and Property divisions are classified under discontinuing operations following the proposal to pursue the pure-play strategy involving the creation of 3 standalone listed entities in the plantation, property and trading & logistics sectors on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities). The proposal which involves the distribution of the Company's entire shareholding in Sime Darby Plantation Berhad and Sime Darby Property Berhad to shareholders of the Company is subject to the approval of the Securities Commission, Bursa Securities and shareholders.

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B1. Review of Group Performance (continued)

f) Discontinuing operations (continued)

i. Plantation

For the current financial year, Plantation division recorded a 91.8% jump in operating profit from RM1,031 million to RM1,977 million despite an impairment of assets in Liberia of RM202 million. The strong performance was largely due to higher average crude palm oil (CPO) price realised of RM2,848 per MT (2016: RM2,242 per MT), higher average palm kernel price of RM2,469 per MT (2016: RM1,581 per MT) and higher fresh fruit bunch (FFB) production of 1.7% at 9.78 million MT (2016: 9.62 million MT).

Downstream operations registered a lower profit of RM72 million during the financial year due to lower sales volume and share of impairment of assets in a joint venture of RM39 million.

ii. Property

Property recorded a 32.1% decline in operating profit from RM1,179 million to RM801 million mainly due to lower gains from asset monetisation and compulsory land acquisition of RM542 million (2016: RM671 million) and RM58 million (2016: RM145 million), respectively.

The results for the current financial year included the provision for unsold stocks of RM149 million, abortive cost on the termination of the proposed acquisition of Saizen Real Estate Investment Trust of RM23 million and the lower contribution from Pagoh Education Hub project. Higher share of profit was recognised from Battersea Project of RM140 million (2016: RM21 million loss) following the ongoing handover of Phase 1 units and higher share of profit from Sime Darby Real Estate Investment Trust 1 (SD REIT) of RM137 million following the disposal of a property by the joint venture.

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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 June 2017	31 March 2017	% +/(–)
<u>Continuing operations</u>			
Revenue	<u>8,200</u>	<u>7,867</u>	4.2
Segment results:			
Industrial	(192)	82	(334.1)
Motors	241	126	91.3
Logistics	28	13	115.4
Others	<u>19</u>	<u>25</u>	(24.0)
	<u>96</u>	<u>246</u>	(61.0)
Exchange gain:			
Unrealised	(31)	4	
Realised	55	12	
Corporate expense and elimination	<u>(52)</u>	<u>(29)</u>	
Profit before interest and tax	<u>68</u>	<u>233</u>	(70.8)
Finance income	128	135	
Finance costs	<u>(98)</u>	<u>(58)</u>	
Profit before tax	<u>98</u>	<u>310</u>	(68.4)
Tax expense	<u>(14)</u>	<u>(74)</u>	
Profit from continuing operations	<u>84</u>	<u>236</u>	(64.4)
<u>Discontinuing operations</u>			
Profit from discontinuing operations	<u>541</u>	<u>532</u>	
Profit after tax	<u>625</u>	<u>768</u>	(18.6)
Perpetual sukuk	(31)	(30)	
Non-controlling interests	<u>(23)</u>	<u>(46)</u>	
Profit attributable to owners of the Company	<u>571</u>	<u>692</u>	(17.5)
Profit from discontinuing operations include:			
Segment results:			
Plantation	352	714	(50.7)
Property	<u>413</u>	<u>67</u>	516.4

Group revenue from continuing operations for the fourth quarter ended 30 June 2017 increased by 4.2% but the pre-tax profit declined sharply by 68.4% as compared to the preceding quarter. Net earnings of the Group for both continuing and discontinuing operations declined by 17.5% mainly due to the loss recorded by Industrial division.

a) Industrial

The Industrial division suffered a loss of RM192 million compared to a profit of RM82 million in the preceding quarter. The loss was largely attributable to impairment of the Bucyrus distribution rights and provision for onerous contracts for the leasing of Bucyrus equipment, totaling RM257 million. Excluding these one-off charge, the division's profit of RM65 million is 20.7% lower than the preceding quarter. The lower operating profit was due to losses registered by an associate in Singapore and restructuring costs.

