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Delivering Sustainable Futures

QUARTERLY REPORT

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

The Directors are pleased to announce the following:

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

	Note	Quarter ended 30 September 2018	Quarter ended 30 September 2017 Restated	+/(-)
Continuing operations				
Revenue	A7	**8,845**	8,144	8.6
Operating expenses		**(8,583)**	(7,967)	
Other operating income		**27**	71	
Other gains and losses		**70**	104	
Operating profit	B5	**359**	352	2.0
Share of results of joint ventures		**18**	12	
Share of results of associates		**(30)**	(8)	
Profit before interest and tax	A7	**347**	356	(2.5)
Finance income		**14**	50	
Finance costs		**(30)**	(30)	
Profit before tax		**331**	376	(12.0)
Taxation	B6	**(93)**	(101)	
Profit from continuing operations		**238**	275	(13.5)
Discontinued operations				
Profit from discontinued operations		**–**	1,119	
Profit for the period		**238**	1,394	(82.9)
Attributable to owners of:				
- the Company				
- from continuing operations		**225**	248	(9.3)
- from discontinued operations		**–**	1,068	(100.0)
		225	1,316	(82.9)
- perpetual sukuk from discontinued operations		**–**	31	
- non-controlling interests				
- from continuing operations		**13**	27	
- from discontinued operations		**–**	20	
Profit for the period		**238**	1,394	(82.9)
Basic earnings per share attributable to owners of the Company	B12	**Sen**	**Sen**	
- from continuing operations		**3.3**	3.6	(8.3)
- from discontinued operations		**–**	15.7	(100.0)
Total		**3.3**	19.3	(82.9)

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2018.

SIME DARBY BERHAD
(Company No: 752404-U)

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

	Quarter ended 30 September		
	2018	**2017**	**% +/(-)**
Profit for the period	**238**	1,394	(82.9)
Other comprehensive income/(loss)			
<u>Continuing operations</u>			
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences	**48**	5	
Share of other comprehensive income of joint ventures and associates	**2**	2	
Net changes in fair value of cash flow hedges	**(12)**	(8)	
Tax credit	**4**	3	
	42	2	
Reclassified to profit or loss currency translation differences on repayment of net investment and disposal of subsidiaries	**1**	(31)	
Reclassified changes in fair value of cash flow hedges to:			
- profit or loss	**(3)**	7	
- inventories	**4**	11	
Tax expense	**–**	(5)	
	44	(16)	375.0
Items that will not be reclassified subsequently to profit or loss:			
Share of actuarial gain on defined benefit pension plans of a joint venture	**2**	–	
<u>Discontinued operations</u>			
Other comprehensive loss from discontinued operations	**–**	(114)	100.0
Total other comprehensive income/(loss)	**46**	(130)	135.4
Total comprehensive income for the period	**284**	1,264	(77.5)
Attributable to owners of:			
- the Company			
- from continuing operations	**272**	232	17.2
- from discontinued operations	**–**	963	(100.0)
	272	1,195	(77.2)
- perpetual sukuk from discontinued operations	**–**	31	
- non-controlling interests			
- from continuing operations	**12**	27	
- from discontinued operations	**–**	11	
Total comprehensive income for the period	**284**	1,264	(77.5)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2018.

SIME DARBY BERHAD
(Company No: 752404-U)
Unaudited Condensed Consolidated Statement of Financial Position
Amounts in RM million unless otherwise stated

	Note	Unaudited As at 30 September 2018	Audited As at 30 June 2018
Non-current assets			
Property, plant and equipment		**5,787**	5,773
Prepaid lease rentals		**296**	300
Investment properties		**288**	289
Joint ventures and associates		**1,707**	1,715
Financial assets at fair value[1]		**128**	124
Intangible assets		**1,412**	1,415
Deferred tax assets		**496**	519
Tax recoverable		**61**	63
Derivative assets	B9(a)	**2**	–
Receivables and other assets		**217**	214
		10,394	10,412
Current assets			
Inventories		**7,761**	7,210
Receivables and contract assets		**4,468**	4,583
Prepayments		**715**	527
Tax recoverable		**70**	63
Derivatives assets	B9(a)	**66**	66
Bank balances, deposits and cash		**1,809**	1,672
		14,889	14,121
Assets held for sale		**107**	340
Total assets		**25,390**	24,873
Equity			
Share capital		**9,299**	9,299
Reserves		**4,906**	5,071
Attributable to owners of the Company		**14,205**	14,370
Non-controlling interests		**374**	389
Total equity		**14,579**	14,759
Non-current liabilities			
Borrowings	B8	**245**	247
Provisions		**28**	17
Payables and contract liabilities		**197**	180
Government grants		**149**	153
Deferred tax liabilities		**279**	286
Derivative liabilities	B9(a)	**–**	2
		898	885
Current liabilities			
Payables		**4,659**	4,760
Contract liabilities		**1,610**	1,315
Borrowings	B8	**2,715**	2,642
Provisions		**403**	356
Tax payable		**111**	89
Derivative liabilities	B9(a)	**7**	24
Dividend payable		**408**	–
		9,913	9,186
Liabilities associated with assets held for sale		**–**	43
Total liabilities		**10,811**	10,114
Total equity and liabilities		**25,390**	24,873
Net assets per share attributable to owners of the Company (RM)		**2.09**	2.11

[1] Previously disclosed as Investments in the audited accounts for the financial year ended 30 June 2018, prior to adoption of MFRS 9.

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2018.

