QUARTERLY REPORT

On the consolidated results for the first quarter ended 30 September 2017

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 2017	2016 (restated)	% +/(-)	2016 (as previously stated)
Continuing operations					
Revenue	A7	**8,144**	6,934	17.5	6,874
Other operating income		**238**	83		143
Operating expenses		**(8,033)**	(6,803)		(6,803)
Other gains		**3**	38		38
Operating profit	B5	**352**	252	39.7	252
Share of results of joint ventures		**12**	11		11
Share of results of associates		**(8)**	–		–
Profit before interest and tax	A7	**356**	263	35.4	263
Finance income		**50**	122		122
Finance costs	B5	**(30)**	(73)		(73)
Profit before tax		**376**	312	20.5	312
Tax expense	B6	**(101)**	(52)		(52)
Profit from continuing operations		**275**	260	5.8	260
Discontinuing operations					
Profit from discontinuing operations		**1,119**	319		238
Profit for the period		**1,394**	579	140.8	498
Attributable to owners of:					
- the Company					
- from continuing operations		**248**	216	14.8	216
- from discontinuing operations		**1,068**	306	249.0	227
		1,316	522	152.1	443
- perpetual sukuk		**31**	31		31
- non-controlling interests		**47**	26		24
Profit for the period		**1,394**	579	140.8	498
		Sen	**Sen**		**Sen**
Basic earnings per share attributable to owners of the Company	B13				
- from continuing operations		**3.6**	3.4	5.9	3.4
- from discontinuing operations		**15.7**	4.8	227.1	3.6
Total		**19.3**	8.2	135.4	7.0

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 2017.

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			
	2017	**2016 (restated)**	**% +/(-)**	**2016 (as previously stated)**
Profit for the period	**1,394**	579		498
Other comprehensive (loss)/income				
<u>Continuing operations</u>				
Items that will be reclassified subsequently to profit or loss:				
Currency translation differences	**5**	245		245
Net changes in fair value of cash flow hedges	**(8)**	(20)		(20)
Share of other comprehensive income of joint ventures and associates	**2**	(8)		(8)
Tax credit	**3**	8		8
	2	225		225
Reclassified to profit or loss currency translation differences on repayment of net investment	**(31)**	14		14
Reclassified changes in fair value of cash flow hedges to:				
- profit or loss	**7**	30		30
- inventories	**11**	4		4
Tax expense	**(5)**	(9)		(9)
	(16)	264	(106.1)	264
Other comprehensive (loss)/income from discontinuing operations	**(114)**	206		204
Total other comprehensive (loss)/income	**(130)**	470		468
Total comprehensive income for the period	**1,264**	1,049	20.5	966
Attributable to owners of:				
- the Company				
- from continuing operations	**269**	598	(55.0)	603
- from discontinuing operations	**926**	396	133.8	310
	1,195	994	20.2	913
- perpetual sukuk	**31**	31		31
- non-controlling interests	**38**	24		22
Total comprehensive income for the period	**1,264**	1,049	20.5	966

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 2017.

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 2017	Audited As at 30 June 2017
Non-current assets			
Property, plant and equipment		**5,606**	5,624
Prepaid lease rentals		**362**	359
Investment properties		**332**	317
Joint ventures		**1,163**	1,131
Associates		**643**	652
Investments		**118**	100
Intangible assets		**1,613**	1,684
Deferred tax assets		**543**	611
Tax recoverable		**155**	160
Derivatives	B10(a)	**35**	44
Receivables and pension assets		**214**	171
		10,784	10,853
Current assets			
Inventories		**6,973**	7,103
Tax recoverable		**59**	67
Derivatives	B10(a)	**81**	97
Receivables and contract assets		**4,042**	3,886
Prepayments		**660**	466
Bank balances, deposits and cash		**1,888**	2,072
		13,703	13,691
Property, plant and equipment held for sale		**478**	667
Disposal groups		**43,230**	42,469
Total assets		**68,195**	67,680
Equity			
Share capital		**9,299**	9,299
Reserves		**29,239**	28,044
Attributable to owners of the Company		**38,538**	37,343
Perpetual sukuk		**2,198**	2,230
Non-controlling interests		**992**	976
Total equity	A7	**41,728**	40,549
Non-current liabilities			
Borrowings and finance lease obligation	B9	**547**	1,251
Contract liabilities		**108**	104
Provisions		**37**	37
Deferred income		**187**	187
Deferred tax liabilities		**318**	338
		1,197	1,917
Current liabilities			
Payables		**4,642**	4,348
Contract liabilities		**1,110**	1,319
Borrowings and finance lease obligation	B9	**2,243**	1,954
Provisions		**174**	170
Tax payable		**124**	122
Derivatives	B10(a)	**14**	11
		8,307	7,924
Liabilities of disposal groups		**16,963**	17,290
Total liabilities		**26,467**	27,131
Total equity and liabilities		**68,195**	67,680

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

	Unaudited As at 30 September 2017	**Audited As at 30 June 2017**
Net assets per share attributable to owners of the Company (RM)	**5.67**	5.49

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 B7).

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 2017.