Operation in China registered a higher profit as compared to the preceding quarter due to better performance in the equipment and product support segment whilst in Singapore, the improved results was mainly due to recognition of cost savings from completed projects.

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

b) Motors

Profit from Motors division surged by 91.3% to RM241 million as a result of higher contribution from BMW in Malaysia, Singapore and China. Contribution from New Zealand was also higher due to better performance from Truck operations.

c) Logistics

Logistics recorded a higher profit of RM28 million as compared to RM13 million in the preceding quarter. The better performance was mainly due to the gain on disposal of Weifang Sime Darby West Port Co Ltd of RM10 million, the improved contribution from the 3 x 30,000 MT berth which commenced operation in August 2016 and the higher water consumption.

d) Others

Contribution from Others declined marginally from RM25 million to RM19 million mainly due to lower profit from insurance brokerage and healthcare businesses.

e) Discontinuing operations

i. Plantation

Plantation division registered a lower operating profit of RM352 million as compared to RM714 million in the preceding quarter. The decline was mainly due to impairment of assets in Liberia of RM202 million and losses in downstream operations of RM88 million due to share of impairment of assets in a joint venture of RM39 million. During the quarter, the division achieved an average CPO price of RM2,813 per MT as compared to RM3,088 per MT in the preceding quarter. FFB production of 2.45 million MT was marginally lower by 0.2% compared to the preceding quarter.

ii. Property

Profit from Property division for the current quarter of RM413 million as compared to the preceding quarter of RM67 million was largely due to contribution from Battersea Project of RM53 million, share of profit from SD REIT of RM135 million, higher contribution from Elmina West and Serenia City and lower provision for unsold stocks of RM70 million. The gain on disposal of land for the current quarter amounted to RM209 million as compared to RM202 million in the preceding quarter.

B3. Prospects

On 27 February 2017, the Company announced the proposed distribution and the subsequent listings of the Company's entire shareholdings in Sime Darby Plantation Berhad and Sime Darby Property Berhad on the Main Market of Bursa Malaysia Securities Berhad ("the Proposal"). The Proposal is progressing on schedule and is expected to be completed in the fourth quarter of 2017.

Accordingly, the results of the Plantation and Property businesses have been classified as Discontinuing Operations and, upon completion of the Proposal, both Sime Darby Plantation Berhad and Sime Darby Property Berhad would be deconsolidated from the Sime Darby Berhad Group. Going forward, the Group's businesses would be Industrial, Motors, Logistics and Others.

The global economic environment continues to be subdued as uncertainty remains in major economies, particularly China and the United Kingdom. This has led to continued volatility in foreign exchange rates, commodity prices and expected hikes in interest rates.

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B3. Prospects (continued)

The Group's Motors operations have performed well in the last financial year, though it continues to be impacted by strong competition and cautious consumer sentiment. The re-organisation of the businesses in Australia, New Zealand and China in the past year have improved its competitive position in these challenging markets. Continued growth and higher generation of sales in the near term is expected with launches of new car models in the forthcoming quarters and the on-going measures to expand the Motors operations.

In recent months, mining activities in Australia have started to gain momentum, with improvements in the parts and services sectors and a positive pick-up seen in equipment sales and rental business. The China operations performed strongly in the last financial year, largely boosted by improved demand in the construction industry which is expected to continue into the new financial year. The Malaysian operations continue to be well supported by the growth in the construction and infrastructure segments.

The Port operations in Weifang continue to be affected by the slower economic growth and competitive market. However, the added capacity of new berths in late 2016 and expected completion of new berths and the liquid terminal in this financial year, will further support the development of Weifang Port into a meaningful competitor in the longer term.