SIME DARBY BERHAD
(Company No: 752404-U)

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

	Share capital	Capital reserve	Legal reserve	Hedging reserve	Available-for-sale reserve	Exchange reserve	Retained profits	Reserves	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total equity
Quarter ended 30 September 2018												
At 1 July 2018, as previously stated	**9,299**	**189**	**62**	**(17)**	**3**	**104**	**4,730**	**5,071**	**14,370**	**–**	**389**	**14,759**
Adjustments from adoption of MFRS 9	**–**	**–**	**–**	**–**	**(3)**	**–**	**(22)**	**(25)**	**(25)**	**–**	**–**	**(25)**
Restated balance as at 1 July 2018	**9,299**	**189**	**62**	**(17)**	**–**	**104**	**4,708**	**5,046**	**14,345**	**–**	**389**	**14,734**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(7)**	**–**	**52**	**227**	**272**	**272**	**–**	**12**	**284**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**(4)**	**–**	**1**	**(3)**
Reclassification upon disposal of a subsidiary	**–**	**–**	**(15)**	**–**	**–**	**–**	**15**	**–**	**–**	**–**	**–**	**–**
Transfer between reserves	**–**	**23**	**–**	**–**	**–**	**–**	**(23)**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(28)**	**(28)**
Dividends payable	**–**	**–**	**–**	**–**	**–**	**–**	**(408)**	**(408)**	**(408)**	**–**	**–**	**(408)**
At 30 September 2018	**9,299**	**212**	**47**	**(24)**	**–**	**156**	**4,515**	**4,906**	**14,205**	**–**	**374**	**14,579**
Quarter ended 30 September 2017												
At 1 July 2017	9,299	207	74	(39)	48	1,058	26,696	28,044	37,343	2,230	976	40,549
Total comprehensive income/(loss) for the period	–	–	–	5	(1)	(125)	1,316	1,195	1,195	31	38	1,264
Dividends paid	–	–	–	–	–	–	–	–	–	–	(22)	(22)
Distribution paid	–	–	–	–	–	–	–	–	–	(63)	–	(63)
At 30 September 2017	9,299	207	74	(34)	47	933	28,012	29,239	38,538	2,198	992	41,728

Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2018.

SIME DARBY BERHAD
(Company No: 752404-U)

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

	Quarter ended 30 September	
	2018	**2017**
Cash flow from operating activities		
Profit from continuing operations	**238**	275
Adjustments for:		
Share of results of joint ventures and associates	**12**	(4)
Finance income	**(14)**	(50)
Finance costs	**30**	30
Taxation	**93**	101
Gain on disposal of a subsidiary	**(78)**	–
Net gain on disposal of assets	**(3)**	(165)
Depreciation and amortisation	**147**	157
Impairments and write offs (net)	**(2)**	69
Inventory provision (net)	**36**	(11)
Other non-cash items	**14**	(4)
	473	398
Changes in working capital:		
Inventories	**(443)**	236
Rental assets	**(134)**	(150)
Trade, other receivables and prepayments	**(96)**	(353)
Trade, other payables and provisions	**228**	113
Cash generated from operations	**28**	244
Tax paid	**(54)**	(110)
Dividends received from associates and joint venture	**–**	7
Operating cash flow from continuing operations	**(26)**	141
Operating cash flow from discontinued operations	**–**	263
Net cash (used in)/from operating activities	**(26)**	404
Cash flow from investing activities		
Finance income received	**9**	50
Purchase of property, plant and equipment, intangible assets and prepaid lease rentals	**(134)**	(114)
Subscription of shares in a joint venture	**–**	(19)
Addition to financial assets at fair value	**(5)**	(20)
Proceeds from sale of a subsidiary	**252**	–
Proceeds from sale of property, plant and equipment and investment property	**30**	378
Advances to discontinued operations	**–**	(143)
Net repayment of/(loans to) loans by joint ventures and associates	**17**	(9)
Investing cash flow from continuing operations	**169**	123
Investing cash flow from discontinued operations	**–**	337
Net cash from investing activities	**169**	460

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

	Note	Quarter ended 30 September 2018	2017
Cash flow from financing activities			
Finance costs paid		**(34)**	(34)
Net borrowings raised/(repaid)		**42**	(368)
Purchase of additional interest in a subsidiary		**(3)**	–
Dividends paid to non-controlling interests[1]		**(28)**	(1)
Financing cash flow used in continuing operations		**(23)**	(403)
Financing cash flow used in discontinued operations		**–**	(115)
Net cash used in financing activities		**(23)**	(518)
Net increase in cash and cash equivalents		**120**	346
Foreign exchange differences		**15**	(14)
Cash and cash equivalents at beginning of the period		**1,629**	3,842
Cash and cash equivalents at end of the period		**1,764**	4,174
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		**1,809**	1,888
Less:			
Bank overdrafts	B8	**(45)**	(37)
Cash and cash equivalents from continuing operations		**1,764**	1,851
Cash and cash equivalents from discontinued operations		**–**	2,323
		1,764	4,174

[1] Dividends paid to other shareholders of non-wholly owned subsidiaries.

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2018.

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 2018.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

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

a) New accounting pronouncements

i) Accounting pronouncements adopted for this interim financial report are set out below:

- MFRS 9 – Financial Instruments

a) Classification and measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 "Financial Instruments: Recognition and Measurement" and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value with an irrevocable option at inception to present changes in fair value in other comprehensive income (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

b) Impairment

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss ("ECL") model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

c) Hedge accounting

The new hedge accounting rules aligned the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles based approach. The Group's current hedging relationships continue to qualify for hedge accounting upon the adoption of MFRS 9.

On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group's financial assets and financial liabilities other than:

i. The Group's allowance for impairment of receivables has increased by RM30 million as at 1 July 2018 (RM23 million net of tax) as a result of applying the ECL model on receivables.