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
Quarter ended 30 September 2017												
At 1 July 2017	**9,299**	**–**	**207**	**74**	**(39)**	**48**	**1,058**	**26,696**	**37,343**	**2,230**	**976**	**40,549**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**5**	**(1)**	**(125)**	**1,316**	**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**	**38,538**	**2,198**	**992**	**41,728**
Quarter ended 30 September 2016												
At 1 July 2016	3,164	2,602	212	69	(68)	54	356	26,006	32,395	2,230	965	35,590
Total comprehensive income/(loss) for the period	–	–	–	–	10	(15)	477	522	994	31	24	1,049
Transfer between reserves	–	–	(1)	–	–	–	–	1	–	–	–	–
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	7	7
Dividends paid	–	–	–	–	–	–	–	–	–	–	(8)	(8)
Distribution paid	–	–	–	–	–	–	–	–	–	(63)	–	(63)
At 30 September 2016	3,164	2,602	211	69	(58)	39	833	26,529	33,389	2,198	988	36,575

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 2017.

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 2017	Quarter ended 30 September 2016 (restated)
Cash flow from operating activities		
Profit for the financial year	**275**	260
Adjustments for:		
Share of results of joint ventures and associates	**(4)**	(11)
Finance income	**(50)**	(122)
Finance costs	**30**	73
Tax expense	**101**	52
Net gain on disposal of assets and investments	**(166)**	(66)
Depreciation and amortisation	**157**	135
Other non-cash items	**55**	38
	398	359
Changes in working capital:		
Inventories and rental assets	**86**	(64)
Trade, other receivables and prepayments	**(353)**	(371)
Trade, other payables and provisions	**113**	72
Cash generated from/(used in) operations	**244**	(4)
Tax paid	**(110)**	(73)
Dividends received	**7**	6
Operating cash from/(used in) continuing operations	**141**	(71)
Operating cash from discontinuing operations	**263**	444
Net cash from operating activities	**404**	373
Investing activities		
Finance income received	**50**	122
Purchase of property, plant and equipment, investment properties, intangible assets and prepaid lease rentals	**(114)**	(193)
Purchase/subscription of shares in a joint venture and investments	**(39)**	(31)
Proceeds from sale of subsidiaries	**–**	90
Proceeds from sale of property, plant and equipment, investment property and prepaid lease rentals	**378**	60
Advances to discontinuing operations	**(143)**	(5)
Net (loans made to)/repayment of loans by joint ventures and associates	**(9)**	56
Investing cash from continuing operations	**123**	99
Investing cash from/(used in) discontinuing operations	**337**	(244)
Net cash from/(used in) investing activities	**460**	(145)

SIME DARBY BERHAD
(Company No: 752404-U)

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

	Note	Quarter ended 30 September 2017	Quarter ended 30 September 2016 (restated)
Financing activities			
Proceeds from shares issued to non-controlling interest		**–**	7
Finance costs paid		**(34)**	(82)
Net borrowings (repaid)/raised		**(368)**	18
Distribution to perpetual sukuk holders		**–**	(63)
Dividends paid to non-controlling interests		**(1)**	(5)
Financing cash used in continuing operations		**(403)**	(125)
Financing cash used in discontinuing operations		**(115)**	(199)
Net cash used in financing activities		**(518)**	(324)
Net changes in cash and cash equivalents		**346**	(96)
Foreign exchange differences		**(14)**	67
Cash and cash equivalents at beginning of the period		**3,842**	3,496
Cash and cash equivalents at end of the period		**4,174**	3,467
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		**1,888**	1,792
Less:			
Bank overdrafts	B9	**(37)**	(37)
Cash and cash equivalents from continuing operations		**1,851**	1,755
Cash and cash equivalents from discontinuing operations		**2,323**	1,712
		4,174	3,467

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 2017.

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 2017.

A. EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 30 June 2017, except as below.

a) New accounting pronouncements

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

- Amendments to MFRS 12 (Annual Improvements to MFRSs 2014-2016 Cycle)
- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

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

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

- MFRS 9 – Financial Instruments
- MFRS 16 – Leases
- MFRS 17 – Insurance Contracts
- 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 Translations and Advance Consideration
- IC Interpretation 23 – Uncertainty over Income Tax Treatments

iii) Accounting pronouncement where the effective date has been deferred to a date to be determined by the Malaysian Accounting Standards Board (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 operations are not materially affected by seasonal or cyclical factors except for the fresh fruit bunch production in the Plantation division (discontinuing operations) 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 period under review.

A4. Material Changes in Estimates

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

A5. Debt and Equity Securities

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

<u>RM4.5 billion Islamic Medium Term Notes and Islamic Commercial Papers Programme (IMTN/ICP)</u>

On 23 August 2017, the Company had completed the early redemption of the RM700 million outstanding Islamic Medium Term Notes following the consent obtained at the Extraordinary General Meeting of the noteholders held on 14 August 2017. On 29 September 2017, the Company novated the IMTN/ICP to Sime Darby Property Berhad. Following the novation of the programme, the status of rating of the Islamic Programme has been changed to “unrated”.

A6. Dividends Paid to Shareholders

No dividend was paid during the quarter ended 30 September 2017.