The Group's fresh fruit bunch production is expected to be stronger in the second half of 2017 compared to 2016, due to improved weather conditions. The expected sustained CPO prices (RM2,500 per tonne to RM2,700 per tonne) and improved production bodes well for the performance of the Plantation division. The division would continue to focus its efforts on accelerating the replanting exercise hence improving yields and reducing cost for a long term sustainable performance.

The Malaysian residential property market generally remains subdued in the near term due to cautious consumer sentiment and continued tight lending conditions. However, certain segments of the market have improved, particularly for products with good connectivity and within the affordable range. The Property division's upcoming launches in the Greater Kuala Lumpur area such as Elmina Valley and Bandar Bukit Raja continue to garner strong demand. On the international front, the on-going delivery of Battersea Phase 1 would contribute positively to the Property division in 2018.

Against the backdrop of a challenging operating environment, the Board expects the Group's performance for the financial year ending 30 June 2018 to be satisfactory.

B4. Statement by Board of Directors on Internal Targets

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

	Actual Year ended 30 June 2017	Target Year ended June 2017
Profit attributable to owners of the Company (RM million)	<u>2,438</u>	<u>2,200</u>
Return on average shareholders' equity (%)	<u>7.0</u>	<u>6.4</u>

For the financial year ended 30 June 2017, the profit attributable to ordinary equity holders and the return on average shareholders' equity achieved by the Group are approximately 11% and 9% respectively above its targets.

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 30 June		Year ended 30 June	
	2017	2016	2017	2016
Included in operating profit are:				
Depreciation and amortisation	(167)	(146)	(581)	(564)
Reversal of impairment/(Impairment) of				
- property, plant and equipment	(10)	(3)	(10)	(5)
- prepaid lease rentals	1	1	(2)	1
- investment properties	2	(1)	–	–
- Intangible assets	(231)	3	(233)	3
- investments	(11)	–	(11)	–
- receivables	5	(26)	2	(35)
Write down of inventories (net)	(78)	(92)	(203)	(208)
Gain/(loss) on disposal of				
- property, plant and equipment				
- land and buildings	–	27	–	27
- others	(5)	(1)	(3)	(2)
- investment properties	30	–	30	–
- subsidiaries	10	18	10	33
- interest in an associate	–	–	30	–
- investments	–	–	5	–
Net foreign exchange gain/(loss)	20	31	157	(139)
Fair value loss on warrant in an associate	–	1	–	(3)
Gain/(loss) on cross currency swap contract	–	(44)	(19)	47
Gain/(loss) on forward foreign exchange contracts	–	2	(1)	54
	<u>–</u>	<u>2</u>	<u>(1)</u>	<u>54</u>
Included in finance costs are:				
Gain/(loss) on interest rate swap contracts	–	1	1	(11)
Loss on cross currency swap interest	(3)	(7)	(19)	(53)
	<u>(3)</u>	<u>(7)</u>	<u>(19)</u>	<u>(53)</u>

B7. Tax Expense

	Quarter ended 30 June		Year ended 30 June	
	2017	2016	2017	2016
Continuing operations				
In respect of the current year:				
- current tax	47	74	235	255
- deferred tax	(29)	(45)	(47)	(66)
	<u>18</u>	<u>29</u>	<u>188</u>	<u>189</u>
In respect of prior years:				
- current tax	3	(3)	18	2
- deferred tax	(7)	6	6	(9)
	<u>14</u>	<u>32</u>	<u>212</u>	<u>182</u>
Discontinuing operations	<u>127</u>	<u>(111)</u>	<u>537</u>	<u>59</u>

The effective tax rates for continuing operations for the current quarter and year ended 30 June 2017 are 14% and 21% respectively mainly due to the gain on disposal of interest in Eastern & Oriental Berhad is not subjected to tax and the utilisation of unrecognised tax losses from previous years.

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B8. Status of Corporate Proposals

The corporate proposals announced but not completed as at 17 August 2017 are as follows:

- a) 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 Berhad 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:
- i. trading comprising motors and industrial;
 - ii. logistics; and
 - iii. 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.