Amounts in RM million unless otherwise stated

A1. Basis of Preparation (continued)

a) New accounting pronouncements (continued)

i) Accounting pronouncements adopted for this interim financial report are set out below: (continued)

- MFRS 9 – Financial Instruments (continued)

  On the date of initial application, MFRS 9 did not affect the classification and measurement of the Group's financial assets and financial liabilities other than: (continued)

  ii. Financial assets at fair value have been remeasured or reclassified as follows:

	Financial assets at fair value
Balance as at 30 June 2018	**124**
Reclassified to receivables and other assets (measured at amortised costs)	**(4)**
Balance as at 1 July 2018 (measured at fair value through profit or loss)	**120**

  iii. The RM3 million in available-for-sale reserve as at 30 June 2018 has been reclassified as follows:

	Available-for-sale reserve
Balance as at 30 June 2018	**3**
Reclassified to receivables and other assets (measured at amortised costs)	**(2)**
Reclassified to retained profits (measured at fair value through profit or loss)	**(1)**
Balance as at 1 July 2018	**–**

  iv. Retained profits have been restated as follows:

		Retained profits
Balance as at 30 June 2018		**4,730**
Increase in allowance for impairment of receivables	**(23)**	
Reclassified from available-for-sale reserve	**1**	
		(22)
Balance as at 1 July 2018		**4,708**

  As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and as such, these adjustments are recognised in the opening reserves in the current period.

Accounting pronouncements adopted for this interim financial report that do not have any significant impact to the Group:

- 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)
- Amendments to MFRS 128 (Annual Improvements to MFRSs 2014 – 2016 Cycle)
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

A1. Basis of Preparation (continued)

a) New accounting pronouncements (continued)

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

Effective for annual reporting periods beginning on or after 1 January 2019
- MFRS 16 – Leases
- IC Interpretation 23 – Uncertainty over Income Tax Treatments
- Long-term Interest in Associates and Joint Ventures (Amendments to MFRS 128)
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Annual Improvements to MFRS Standards 2015–2017 Cycle (Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

Effective for annual reporting periods beginning on or after 1 January 2020
- Conceptual Framework for Financial Reporting : The Reporting Entity and corresponding amendments to references in the relevant standards

Effective for annual reporting periods beginning on or after 1 January 2021
- MFRS 17 – Insurance Contracts

iii) Accounting pronouncement where the effective date has been deferred to a date to be determined by MASB is set out below:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

A2. Seasonal or Cyclical Factors

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

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

Except as disclosed in the financial statements on pages 1 to 6 and Notes B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

A4. Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the prior interim periods of the current financial year or the previous financial years that have a material effect on the results for the current quarter under review.

A5. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year under review.

A6. Dividends Paid to Shareholders

No dividend was paid during the quarter ended 30 September 2018.

Amounts in RM million unless otherwise stated

A7. Segment Information

	Continuing operations							Discontinued operations	
Quarter ended 30 September 2018	**Industrial**	**Motors**	**Logistics**	**Healthcare**	**Others**	**Corporate/ Elimination**	**Total**		**Total**
Segment revenue:									
External	**3,216**	**5,516**	**80**	**–**	**33**	**–**	**8,845**	**–**	**8,845**
Inter-segment	**1**	**3**	**–**	**–**	**12**	**(16)**	**–**	**–**	**–**
	3,217	**5,519**	**80**	**–**	**45**	**(16)**	**8,845**	**–**	**8,845**
Profit/(loss) before interest and tax	**179**	**105**	**89**	**15**	**(30)**	**(11)**	**347**		**347**
Net finance costs							**(16)**	**–**	**(16)**
Taxation							**(93)**	**–**	**(93)**
Profit for the period							**238**	**–**	**238**
Quarter ended 30 September 2017									
Segment revenue:									
External	2,948	5,106	83	–	7	–	8,144	4,020	12,164
Inter-segment	16	5	–	–	33	(54)	–	–	–
	2,964	5,111	83	–	40	(54)	8,144	4,020	12,164
Profit/(loss) before interest and tax	247	112	18	12	–	(33)	356	1,249	1,605
Net finance income/(costs)							20	(39)	(19)
Taxation							(101)	(91)	(192)
Profit for the period							275	1,119	1,394

Amounts in RM million unless otherwise stated

A7. Segment Information (continued)

	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Elimination	Total
As at 30 September 2018							
Segment assets	**11,068**	**9,288**	**2,623**	**747**	**425**	**612**	**24,763**
Segment liabilities	**(3,000)**	**(3,405)**	**(293)**	**–**	**(354)**	**(409)**	**(7,461)**
Segment invested capital	**8,068**	**5,883**	**2,330**	**747**	**71**	**203**	**17,302**
Net tax assets							**237**
Borrowings							**(2,960)**
Total Equity							**14,579**
As at 30 June 2018							
Segment assets	10,628	9,084	2,681	730	469	636	24,228
Segment liabilities	(2,928)	(3,188)	(347)	–	(369)	(18)	(6,850)
Segment invested capital	7,700	5,896	2,334	730	100	618	17,378
Net tax assets							270
Borrowings							(2,889)
Total Equity							14,759

Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Revenue comprise the following:

	First quarter ended 30 September 2018	2017
Revenue from contracts with customers	**8,661**	7,977
Rental income	**184**	167
	8,845	8,144

Analysis of the Group's revenue from contracts with customers is as follows:

First quarter ended 30 September 2018	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Major goods and services					
Sale of equipment and vehicles	**1,511**	**4,695**	**–**	**–**	**6,206**
Sale of parts, assembly charges and provision of after-sales services	**1,497**	**699**	**–**	**–**	**2,196**
Engineering services	**78**	**–**	**–**	**–**	**78**
Port and related charges	**–**	**–**	**61**	**–**	**61**
Sale of water	**–**	**–**	**19**	**–**	**19**
Commission, handling fees and others	**–**	**72**	**–**	**29**	**101**
	3,086	**5,466**	**80**	**29**	**8,661**
Geographical location					
Malaysia	**291**	**1,162**	**–**	**26**	**1,479**
Other countries in South East Asia	**156**	**1,246**	**–**	**2**	**1,404**
China	**731**	**2,349**	**80**	**1**	**3,161**
Australasia	**1,908**	**709**	**–**	**–**	**2,617**
	3,086	**5,466**	**80**	**29**	**8,661**
Timing of revenue recognition					
At a point in time	**2,373**	**4,798**	**–**	**5**	**7,176**
Over time	**713**	**668**	**80**	**24**	**1,485**
	3,086	**5,466**	**80**	**29**	**8,661**

First quarter ended 30 September 2017	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Major goods and services					
Sale of equipment and vehicles	1,253	4,291	–	–	5,544
Sale of parts, assembly charges and provision of after-sales services	1,496	705	–	–	2,201
Engineering services	87	–	–	–	87
Port and related charges	–	–	66	–	66
Sale of water	–	–	17	–	17
Commission, handling fees and others	–	57	–	5	62
	2,836	5,053	83	5	7,977

Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Analysis of the Group's revenue from contracts with customers is as follows: (continued)

First quarter ended 30 September 2017	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Geographical location					
Malaysia	275	857	–	2	1,134
Other countries in South East Asia	155	1,345	–	2	1,502
China	746	2,090	83	1	2,920
Australasia	1,660	761	–	–	2,421
	2,836	5,053	83	5	7,977
Timing of revenue recognition					
At a point in time	2,145	4,370	–	4	6,519
Over time	691	683	83	1	1,458
	2,836	5,053	83	5	7,977

A8. Capital Commitments

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

	As at 30 September 2018	**As at 30 June 2018**
Property, plant and equipment		
- contracted	**172**	184
- not contracted	**669**	620
	841	804
Other capital expenditure		
- contracted	**48**	69
- not contracted	**183**	–
	1,072	873

A9. Significant Related Party Transactions

Significant related party transactions conducted during the financial year ended 30 September are as follows:

	Quarter ended 30 September	
	2018	**2017**
a. Transactions with joint ventures and associates		
Continuing operations		
Interest income from Mine Energy Solutions Pty Ltd	**5**	3
Purchase of products and services from Sitech Construction Systems Pty Ltd	**3**	2
Channel usage fees charged by Weifang Port Services Co Ltd	**2**	3
Contribution paid to Yayasan Sime Darby	**10**	–
Discontinued operations		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	**–**	13
Sale of products and services to Tesco Stores (Malaysia) Sdn Bhd	**–**	3
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	**–**	3
b. Transactions between subsidiaries and their owners of non-controlling interests		
Continuing operations		
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	**8**	6
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	**4**	3
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	**27**	8
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	**8**	5
Discontinued operations		
Turnkey works rendered by Brunsfield Engineering Sdn Bhd to Sime Darby Brunsfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	**–**	34
c. Transactions with key management personnel and their close family members		
Sale of cars by the Group	**–**[1]	–

[1] less than RM1 million

Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions (continued)

Significant related party transactions conducted during the financial year ended 30 September are as follows: (continued)

d. Transactions with shareholders and their related companies

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together own approximately 51% as at 30 September 2018 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group considers that, for the purpose of MFRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant 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.

Significant related party transactions with Sime Darby Plantation Berhad and Sime Darby Property Berhad (former subsidiaries) are as follows:

	First quarter ended 30 September 2018
Provision of shared services	**21**
Sales, servicing and leasing of equipment and vehicles	**13**
Rental income	**2**

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

There were no material events subsequent to the end of the current quarter under review to 15 November 2018, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

Significant changes in the composition of the Group is as follows:

1. Establishment of new companies

   a) Weifang Sime Darby Logistics Services Co., Ltd was incorporated in the People's Republic of China on 30 July 2018.

   b) Shanghai Sime Darby Motor Trading Co. Ltd was incorporated in the People's Republic of China on 24 August 2018.

   c) Changsha Sime Darby Motor Sales and Services Company Limited was incorporated in the People's Republic of China on 27 August 2018.

Amounts in RM million unless otherwise stated

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

Significant changes in the composition of the Group is as follows: (continued)

2. Disposal of a subsidiary

a) On 27 September 2018, Sime Darby Overseas (HK) Limited completed the disposal of its entire 100% equity interest in Weifang Sime Darby Water Management Co., Ltd ("WSDW") to Shandong Water Environmental Protection Group Co., Ltd for a total cash consideration of USD68 million (equivalent to RMB469 million or approximately RM283 million). Following the disposal, WSDW ceased to be a subsidiary of the Group.