Amounts in RM million unless otherwise stated

A7. Segment Information

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 B7), 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**	**Elimination**	**Total**
Quarter ended 30 September 2017										
Segment revenue:										
External	**2,948**	**5,106**	**83**	**7**	**–**	**8,144**	**3,540**	**480**	**–**	**12,164**
Inter-segment	**16**	**5**	**–**	**33**	**–**	**54**	**1**	**7**	**(62)**	**–**
	2,964	**5,111**	**83**	**40**	**–**	**8,198**	**3,541**	**487**	**(62)**	**12,164**
Profit/(loss) before interest and tax	**247**	**112**	**18**	**12**	**(33)**	**356**	**509**	**471**	**–**	**1,336**
Reversal of depreciation and amortisation of discontinuing operations										**269**
										1,605
Quarter ended 30 September 2016										
Segment revenue:										
External	2,164	4,689	70	11	–	6,934	2,791	430	–	10,155
Inter-segment	15	6	–	32	–	53	–	28	(81)	–
	2,179	4,695	70	43	–	6,987	2,791	458	(81)	10,155
Profit before interest and tax	51	130	12	40	30	263	333	184	–	780

Amounts in RM million unless otherwise stated

A7. Segment Information (continued)

	Continuing operations						Discontinuing operations			
	Industrial	**Motors**	**Logistics**	**Others**	**Corporate/ Elimination**	**Total**	**Plantation**	**Property**	**Total**	**Total**
As at 30 September 2017										
Segment assets	**10,249**	**8,955**	**2,722**	**1,114**	**1,168**	**24,208**	**28,452**	**12,661**	**41,113**	**65,321**
Segment liabilities	**(2,301)**	**(3,221)**	**(342)**	**(368)**	**(40)**	**(6,272)**	**(2,071)**	**(2,105)**	**(4,176)**	**(10,448)**
Segment invested capital	**7,948**	**5,734**	**2,380**	**746**	**1,128**	**17,936**	**26,381**	**10,556**	**36,937**	**54,873**
Net tax assets/(liabilities)						**315**			**(882)**	**(567)**
Borrowings and finance lease obligation						**(2,790)**			**(9,788)**	**(12,578)**
Total Equity						**15,461**			**26,267**	**41,728**
As at 30 June 2017										
Segment assets	10,411	8,923	2,626	1,166	1,247	24,373	27,699	12,701	40,400	64,773
Segment liabilities	(2,322)	(3,097)	(332)	(347)	(78)	(6,176)	(2,002)	(2,314)	(4,316)	(10,492)
Segment invested capital	8,089	5,826	2,294	819	1,169	18,197	25,697	10,387	36,084	54,281
Net tax assets/(liabilities)						378			(992)	(614)
Borrowings and finance lease obligation						(3,205)			(9,913)	(13,118)
Total Equity						15,370			25,179	40,549

Amounts in RM million unless otherwise stated

A8. Capital Commitments

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

As at 30 September 2017	**Continuing operations**	**Discontinuing operations**	**Total**
Property, plant and equipment			
- contracted	**137**	**229**	**366**
- not contracted	**786**	**839**	**1,625**
	923	**1,068**	**1,991**
Other capital expenditure			
- contracted	**46**	**285**	**331**
- not contracted	**70**	**–**	**70**
	1,039	**1,353**	**2,392**

As at 30 June 2017			
Property, plant and equipment			
- contracted	229	295	524
- not contracted	837	975	1,812
	1,066	1,270	2,336
Other capital expenditure			
- contracted	42	291	333
- not contracted	39	–	39
	1,147	1,561	2,708

A9. Significant Related Party Transactions

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

	Quarter ended 30 September	
	2017	**2016**
a. Transactions with joint ventures		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	**13**	9
Disposal of Sime Darby Property (Alexandra) Private Limited to Aster Investment Holding Pte Ltd, a subsidiary of Sime Darby Real Estate Investment Trust 1	**–**	249
b. Transactions with associates		
Sales of products and services to Tesco Stores (Malaysia) Sdn Bhd	**3**	4
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	**3**	–

Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions (continued)

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

	Quarter ended 30 September 2017	2016
c. Transactions between subsidiaries and their owners of non-controlling interests		
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**	37
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	**6**	8
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	**3**	1
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	**8**	13
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	**–**	1
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	**5**	17
d. Transactions with key management personnel and their close family members		
Sales of properties and cars by the Group	**–**	1

e. Transactions with shareholders and Government

Permodalan Nasional Berhad (PNB) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (ASNB), together owns 51.9% as at 30 September 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.

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. The disposal was completed on 29 September 2017.

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 8 November 2017, being a date not earlier than 7 days from the date of issue of the quarterly report, except as follows:

i) On 25 October 2017, Sime Darby Plantation Berhad, a wholly-owned subsidiary of the Company, entered into an agreement with Paduwan Realty Sdn Bhd for the sale of 15 estate lands measuring about 366.13 acres in Melaka for a total consideration of RM118.8 million. The transaction is conditional upon approvals being obtained from the relevant authorities.

ii) On 27 October 2017, Kumpulan Jelei Sdn Bhd, a wholly-owned subsidiary of Sime Darby Plantation Berhad, had entered into an agreement with PNB for the sale of zero coupon redeemable loan stock ("RLS") of Prolintas Expressway Sdn Bhd ("Prolintas") (formerly known as Guthrie Corridor Expressway Sdn Bhd) for a total purchase consideration of RM333.2 million.

Amounts in RM million unless otherwise stated

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

1. Establishment of new companies

   On 4 July 2017, Kunming Bow Chuang Motor Sales and Services Co. Ltd. (KMBC) was incorporated as a limited company in the People's Republic of China (PRC), with its entire registered capital of RMB20 million held by Yunnan Bow Yue Vehicle Trading Co., Ltd., an indirect 65%-owned subsidiary of the Group. The principal activities of KMBC are retail of motor vehicles and spare parts, and provision of after-sales services.