Pending the completion of the proposal, the assets and liabilities of Plantation and Property divisions are now classified in the consolidated statement of financial position under non-current assets held for sale and liabilities associated with assets held for sale. Their financial performance and cash flows are presented separately as discontinuing operations in the consolidated statements of profit or loss, comprehensive income and cash flows.

- b) On 31 July 2017, Sime Darby Property Berhad entered into a Share Sale Agreement (SSA) with PNB Development Sdn Bhd for the disposal of its entire 40% equity interest in Seriemas Development Sdn Bhd for a total cash consideration of RM625 million. The disposal is expected to complete within 3 months from the date of SSA.

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	717	233
Working capital	195	195	–
Placement expenses	12	12	–
	<u>2,357</u>	<u>2,124</u>	<u>233</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

The breakdown of the borrowings as at 30 June 2017 is as follows:

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	43	231	274
Islamic Medium Term Notes	–	700	700
Islamic financing	–	272	272
	<u>43</u>	<u>1,203</u>	<u>1,246</u>
<u>Short-term borrowings</u>			
Bank overdrafts	–	78	78
Term loans due within one year	12	461	473
Islamic Medium Term Notes due within one year	–	1	1
Islamic financing	–	31	31
Revolving credits, trade facilities and other short-term borrowings	–	1,365	1,365
	<u>12</u>	<u>1,936</u>	<u>1,948</u>
Total borrowings	<u>55</u>	<u>3,139</u>	<u>3,194</u>

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

	Secured	Unsecured	Total
Borrowings			
- principal	55	3,136	3,191
- interest	–	3	3
Total borrowings	<u>55</u>	<u>3,139</u>	<u>3,194</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	1,014	124	1,138
Australian dollar	–	494	494
Chinese renminbi	–	125	125
New Zealand dollar	–	119	119
Pacific franc	34	3	37
Taiwan dollar	–	47	47
Thailand baht	9	91	100
United States dollar	189	945	1,134
Total borrowings	<u>1,246</u>	<u>1,948</u>	<u>3,194</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 30 June 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	—	15	—	11	4
Interest rate swap contracts	1	2	—	—	3
Cross currency swap contract	43	80	—	—	123
	44	97	—	11	130

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 30 June 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	1,298	4
- 1 year to 2 years	2	–
	1,300	4

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

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

Effective period	Notional amount	All-in swap rate per annum
12 December 2012 to 12 December 2018	USD100 million	1.822% to 1.885%
11 June 2015 to 4 February 2022	USD nil million	2.85% to 2.99%
30 June 2015 to 17 December 2018	MYR120 million	3.938%

As at 30 June 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	366	2
- 1 year to less than 3 years	183	1
	549	3

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 30 June 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	382	80
- 1 year to less than 3 years	189	43
	571	123

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B11. Financial Instruments and Realised and Unrealised Profits or Losses (continued)

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 30 June 2017	As at 30 June 2016
Total retained profits of the Company and its subsidiaries		
- realised	31,613	26,198
- unrealised	5,314	5,271
	<u>36,927</u>	<u>31,469</u>
Total share of retained profits from joint ventures		
- realised	196	(74)
- unrealised	(2)	28
	<u>194</u>	<u>(46)</u>
Total share of retained profits from associates		
- realised	269	266
- unrealised	(14)	(30)
	<u>255</u>	<u>236</u>
Less: consolidation adjustments	(10,980)	(6,032)
Total retained profits of the Group	<u>26,396</u>	<u>25,627</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 17 August 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 RM338.3 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 15 September 2017.

B12. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 August 2017 are as follows: (continued)

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 15 September 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 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 approximately RM116.9 million) on 14 August 2011. SDE's Statement of Defence contained a request for the matter to be referred to arbitration. 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 18 May 2014, despite the objection of the parties, the Court issued judgment for the sum of AED41.0 million (equivalent to approximately RM47.9 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 approximately RM47.9 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. The tribunal set the proceeding schedule and tentatively fixed the matter for hearing from 15 to 20 January 2018.