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

	Quarter ended 30 September 2018
Net assets disposed	**197**
Gain on disposal	**78**
Add: Foreign exchange loss included in the gain on disposal	**4**
Proceeds from disposal, net of transaction costs	**279**
Less: Cash and cash equivalents in subsidiary disposed	**(27)**
Net cash inflow from disposal of subsidiary during the period	**252**

A12. Contingent Liabilities – unsecured

a) Guarantees

In the ordinary course of business, the Group issues 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 15 November 2018	**As at 30 June 2018**
Performance guarantees and advance payment guarantees to customers of the Group	**2,166**	2,193
Guarantees in respect of credit facilities granted to certain associates and joint ventures	**231**	218
	2,397	2,411

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 15 November 2018, 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 2018: RM270 million).

b) Claims

	As at 15 November 2018	**As at 30 June 2018**
Continuing operations	**2**	4

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

Amounts in RM million unless otherwise stated

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

B1. Review of Group Performance

	Quarter ended 30 September 2018	Quarter ended 30 September 2017	% +/(-)
Continuing operations			
Revenue	**8,845**	8,144	8.6
Segment results:			
Industrial	**179**	247	(27.5)
Motors	**105**	112	(6.3)
Logistics	**89**	18	394.4
Healthcare	**15**	12	25.0
Others	**(30)**	–	(100.0)
	358	389	(8.0)
Corporate exchange gain	**3**	27	
Corporate expense and elimination	**(14)**	(40)	
Yayasan Sime Darby	**–**	(20)	
Profit before interest and tax	**347**	356	(2.5)
Finance income	**14**	13	
Finance income from discontinued operations	**–**	37	
Finance costs	**(30)**	(30)	
Profit before tax	**331**	376	(12.0)
Taxation	**(93)**	(101)	
Profit from continuing operations	**238**	275	(13.5)
Non-controlling interests	**(13)**	(27)	
Profit from continuing operations attributable to owners of the Company	**225**	248	(9.3)
Discontinued operations			
Profit from discontinued operations attributable to owners of the Company	**–**	1,068	
Profit attributable to owners of the Company	**225**	1,316	(82.9)

An analysis of the results for the quarter ended 30 September 2018 against the quarter ended 30 September 2017 is as follows:

a) Industrial

Profit decreased by 27.5% to RM179 million in the current quarter. The previous period included gain in disposal of properties of RM165 million. Excluding the gain, profits increased by 118.3% mainly due to higher equipment sales to the mining and construction sectors in Australia.

b) Motors

Profit decreased by 6.3% to RM105 million in the current quarter mainly due to lower margins in China as a result of competitive discounting in the market and lower sales and margins in Singapore. Malaysia recorded higher sales and profits following the zero-rating of the Goods and Services Tax (“GST”) in July and August 2018. The previous period included compensation income of RM50 million and impairment of the distribution rights in Vietnam of RM61 million.

B1. Review of Group Performance (continued)

An analysis of the results for the quarter ended 30 September 2018 against the quarter ended 30 September 2017 is as follows: (continued)

c) Logistics

Profit increased by 394.4% mainly due to the gain on disposal of Weifang Water of RM78 million. Excluding this gain, the division's profit decreased by RM7 million mainly due to an exchange loss of RM7 million in the current quarter against an exchange gain of RM3 million in the previous period as a result of the depreciation of the RMB against the HKD.

d) Healthcare

The higher share of profit from the Ramsay Sime Darby Healthcare joint venture was mainly attributable to higher profit from both the Malaysian and Indonesian operations.

e) Others

The results include the impairment of the Group's investment in Eastern & Oriental Berhad ("E&O") of RM35 million.

f) Corporate expense

Previous period includes costs pursuant to the pure play exercise.

g) Yayasan Sime Darby ("YSD")

YSD is no longer consolidated following the change in its membership and Governing Council of YSD in January 2018. The donation of RM10 million paid to YSD in July 2018 was included in the Industrial and Motors segments.

Amounts in RM million unless otherwise stated

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

	Quarter ended		
	30 September 2018	**30 June 2018**	**% +/(-)**
Continuing operations			
Revenue	**8,845**	8,575	3.1
Segment results:			
Industrial	**179**	142	26.1
Motors	**105**	275	(61.8)
Logistics	**89**	13	584.6
Healthcare	**15**	14	7.1
Others	**(30)**	(95)	68.4
	358	349	2.6
Corporate exchange loss	**3**	–	
Corporate expense and elimination	**(14)**	5	
Profit before interest and tax	**347**	354	(2.0)
Finance income	**14**	13	
Finance costs	**(30)**	(26)	
Profit before tax	**331**	341	(2.9)
Taxation	**(93)**	(164)	
Profit for the period	**238**	177	34.5
Non-controlling interests	**(13)**	(14)	
Profit attributable to owners of the Company	**225**	163	38.0

An analysis of the results for the quarter ended 30 September 2018 against the quarter ended 30 June 2018 is as follows:

a) Industrial

Profit increased by 26.1% to RM179 million in the current quarter mainly due to higher equipment sales in Australia.

b) Motors

Profit decreased by 61.8% as the previous quarter included a dividend received of RM121 million (nil in the current quarter). Excluding the dividend, profit decreased by 31.8% from RM154 million to RM105 million mainly due to lower margins in most regions as a result of competition and discounting.

c) Logistics

Profit increased by 584.6% mainly due to gain on disposal of Weifang Water of RM78 million. Excluding the gain, contribution from operations decreased by 15.4% from RM13 million to RM11 million mainly due to lower port throughput of Weifang Port. The lower throughput was mainly due to reduced operation days as a result of adverse weather conditions.

d) Others

The results include the impairment of the Group's investment in E&O of RM35 million (previous period RM103 million).

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

An analysis of the results for the quarter ended 30 September 2018 against the quarter ended 30 June 2018 is as follows: (continued)

e) Corporate Expense

The previous period included gain on disposal of properties of RM10 million and reversal of accruals.

f) Taxation

The previous period included RM71 million provision for the India withholding tax recoverable relating to the legacy Oil and Natural Gas Corporation Ltd ("ONGC") projects.

B3. Prospects

The on-going trade tension between the world's major economies and tightening monetary policy have led to volatility in the equity and foreign exchange markets. This has increased the uncertainty in the growth prospects of global economy. Prolonged uncertainties may also dampen growth of economies in the region.