2. Disposal of subsidiaries and interest in an associate

   a) On 19 September 2017 Sime Darby Property Berhad completed the disposal of its entire equity interest in Malaysia Land Development Company Berhad (MLDC) to Dato' Sri Tong Seech Wi for a total cash consideration of RM1. Simultaneously an agreed sum of RM60 million shall be paid to Sime Darby Property as the full and final settlement of the existing outstanding shareholder's loan granted to MLDC.

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

	Quarter ended 30 September 2017
Property, plant and equipment	**18**
Inventories	**1**
Net current assets	**(1)**
Non-controlling interest	**1**
Net assets disposed	**19**
Gain on disposal	**41**
Proceeds from disposal, net of transaction costs	**60**
Less: Cash and cash equivalents in MLDC	**(1)**
Net cash inflow from disposal of MLDC	**59**

   b) On 29 September 2017, Sime Darby Property completed the disposal of its entire 40% equity interest in Seriemas Development Sdn Berhad (Seriemas) to PNB Development Sdn Bhd for a total cash consideration of RM625 million. The disposal resulted in a gain of RM307 million, net of transaction costs. Following the disposal, Seriemas and its 70%-owned subsidiary, Seriemas Resort Sdn Berhad, ceased to be associate companies of Sime Darby Property.

Amounts in RM million unless otherwise stated

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 8 November 2017	**As at 30 June 2017**
Performance guarantees and advance payment guarantees to customers of the Group	**2,320**	2,362
Guarantees in respect of credit facilities granted to certain associates and a joint venture	**181**	176
Outstanding guarantees for discontinuing operations	**115**	96
	2,616	2,634

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 September 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 RM236 million (30 June 2017: RM226 million).

b) Claims

	As at 8 November 2017	**As at 30 June 2017**
Continuing operations	**8**	14
Discontinuing operations	**48**	16
	56	30

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		
	2017	**2016 (restated)**	**% +/(-)**
Continuing operations			
Revenue	**8,144**	6,934	17.5
Segment results:			
Industrial	**247**	51	384.3
Motors	**112**	130	(13.8)
Logistics	**18**	12	50.0
Others	**12**	40	(70.0)
	389	233	67.0
Exchange gain	**27**	27	
Corporate expense and elimination	**(60)**	3	
Profit before interest and tax	**356**	263	35.4
Finance income	**50**	122	
Finance costs	**(30)**	(73)	
Profit before tax	**376**	312	20.5
Tax expense	**(101)**	(52)	
Profit from continuing operations	**275**	260	5.8
Discontinuing operations			
Profit from discontinuing operations	**1,119**	319	250.8
Profit after tax	**1,394**	579	140.8
Perpetual sukuk	**(31)**	(31)	
Non-controlling interests	**(47)**	(26)	
Profit attributable to owners of the Company	**1,316**	522	152.1
Profit from discontinuing operations include:			
Profit before interest and tax :			
Plantation	**509**	333	52.9
Property	**471**	184	156.0
Reversal of depreciation and amortisation	**269**	–	

Net earnings of the Group from both continuing and discontinuing operations were higher at RM1,316 million as compared to RM522 million a year ago mainly due to higher earnings from the Plantation and Property divisions.

An analysis of the results is as follows:

a) Industrial

Industrial division's profit increased by 384.3% mainly due to the gain on disposal of properties in Australia of RM156 million. Excluding this gain, the division's profit increased by 78.4% driven by higher equipment deliveries and product support sales to the construction and mining sectors in Australia and China.

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B1. Review of Group Performance (continued)

b) Motors

Motors division recorded a decline in profit by 13.8% mainly due to the impairment of the distribution rights in Vietnam of RM61 million. Included in the profit is the gain from land compensation in China of RM41 million while the previous year's profit includes the gain on disposal of property in Hong Kong of RM30 million. Excluding these items, profit increased by 32% from RM100 million to RM132 million mainly due to higher sales in China, Malaysia and Singapore.

c) Logistics

Logistics division registered a 50% increase in profit mainly due to foreign exchange gain, higher general cargo throughput at Weifang Port and higher water sales volume.

d) Others

The decline in profit from Others was mainly due to the gain on disposal of 10% equity interest and convertible warrants in Eastern & Oriental Berhad of RM35 million in the previous year. Excluding this gain, profit was higher by RM7 million mainly as a result of higher share of profit from the Ramsay Sime Darby Healthcare joint venture of RM12 million against RM9 million in the previous year.

e) Discontinuing operations

i. Plantation

Plantation division's profit increased by 52.9% mainly due to higher fresh fruit bunch (FFB) production of 2.70 million MT (30 September 2016: 2.15 million MT) and higher average crude palm oil (CPO) price realised of RM2,693 per MT (30 September 2016: RM2,592 per MT).

ii. Property

Property division contribution increased by 156% to RM471 million largely attributable to the gain on disposal of the Group's entire 40% equity interest in Seriemas of RM307 million, gain on disposal of MLDC of RM41 million and the share of profit from Battersea joint venture of RM87 million (30 September 2016: loss of RM1 million) from the on-going handover of Phase 1 units.