B12. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 August 2017 are as follows: (continued)

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 delivered its judgment and ordered QP to pay QAR12.9 million (equivalent to approximately RM14.9 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 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) (05WHP 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 Wellhead Platform Project (05WHP 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 05WHP 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 (OEC Recommendation), of which USD6.7 million (equivalent to approximately RM28.8 million) was apportioned to SDE and USD5.3 million (equivalent to approximately RM22.8 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.

On 5 October 2016, ONGC confirmed its willingness to reconsider the OEC Recommendation and have initiated its internal process for approval of a settlement.

The procedural meeting on 17 December 2016 has been adjourned pending the outcome of settlement by the parties.

B12. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 17 August 2017 are as follows: (continued)

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) (the Consortium) was awarded the B-193 Process Platform Project (PP Project) by ONGC. A contract dated 3 July 2010 (Contract) was executed for a total contract price of USD618.4 million.

Disputes have arisen between the Consortium and ONGC and on 1 June 2016, the Consortium initiated arbitration proceedings against ONGC. SDE's portion of the Consortium's claim is circa USD76 million.

On 2 September 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 tribunal fixed the matter for hearing on 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 a consideration of 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) 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.

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 parties submitted their respective written submission on 26 May 2017 and oral submission on 4 August 2017. The tribunal will fix a date for decision.

h) Claim against PT Anzawara Satria

On 11 May 2006, PT Sajang Heulang (PT SHE) 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.

The District Court of Kotabaru, the High Court of Kalimantan Selatan at Banjarmasin and subsequently the Supreme Court of Indonesia, on 10 March 2011, 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. The State Administration Court Banjarmasin ruled in favour of PT SHE and dismissed PT AS's claim. PT AS appealed to the High Court of State Administration at Jakarta against the said decision. The High Court ruled in favour of PT AS and nullified PT SHE's HGU 35. PT SHE appealed to the Supreme Court and on 26 October 2010, the Supreme Court declared PT SHE as the lawful owner of HGU 35 (2nd 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 17 August 2017 are as follows: (continued)

h) Claim against PT Anzawara Satria (continued)

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 but the application was dismissed by the Supreme Court on the ground that the application could not be determined by another judicial review decision.

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 filed a claim at the District Court of Batu Licin against PT AS for the sum of IDR672.8 billion (approximately RM216.7 million).

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 RM22.5 million). On 29 January 2015, PT AS appealed 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 appealed to the Supreme Court against the 3rd High Court Decision. The parties are awaiting the Supreme Court's decision.

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 Berhad 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 RM41.5 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.

SIME DARBY BERHAD
(Company No: 752404-U)

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

B13. Dividend

The Board has recommended a final single tier dividend of 17.0 sen per share in respect of the financial year ended 30 June 2017 (Final Dividend). The entitlement and payment dates for the Final Dividend will be announced later.

The total net dividends for the year ended 30 June is as follows:

	Year ended 30 June 2017		Year ended 30 June 2016	
	Net Per share (sen)	Total net dividend	Net Per share (sen)	Total net dividend
Interim single tier dividend	6.0	408	6.0	380
Final single tier dividend	17.0	1,156	21.0	1,395
	23.0	1,564	27.0	1,775

B14. Earnings Per Share

	Quarter ended 30 June		Year ended 30 June	
	2017	2016	2017	2016
Basic earnings per share attributable to owners of the Company are computed as follows:				
Profit for the period	34	253	615	792
- continuing operations	537	973	1,823	1,630
- discontinuing operations	571	1,226	2,438	2,422
Weighted average number of ordinary shares in issue (million)	6,801	6,327	6,639	6,269
Basic earnings per share (sen)	0.5	4.0	9.3	12.6
- continuing operations	7.9	15.4	27.4	26.0
- discontinuing operations	8.4	19.4	36.7	38.6

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

Kuala Lumpur
24 August 2017

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