The Industrial division's performance continues to be supported by the recovery of the mining industry in Australia. The acquisition of Heavy Maintenance Group in Australia, expected to be completed by the end of the calendar year 2018, would complement and add capacity to the division's existing cylinder refurbishment and chroming business in Queensland, Australia.

The Motors division is expected to be impacted by strong competition while the expected slow down in economic growth, especially in China and rising interest rates would adversely impact demand. The division would continue to source for growth opportunities, particularly in China and Australia, and improve efficiency to mitigate these adverse effects.

The Port operations continue to face competition from other ports. The division will continue focusing on strengthening its business performance by improving operational productivity and diversifying cargo type and customers.

Against the backdrop of uncertainty in the global economy, the Board expects the Group's performance for the financial year ending 30 June 2019 to be satisfactory.

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

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

Amounts in RM million unless otherwise stated

B5. Operating Profit

	Quarter ended 30 September	
	2018	**2017**
Included in operating profit are:		
Depreciation and amortisation	**(147)**	(157)
Impairment of financial assets at fair value	**–**	(3)
Impairment of intangible assets	**–**	(61)
Reversal/(impairment) of receivables (net)	**2**	(5)
Inventory provisions (net)	**(36)**	11
Gain on disposal of a subsidiary	**78**	–
Gain on disposal of properties[1]	**2**	166
Gain/(loss) on disposal of other assets	**1**	(1)
Net foreign exchange (loss)/gain	**(7)**	14
Net fair value loss on financial assets at fair value	**(2)**	–
Loss on derivatives	**(2)**	(11)
Loss on derivatives included in finance costs	**–**	(3)

[1] Includes gain on disposal of investment properties and land and buildings.

B6. Taxation

	Quarter ended 30 September	
	2018	**2017**
Continuing operations		
Current tax:		
- current year	**71**	127
- previous years	**–**	(4)
	71	123
Deferred tax:		
- origination and reversal of temporary differences	**22**	(20)
- effects of previously unrecognised temporary differences	**–**	(2)
	93	101
Discontinued operations	**–**	91

The effective tax rate of 28% for the current quarter is higher compared to the Malaysian income tax rate of 24% mainly due to the non tax deductible impairment of E&O and high profit contribution from countries with a higher tax rate such as Australia (30%).

B7. Status of Corporate Proposals

The following is the corporate proposal announced but not completed as at 15 November 2018:

On 29 October 2018, the Company has announced that Sime Darby Allied Operations Pty Ltd, a wholly-owned subsidiary of Sime Darby Industrial Australia Pty Ltd, has entered into a conditional share purchase agreement with Pemba Capital Partners Fund I Partnership LP and other minority interests to acquire the entire 100% equity interest in Heavy Maintenance Group Pty Ltd ("HMG") for a consideration of AUD58 million (approximately RM172 million) on a cash-free and debt-free basis.

The acquisition is expected to be completed before the end of the calendar year 2018.

Amounts in RM million unless otherwise stated

B8. Group Borrowings

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

	Secured	Unsecured	Total
Long-term			
Term loans	**29**	**–**	**29**
Islamic financing	**–**	**213**	**213**
Finance leases	**3**	**–**	**3**
	32	**213**	**245**
Short-term			
Term loans due within one year	**3**	**224**	**227**
Islamic financing due within one year	**–**	**55**	**55**
Short term Islamic financing	**–**	**371**	**371**
Bank overdrafts	**–**	**45**	**45**
Revolving credits, trade facilities and other short-term borrowings	**–**	**2,015**	**2,015**
Finance leases	**2**	**–**	**2**
	5	**2,710**	**2,715**
Total borrowings	**37**	**2,923**	**2,960**

The Group borrowings in RM equivalent analysed by currency is as follows:

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	**213**	**595**	**808**
Australian dollar	**–**	**147**	**147**
Chinese renminbi	**–**	**385**	**385**
Hong Kong dollar	**–**	**221**	**221**
New Zealand dollar	**–**	**142**	**142**
Pacific franc	**32**	**5**	**37**
Singapore dollar	**–**	**49**	**49**
Taiwan dollar	**–**	**44**	**44**
Thailand baht	**–**	**124**	**124**
United States dollar	**–**	**1,003**	**1,003**
Total borrowings	**245**	**2,715**	**2,960**

Secured borrowings are secured by fixed and floating charges over property, plant and equipment in a New Caledonia subsidiary.

Amounts in RM million unless otherwise stated

B9. Financial Instruments

a) Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts and cross currency swap contracts to manage its exposure to various financial risks. The fair values of these derivatives as at 30 September 2018 are as follows:

	Classification in Statement of Financial Position			
	Assets		Liabilities	Net fair value
	Non-current	Current	Current	
Forward foreign exchange contracts	2	18	7	13
Interest rate swap contracts	–	1	–	1
Cross currency swap contract	–	47	–	47
	2	66	7	61

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 2018.

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. Changes in fair value of the forward foreign currency contracts are recognised in the other comprehensive income unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 30 September 2018, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional amount	Net fair value assets
- less than 1 year	1,976	11
- 1 year to less than 3 years	96	2
	2,072	13

Amounts in RM million unless otherwise stated

B9. Financial Instruments (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. Changes in fair value during the financial year are recognised in the other comprehensive income.

The outstanding interest rate swap contracts, all plain vanilla, as at 30 September 2018 are as follows:

Effective period	**Notional amount**	**All-in swap rate per annum**
12 December 2012 to 12 December 2018	USD33 million	1.822% to 1.885%
30 June 2015 to 17 December 2018	RM42 million	3.938%

As at 30 September 2018, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Notional amount	**Fair value assets**
- less than 1 year	**179**	**1**

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. Changes in fair value during the financial year are recognised in the other comprehensive income.