The reversal of depreciation and amortisation of the discontinuing operations of RM269 million was in accordance with MFRS 5 – Non Current Assets Held for Sale and Discontinued Operations.

f) Corporate expenses

Corporate expenses include the restructuring costs to pursue the pure-play strategy which, amongst others, include IT separation/standalone cost, restructuring fees and staff rationalisation costs.

g) Finance income

The lower finance income was mainly due to the reduction in interest income from discontinuing operations following the transfer of assets and novation of borrowings as part of the pure play strategy restructuring.

h) Finance costs

The reduction in finance costs was mainly due to the repurchase and novation of the USD800 million Sukuk in May 2017 and early redemption of the RM700 million IMTN in August 2017.

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 2017	**30 June 2017**	**% +/(-)**
Continuing operations			
Revenue	**8,144**	8,200	(0.7)
Segment results:			
Industrial	**247**	(192)	228.6
Motors	**112**	241	(53.5)
Logistics	**18**	28	(35.7)
Others	**12**	19	(36.8)
	389	96	305.2
Exchange gain	**27**	24	
Corporate expense and elimination	**(60)**	(52)	
Profit before interest and tax	**356**	68	423.5
Finance income	**50**	128	
Finance costs	**(30)**	(98)	
Profit before tax	**376**	98	283.7
Tax expense	**(101)**	(14)	
Profit from continuing operations	**275**	84	227.4
Discontinuing operations			
Profit from discontinuing operations	**1,119**	541	
Profit after tax	**1,394**	625	123.0
Perpetual sukuk	**(31)**	(31)	
Non-controlling interests	**(47)**	(23)	
Profit attributable to owners of the Company	**1,316**	571	130.5

Profit from discontinuing operations include:

Profit before interest and tax :			
Plantation	**509**	352	44.6
Property	**471**	413	14.0
Reversal of depreciation and amortisation	**269**	–	

Net earnings of the Group for both continuing and discontinuing operations increased by 130.5% mainly due to the higher profit from Plantation and Industrial divisions and the reversal of depreciation and amortisation of discontinuing operations.

The reduction in finance income and finance costs is as explained in Note B1.

An analysis of the results is as follows:

a) Industrial

Industrial division reported an increase in profit in the current quarter which included the gain on disposal of properties in Australia of RM156 million, whilst the preceding quarter included an impairment of the Bucyrus distribution rights and the provision for onerous contracts for the leasing of Bucyrus equipment totaling RM257 million. Excluding these items, Industrial division's profit increased by 40% to RM91 million from RM65 million mainly due to higher equipment deliveries and product support sales in Australia.

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

b) Motors

Motors division registered a 53.5% decline in profit mainly due to the impairment of the distribution rights in Vietnam of RM61 million as against impairment of goodwill and inventory provision of the Vietnam operations in the preceding quarter of RM37 million. The preceding quarter also included an investment income of RM120 million whilst current quarter recognised a gain from land compensation of a property in China of RM41 million. Excluding these items, profit declined from RM158 million to RM132 million mainly due to reversal of warranty provision in the preceding quarter.

c) Logistics

Logistics division's profit declined by 35.7% from RM28 million to RM18 million, largely attributable to the gain on disposal of Weifang Sime Darby West Port Co Ltd of RM10 million in the preceding quarter.

d) Others

Profits from Others declined by 36.8% from RM19 million to RM12 million mainly due to lower profit from the insurance broking business as a result of lower revenue.

e) Discontinuing operations

i. Plantation

Plantation division recorded an increase in profit by 44.6% as the preceding quarter result included impairment of assets in Liberia of RM202 million and in a joint venture of RM39 million. Excluding these items, profit declined by 14.2% from RM593 million to RM509 million mainly due to lower profit from the upstream Papua New Guinea and Solomon Islands operations as a result of lower sales volume and lower CPO price realised of RM2,690 for the quarter (30 June 2017: RM2,893).

ii. Property

Property division's profit increased by 14% in the current quarter attributable largely to the gain on disposal of Seriemas and MLDC totaling RM348 million while the preceding quarter included the share of gain on disposal of an investment property by Sime Darby Real Estate Investment Trust 1 of RM132 million and the gain on disposal of land of RM209 million, partly offset by provision for unsold stocks of RM70 million. Excluding these items, profit declined by 13.3% from RM142 million to RM123 million due to reversal of accruals 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"). Upon completion of the Proposal, the Group's main businesses would be Industrial, Motors and Logistics, with its focus being principally in the Asia Pacific Region.

The global economy has gradually shown improved performance in recent months. Despite subdued growth in the world's major economies, strong growth is seen in the Asian economies, driven by domestic and external demand. However, expected interest rate hikes may lead to continued volatility in foreign exchange rates and commodity prices.

The Group's Motors operations continue to be impacted by strong competition and cautious consumer sentiment. The 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. The Group would be exiting the current distributorship and dealership business in Vietnam.

The Industrial operations in Australia have seen improvements in recent months in the product support business along with an increase in the order book. The China operations have remained strong with increased demand from the construction industry. 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 expected completion of new berths and the liquid terminal in this financial year will further support the development of Weifang Port in the longer term.

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. 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 and Finance Costs

	Quarter ended 30 September	
	2017	**2016**
Included in operating profit are:		
Depreciation and amortisation	**(157)**	(135)
Impairment of property, plant and equipment, intangible assets and investments	**(64)**	(6)
Impairment of receivables	**(5)**	(3)
Reversal of write down of inventories (net)	**11**	34
Gain on disposal of properties* (net)	**166**	31
Gain on disposal of associate and investments	**–**	35
Net foreign exchange gain	**14**	55
Loss on derivatives	**(11)**	(17)
Loss on derivatives included in finance costs	**(3)**	(5)

* Note – includes gain on disposal of land and buildings, investment properties and prepaid lease rentals.

B6. Tax Expense

	Quarter ended 30 September	
	2017	**2016**
Continuing operations		
In respect of the current year:		
- current tax	**127**	60
- deferred tax	**(20)**	(11)
	107	49
In respect of prior years:		
- current tax	**(4)**	–
- deferred tax	**(2)**	3
	101	52
Discontinuing operations	**91**	80

The effective tax rate for continuing operations of 26.9% for the current quarter is higher compared to the Malaysian income tax rate of 24% mainly due to higher proportion of income contributed by subsidiaries which are subjected to a higher statutory tax rate.

Amounts in RM million unless otherwise stated

B7. Status of Corporate Proposals

The corporate proposals announced but not completed as at 8 November 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).

On 26 October 2017, the Securities Commission granted its approval for the proposed internal restructuring. On 10 November 2017, Bursa Securities approved the applications for the admission of Sime Darby Plantation and Sime Darby Property to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued share capital of Sime Darby Plantation and Sime Darby Property on the "Plantation" and "Properties" sectors of the Main Market of Bursa Securities, respectively.

The completion of the proposal is subject to the approval of the shareholders of the Company at the forthcoming Extraordinary General Meeting to be held on 20 November 2017.

b) On 29 June 2017, the Company announced that Sime Darby Builders Sdn Bhd, a wholly-owned subsidiary of Sime Darby Property, has on 29 June 2017 entered into a sales and purchase agreement with PNB Development Sdn Berhad for the disposal of approximately 297.51 acres of land for a cash consideration of RM86 million. The disposal is expected to be completed by end of 2017.

B8. Status of Utilisation of Placement Proceeds

The utilisation of the proceeds raised from the Shares Placement on 13 October 2016 as at 30 September 2017 is as follows:

Purpose	Proposed utilisation	Actual utilisation	Amount yet to be utilised	Revised utilisation of balance
Repayment of borrowings	**1,200**	**1,200**	**–**	**–**
Capital expenditure for:				
Industrial	**–**	**–**	**–**	**69**
Motors	**300**	**185**	**115**	**115**
Plantation	**300**	**300**	**–**	**–**
Property	**350**	**281**	**69**	**–**
	950	**766**	**184**	**184**
Working capital	**195**	**195**	**–**	**–**
Placement expenses	**12**	**12**	**–**	**–**
	2,357	**2,173**	**184**	**184**

On 30 October 2017, the Board approved the variation of the utilisation of the proceeds for capital expenditure. The remaining unutilised amount for the Property Division's capital expenditure of RM69 million as at 30 September 2017 will be reallocated to the Industrial Division while the unutilised amount of RM115 million ear-marked for capital expenditure of the Motors Division will continue to be utilised for the Motors Division but the utilisation has been expanded to include purchase of vehicles for the rental fleet in Malaysia and overseas as this also forms part of the Motors Division's capital expenditure.

The Board had also approved for the remaining proceeds for capital expenditure to be fully utilised by 30 June 2018.

Amounts in RM million unless otherwise stated

B9. Group Borrowings and Finance lease obligation

The breakdown of the borrowings and finance lease obligation as at 30 September 2017 is as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	42	230	272
Islamic financing	–	271	271
Finance lease obligation	4	–	4
	46	501	547
Short-term			
Bank overdrafts	–	37	37
Term loans due within one year	12	455	467
Islamic financing	–	236	236
Revolving credits, trade facilities and other short-term borrowings	–	1,497	1,497
Finance lease obligation	6	–	6
	18	2,225	2,243
Total borrowings and finance lease obligation	64	2,726	2,790

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

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	314	617	931
Australian dollar	–	463	463
Chinese renminbi	–	43	43
New Zealand dollar	–	104	104
Pacific franc	38	9	47
Singapore dollar	–	56	56
Taiwan dollar	–	48	48
Thailand baht	9	93	102
United States dollar	186	810	996
Total borrowings	547	2,243	2,790

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

Amounts in RM million unless otherwise stated

B10. Financial Instruments and Realised and Unrealised Profits or Losses

a) Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts, cross currency swap contracts and commodity futures contracts to manage its exposure to various financial risks. The fair values of these derivatives as at 30 September 2017 are as follows:

	Classification in Statement of Financial Position				
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	Net Fair Value
Forward foreign exchange contracts	–	5	–	14	(9)
Interest rate swap contracts	1	2	–	–	3
Cross currency swap contract	34	74	–	–	108
	35	81	–	14	102

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 2017.

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

<u>Forward foreign exchange contracts</u>

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

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

As at 30 September 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	1,710	(9)

Amounts in RM million unless otherwise stated

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

a) Derivatives (continued)

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to 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 September 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%
30 June 2015 to 17 December 2018	RM120 million	3.938%

As at 30 September 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	**360**	**2**
- 1 year to less than 3 years	**182**	**1**
	542	**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 September 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	**377**	**74**
- 1 year to less than 3 years	**186**	**34**
	563	**108**

Amounts in RM million unless otherwise stated

B10. 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 September 2017	**As at 30 June 2017**
Total retained profits of the Company and its subsidiaries		
- realised	**33,240**	31,663
- unrealised	**5,326**	5,305
	38,566	36,968
Total share of retained profits from joint ventures		
- realised	**283**	195
- unrealised	**2**	(1)
	285	194
Total share of retained profits from associates		
- realised	**112**	125
- unrealised	**(9)**	(14)
	103	111
Less: consolidation adjustments	**(10,942)**	(10,577)
Total retained profits of the Group	**28,012**	26,696

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

B11. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 8 November 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 million and USD79 million (equivalent to approximately RM334 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.