As at 30 September 2018, the notional amount, fair value and maturity tenor of the cross currency swap contract are as follows:

	Notional amount	**Fair value assets**
- less than 1 year	**182**	**47**

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.

B10. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 November 2018 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 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") for damages arising from the Defendants' negligence and breaches of duty relating to the QP Project, the MOQ Project and the project relating to the construction of a derrick lay barge ("Marine Project") for an aggregate amount of RM93 million and USD79 million (equivalent to RM331 million) together with general and aggravated damages and other relief.

On 13 June 2014, all the Defendants consented to an Interlocutory Judgement being recorded on the Defendants' liability with damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce any final judgement entered after the assessment of damages, upon recovering all claims from the QP and MOQ projects and proceeds from the sale of the derrick lay barge, or after the expiry of 3 years from the date of final judgement, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages. The Registrar directed that the Plaintiffs' application for assessment of damages for the Oil & Gas Suit and the Bakun Suit be heard separately and that the assessment of damages for the Oil & Gas Suit will be heard first. The Registrar has fixed the hearing of the assessment of damages on 8 to 12 April 2019.

Counsel is of the view that as the Defendants have consented to judgement in respect of liability, the only outstanding matter would be the assessment of damages to ascertain the actual losses suffered by the Plaintiffs which would largely depend on the documents available and the evidence given to establish such losses. The damages recoverable by the Plaintiffs will also be dependent on the amount recovered from the respective employers for the QP and MOQ Projects and the proceeds of the sale of the derrick lay barge in regards of the Marine Project within the time frame stipulated.

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

On 24 December 2010, Sime Darby and three subsidiaries (collectively, "the Plaintiffs") filed a civil suit against Dato' Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato' Mohamad Shukri Baharom ("DMS") and Abdul Rahim Ismail (collectively, "the Defendants") for damages in connection with the Defendants' negligence and breaches of duty relating 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 for an aggregate amount of RM91 million together with general and aggravated damages to be assessed and other relief.

On 13 June 2014, all the Defendants consented to an Interlocutory Judgement being recorded on the Defendants' liability and for damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce any final judgement entered after the assessment of damages, upon the Malaysia-China Hydro Joint Venture receiving full settlement from Sarawak Hidro Sdn Bhd or the Ministry of Finance in relation to the Bakun Project, or after the expiry of 3 years from the date of final judgement, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages.

The Registrar directed that the Plaintiffs' application for assessment of damages for the Oil & Gas Suit and the Bakun Suit be heard separately and that the assessment of damages for the Oil & Gas Suit will be heard first before the Bakun Suit.

B10. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 November 2018 are as follows: (continued)

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

Counsel is of the view that as the Defendants have consented to judgement in respect of liability, the only outstanding matter would be the assessment of damages to ascertain the actual losses suffered by the Plaintiffs which would largely depend on the documents available and the evidence given to establish such losses. The damages recoverable by the Plaintiffs will also be dependent on the amount recovered from Sarawak Hidro Sdn Bhd and/or the Ministry of Finance in relation to the Bakun Project within the time frame stipulated.

c) Emirates International Energy Services ("EMAS")

On 13 January 2011, EMAS 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 million (approximately RM747 million) comprising (a) a payment of USD128 million (approximately RM537 million) for commissions; and (b) a payment of USD50 million (approximately RM210 million) as "morale compensation", which was dismissed by the Court on 22 August 2011.

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

On 18 May 2014, the Court issued judgement for the sum of AED41 million (approximately RM47 million) against SDE.

The judgement was subsequently reversed by the Court of Appeal on 2 July 2014 and by the Supreme Court on 25 December 2014. 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, claiming an amount of AED41 million (approximately RM47 million). The hearing was held from 15 to 20 January 2018. The tribunal which was expected to issue its award in September 2018 has been granted an extension by DIAC till December 2018 to deliver its award.

SDE's counsel is optimistic of SDE's chances of success.

d) Claim against Qatar Petroleum ("QP")

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 billion (approximately RM1.1 billion) seeking the repayment of a liquidated performance bond, payment of outstanding invoices, compensation and additional costs incurred in relation to an offshore engineering project in Qatar undertaken by SDE pursuant to a contract dated 27 September 2006.

On 21 July 2016, the Court ordered QP to pay QAR12.9 million (approximately RM15 million) to SDE ("Judgement") and both parties have appealed to the Court of Appeal against the Judgement. On 30 October 2017, the Court referred the matter to court experts to examine the appeal and fixed 3 June 2018 for the experts to submit their report. Subsequently, the court granted an extension to the experts until 3 December 2018 for them to submit their report.

SDE's counsel is of the view that there is a likelihood that the Court of Appeal will adopt the views of the experts in the experts' report.

B10. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 November 2018 are as follows: (continued)

e) 05 Wellhead Platform Project ("05WHP Project")

SDE and Swiber Offshore Construction Pte Ltd ("SOC") entered into a Consortium Agreement to govern their relationship as a consortium ("the Consortium") in relation to the execution and performance of the 05WHP Project awarded by Oil and Natural Gas Corporation Ltd ("ONGC") on 26 February 2010 for a total contract price of USD189 million (approximately RM793 million).

Disputes have arisen between the Consortium and ONGC and the parties have subsequently referred the dispute to an Outside Expert Committee ("OEC"). SDE's portion of the Consortium's claim is circa USD33 million (approximately RM138 million).

On 2 December 2014, the OEC recommended payment of USD12 million in full and final settlement in favour of the Consortium, of which USD7 million (approximately RM29 million) was apportioned to SDE. On 20 March 2015, the Consortium sought a higher amount of compensation which was rejected by ONGC.