On 15 September 2017, the Court dismissed the Defendants' application for a stay of proceedings. On 9 November 2017, the Registrar directed that the Plaintiffs' Notice of Application for assessment of damages for the O&G Suit and the Bakun Suit be heard separately. The Registrar requested for parties to decide on which suit to proceed first and fixed a further case management on 16 November 2017.

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

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

On 15 September 2017, the Court dismissed the Defendants' application for a stay of proceedings. On 9 November 2017, the Registrar directed that the Plaintiffs' Notice of Application for assessment of damages for the O&G Suit and the Bakun Suit be heard separately. The Registrar requested for parties to decide on which suit to proceed first and fixed a further case management on 16 November 2017.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 8 November 2017 are as follows: (continued)

c) Emirates International Energy Services (EMAS)

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

SDE filed its Statement of Defence and Counter Claim for the sum of AED100 million (equivalent to approximately RM115 million) on 14 August 2011 with a request for the matter to be referred to arbitration. On 22 August 2011, the Court dismissed the First Suit.

i. Proceedings at the Judicial Department of Abu Dhabi
On 31 March 2012, EMAS filed the 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 judgment for the sum of AED41 million (equivalent to approximately RM47 million) against SDE.

The judgment 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. The amount claimed by EMAS is AED41 million (equivalent to approximately RM47 million). The tribunal set the proceeding schedule and tentatively fixed the matter for hearing from 15 to 20 January 2018.

d) Qatar Petroleum (QP) Statement of Claim

On 15 August 2012, Sime Darby Engineering Sdn Bhd (SDE) filed a Statement of Claim at the Qatar Court against QP for the sum of QAR1 billion (equivalent to approximately RM1 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 QAR13 million (equivalent to approximately RM14 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.

On 30 October 2017, instead of issuing its decision on the parties' appeal, the Court referred the matter to the court experts to examine the appeal and fixed 25 March 2018 for the experts to submit their report.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 8 November 2017 are as follows: (continued)

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

Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) (the Consortium) was awarded the 05 Wellhead Platform Project (05WHP Project) by ONGC on 26 February 2010 for a total contract price of USD189 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.

On 2 December 2014, the OEC recommended payment of USD12 million in full and final settlement in favour of the Consortium (OEC Recommendation), of which USD7 million (equivalent to approximately RM30 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 notified ONGC of its intention to proceed with arbitration. On 13 July 2016, the tribunal set the proceedings schedule and the next procedural meeting was fixed for 17 December 2016. On 5 October 2016, ONGC confirmed its willingness to reconsider the OEC Recommendation and initiated its internal process for approval of a settlement. On 29 March 2017, ONGC submitted a settlement offer to the Consortium and parties are currently discussing the settlement terms.

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 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.

The arbitration tribunal commenced the hearing from 21 to 25 August 2017, which proceedings were then adjourned to 30 October 2017 to 2 November 2017. Oral closing submission is fixed on 2 to 5 January 2018.

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 RM394 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 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 RM57 million but was subsequently revised to RM34 million on 1 November 2016.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 8 November 2017 are as follows: (continued)

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

Hearing was concluded on 24 March 2017. The parties submitted their respective written submissions on 26 May 2017 and oral submissions 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).

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 IDR673 billion (approximately RM215 million).

On 20 January 2015, the District Court of Batu Licin decided in favour of PT SHE and awarded damages in the sum of IDR70 billion (approximately RM22 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 As at the date of this report, the Supreme Court has not made its decision.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 8 November 2017 are as follows: (continued)

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 PGK31 million (equivalent to RM41 million), compensation for appreciation of the value of the Land due to the development by NBPOL and compensation for 31,250 ordinary shares in NBPOL issued to each of the Defendants pursuant to the SLAs.

On 11 December 2014, the Defendants cross-claimed amongst others, that the SLAs were unfair and inequitable agreements, and should be declared invalid, void and of no effect as well as damages for environmental damage and trespass to property by NBPOL.

Trial relating to the Meloks claim was concluded on 2 November 2016. As at the date of this report, the Court has not fixed a date for decision.

j) PT Mulia Agro Persada (PT MAP) and PT Palma Sejahtera (PT PS) v. PT Minamas Gemilang (PT MGG), PT Anugerah Sumbermakmur (PT ASM) and PT Indotruba Tengah (PT ITH)

PT MGG, PT ASM and PT ITH are involved in a lawsuit brought by PT MAP and PT PS, for unlawful act of non-fulfilment of rights of PT MAP as a shareholder in PT ITH. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest.

PT MAP purchased 50% equity interest in PT ITH in December 2008 from Yayasan Kartika Eka Paksi (YKEP). The purchase was funded by PT PS. Dispute on the ownership of the 50% equity interest have arisen between PT MAP and YKEP. On 31 May 2016, the Supreme Court had issued a decision that invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP (Judicial Review Decision).

Despite the Judicial Review Decision, PT MAP and PT PS filed a lawsuit seeking compensation from 11 defendants, individually or jointly and severally, including PT ITH, PT MGG and PT ASM in the form of:

i. material damages (direct loss) in the amount of IDR247 billion (equivalent to RM78 million) with 3% interest of IDR137 billion (equivalent to RM43 million) per month, until the payment is made to PT MAP and PT PS;
ii. fine (dwangsom) in the amount of IDR250 billion (equivalent to RM79 million); and
iii. immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to RM159 million).

The South Jakarta District Court and Jakarta High Court have rejected PT MAP and PT PS's lawsuit by referring to Judicial Review Decision. In response, PT MAP and PT PS filed an appeal to the Supreme Court. As at the date of this report, the Supreme Court has not made its decision.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 8 November 2017 are as follows: (continued)

k) Chantico Ship Management Ltd (Chantico) vs. Sime Darby Unimills B.V. (SD Unimills) and others

Sime Darby Unimills B.V. ("SD Unimills") is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos).

The vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners and 2 Algerian cargo owners). One of the 9 cargo owners is SD Unimills. The percentage of SD Unimills' cargo on board was about 14.4%.

The voyage of this vessel was interrupted in Greece in July 2010, when the vessel owners declared themselves unable to continue the voyage to Bejaia, Barcelona, Lisbon and Rotterdam due to financial reasons, and the vessel was anchored in Psachna, Greece.

The cargo owners, including SD Unimills, disembarked and sold the cargo. In the meantime, the vessel was sold to Chantico Ship Management Ltd ("Chantico") by the vessel owners.

The disembarkment and sale of the cargo by the cargo owners resulted in various claims and litigation between Chantico (the new vessel owner) and the cargo owners before the Court of Piraeus in Greece.

The following 2 lawsuits are still pending:

(a) proceedings before the Court of Piraeus, started in October 2014 ("Lawsuit 1"), which replaced the previous proceedings that commenced in 2012.

A writ was served on only 2 European cargo owners so far, and has yet to be served on SD Unimills.

The claims are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the total amount claimed from all 9 cargo owners (1 of which is SD Unimills), jointly and severally, is EUR11.3 million (equivalent to around RM55.5 million).

In addition, Chantico claimed a storage fee from each cargo owner based on Chantico's alleged management of cargo owner's assets, and the total amount claimed from SD Unimills is EUR8.4 million (equivalent to around RM41.3 million).

Upon request of the parties, the Court adjourned the hearing of 7 March 2017 with no appointed date for resumption. To revive the proceedings, Chantico has to serve a writ on all cargo owners.

The potential exposure of SD Unimills under Lawsuit 1 could be up to around EUR19.7 million (equivalent to around RM96.8 million), being the total of Chantico's claims under Lawsuit 1.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 8 November 2017 are as follows: (continued)

k) Chantico Ship Management Ltd (Chantico) vs. Sime Darby Unimills B.V. (SD Unimills) and others (continued)

The following 2 lawsuits are still pending: (continued)

(b) proceedings before the Court of Piraeus, started in December 2015 ("Lawsuit 2") and filed against the same 9 cargo owners, including SD Unimills, and a third party.

As at the date of this report, no writ has been served on any of the cargo owners yet.

The claim in these proceedings is based on alleged damage to the vessel and loss of profit caused by alleged actions in tort during transhipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (equivalent to around RM45.7 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (equivalent to around RM1.9 million) for port and anchorage dues.

Similarly, in these proceedings, the Court adjourned the hearing of 7 March 2017 with no appointed date for resumption. There has been no progress since then and Chantico will have to incur considerable costs in order to revive the proceedings.

The potential exposure of SD Unimills under Lawsuit 2 could be up to around EUR9.7 million (equivalent to around RM47.6 million), being the total of Chantico's claims under Lawsuit 2.

Settlement negotiations in respect of Lawsuit 1 and Lawsuit 2 thus far have not led to fruitful results.

The cargo underwriters for the 7 European cargo owners, including SD Unimills, had in January 2014 raised doubts on coverage under the cargo insurance certificates for the claims under Lawsuit 1 and Lawsuit 2, but are prepared to contribute to a settlement with a total sum of EUR583,000 (equivalent to around RM2.9 million) for the 7 European cargo owners, of which SD Unimills' share is 27.25% (or EUR158,867.50 (equivalent to around RM780,000)).

SD Plantation's counsel estimates the exposure of SD Unimills at EUR389,060 (equivalent to around RM1.9 million) for Lawsuit 1 and EUR18,087 (equivalent to around RM89,000) for Lawsuit 2.

B12. Dividend

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

The Board has recommended a final dividend of 17.0 sen per share in respect of the financial year ended 30 June 2017 (Final Dividend) which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967. The proposed Final Dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

B13. Earnings Per Share

	Quarter ended 30 September	
	2017	**2016**
Basic earnings per share attributable to owners of the Company are computed as follows:		
Profit for the period		
- continuing operations	**248**	216
- discontinuing operations	**1,068**	306
	1,316	522
Weighted average number of ordinary shares in issue (million)	**6,801**	6,327
Basic earnings per share (sen)		
- continuing operations	**3.6**	3.4
- discontinuing operations	**15.7**	4.8
	19.3	8.2

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.

B14. Comparatives

The Group has fully transitioned from FRS to MFRS framework and early adopted MFRS 15 – Revenue from Contracts with Customers and the changes are applied retrospectively beginning 1 July 2015. Accordingly, the results, statement of changes in equity and cash flows for the quarter ended 30 September 2016 shown as comparatives to this interim financial report have been restated to comply with the new accounting policy.

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

Kuala Lumpur
15 November 2017