On 21 December 2015, the Consortium issued a notice to ONGC of its intention to proceed with arbitration. The tribunal fixed proceedings on 17 December 2016 which was subsequently adjourned pending settlement negotiations between the parties.

On 29 March 2017, ONGC submitted a settlement offer to the Consortium for the sum of USD10 million (approximately RM42 million), which is to be apportioned between SDE (USD7 million) (approximately RM29 million) and SOC (USD3 million) (approximately RM13 million) (the Settlement Offer). The Consortium confirmed its acceptance of the Settlement Offer and on 25 May 2017, the Consortium requested ONGC to enter into separate settlement agreements with SDE and SOC.

As there was no response from ONGC on the settlement terms, on 29 March 2018, the Consortium filed its application for an order by the tribunal to record an arbitral award based on the Settlement Offer but was rejected by the tribunal. ONGC filed its statement of defence on 8 June 2018. The tribunal has fixed 4, 5, 11 and 13 October 2018 for examination of witnesses and 22 to 24 October and 19 to 21 November 2018 for hearing.

On 21 September 2018, ONGC and SDE signed a Settlement Agreement in full and final settlement of all claims and counter claims between the parties in relation to the 05WHP Project. The agreement shall become executory after the arbitration tribunal has recorded the settlement and issued its award based on the Settlement Agreement which is anticipated to occur during the next hearing date which has yet to be fixed.

f) B-193 Process Platform Project ("PP Project")

SDE and SOC entered into a Consortium Agreement to govern their relationship as a consortium ("the Consortium") to undertake works relating to the PP Project awarded by ONGC. A contract dated 3 July 2010 was executed for a total contract price of USD618 million (approximately RM2.6 billion).

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 (approximately RM319 million).

Amounts in RM million unless otherwise stated

B10. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 November 2018 are as follows: (continued)

f) B-193 Process Platform Project ("PP Project") (continued)

The hearing has been concluded and oral closing submissions were held on 2 January 2018 to 5 January 2018. On 22 March 2018, the tribunal ordered ONGC to pay the Consortium a net sum of USD5.12 million (approximately RM21 million) as full and final settlement of all claims. On 27 March 2018, ONGC filed an application at the High Court in Mumbai, India to set aside the arbitration award. The High Court fixed provisional hearing date on 4 June 2018 but was subsequently deferred. The High Court has yet to fix a new hearing date.

The Consortium's Counsel is unable to predict at this juncture the chances of success of ONGC's application to set aside the arbitration award.

g) CCCC Tianjin Dredging Co., Ltd. v Weifang Port Services Co., Ltd. and Weifang Port Group Co., Ltd.

Weifang Port Services Co., Ltd. ("WPS") is a joint venture company between Weifang Port Group Co., Ltd. ("WPG") (38%), Weifang Sime Darby Port Co., Ltd. ("WSDP") (37%) and Shandong Hi-speed Transport & Logistics Investment Co., Ltd. (25%). WSDP is an indirect 99% owned subsidiary of Sime Darby.

CCCC Tianjin Dredging Co., Ltd. ("Tianjin Dredging") was engaged to construct a 35,000 deadweight tonne ("DWT") main channel in Weifang, Shandong Province, People's Republic of China (the "Project"). Under the terms of engagement, both WPG and WPS are jointly liable for any payments due to Tianjin Dredging.

The Project was completed in November 2016 at total cost of approximately RMB1.17 billion (RM706 million), of which approximately RMB741 million (RM447 million) remains outstanding ("Outstanding Sum").

On 31 July 2018, Tianjin Dredging (the "Plaintiff") filed a lawsuit in the Court against WPS ("First Defendant") and WPG ("Second Defendant") claiming payment of the Outstanding Sum plus interest, in addition to legal costs and costs for preservation of assets.

On 3 September 2018, upon the Plaintiff's application for preservation of assets, the Court granted an interlocutory order and ordered that the amount of RMB800 million (approximately RM483 million) in the bank accounts of the First Defendant and Second Defendant be frozen.

A case management session was held on 6 November 2018 to examine the evidence of the case. The Court requested for the parties (i.e. Plaintiff and Defendants) to file additional information relating to the Outstanding Sum. The next hearing date is tentatively scheduled in the first quarter of 2019.

B11. Dividend

On 29 August 2018, the Board declared a second interim dividend and a special dividend in respect of the financial year ended 30 June 2018, payable on 31 October 2018.

The total declared dividends are as follows:

	Per share (sen)	Total dividends
Second interim dividend	4.0	272
Special dividend	2.0	136
	6.0	408

B12. Earnings Per Share

	Quarter ended 30 September	
	2018	**2017**
Basic earnings per share attributable to owners of the Company are computed as follows:		
Profit attributable to owners of the Company from:		
- continuing operations	**225**	248
- discontinued operations	**–**	1,068
	225	1,316
Weighted average number of ordinary shares in issue (million)	**6,801**	6,801
Basic earnings per share (sen)		
- continuing operations	**3.3**	3.6
- discontinued operations	**–**	15.7
	3.3	19.3

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.

B13. Comparatives

The Group has reclassified gains/(losses) on disposals and (impairments)/reversal of impairments for the quarter ended 30 September 2017 from operating expenses or other operating income to other gains and losses to conform with the presentation in the audited accounts for the financial year ended 30 June 2018. The restatement had no impact on statement of comprehensive income and statement of financial position.

The Group has adopted MFRS 9 – Financial Instruments from 1 July 2018. As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and as such, the adjustments were recognised in the opening reserves of the current period.

By Order of the Board
Noor Zita Hassan
Group Secretary

Kuala Lumpur
21 November 2018