Sime Darby Berhad (752404-U)

T +603 7623 2000
F +603 7623 2100
W www.simedarby.com

Level 9, Menara Sime Darby
Oasis Corporate Park
Jalan PJU 1A/2, Ara Damansara
47301 Petaling Jaya, Selangor, Malaysia

Delivering Sustainable Futures

QUARTERLY REPORT

On the consolidated results for the second quarter ended 31 December 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 31 December 2018	Quarter ended 31 December 2017 Restated	% +/(-)	Half-year ended 31 December 2018	Half-year ended 31 December 2017 Restated	% +/(-)
Continuing operations							
Revenue	A7	**9,423**	8,815	6.9	**18,268**	16,959	7.7
Operating expenses		**(9,080)**	(8,733)		**(17,663)**	(16,700)	
Other operating income		**33**	32		**60**	103	
Other gains and losses		**(38)**	15		**32**	119	
Operating profit	B5	**338**	129	162.0	**697**	481	44.9
Share of results of joint ventures		**16**	14		**34**	26	
Share of results of associates		**(27)**	(4)		**(57)**	(12)	
Profit before interest and tax	A7	**327**	139	135.3	**674**	495	36.2
Finance income		**13**	30		**27**	80	
Finance costs		**(32)**	(31)		**(62)**	(61)	
Profit before tax		**308**	138	123.2	**639**	514	24.3
Taxation	B6	**29**	(53)		**(64)**	(154)	
Profit from continuing operations		**337**	85	296.5	**575**	360	59.7
Discontinued operations							
Profit from discontinued operations		**–**	259		**–**	1,378	
Profit for the period		**337**	344	(2.0)	**575**	1,738	(66.9)
Attributable to owners of:							
- the Company							
- from continuing operations		**317**	72	340.3	**542**	320	69.4
- from discontinued operations		–	233		**–**	1,301	
		317	305	3.9	**542**	1,621	(66.6)
- perpetual sukuk from discontinued operations		–	21		–	52	
- non-controlling interests							
- from continuing operations		**20**	13		**33**	40	
- from discontinued operations		**–**	5		**–**	25	
Profit for the period		**337**	344	(2.0)	**575**	1,738	(66.9)
Basic earnings per share attributable to owners of the Company	B12	**Sen**	**Sen**		**Sen**	**Sen**	
- from continuing operations		**4.7**	1.1	327.3	8.0	4.7	70.2
- from discontinued operations		**–**	3.4		**–**	19.1	
Total		**4.7**	4.5	4.4	8.0	23.8	(66.4)

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 31 December			Half-year ended 31 December		
	2018	**2017**	**% +/(-)**	**2018**	**2017**	**% +/(-)**
Profit for the period	**337**	344	(2.0)	**575**	1,738	(66.9)
Other comprehensive income/(loss)						
Continuing operations						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences	**(78)**	(372)		**(30)**	(367)	
Share of other comprehensive loss of joint ventures and associates	**(2)**	(26)		**–**	(24)	
Net changes in fair value of cash flow hedges	**25**	5		**13**	(3)	
Tax (expense)/credit	**(5)**	(2)		**(1)**	1	
	(60)	(395)		**(18)**	(393)	
Reclassified to profit or loss currency translation differences on repayment of net investment and disposal of subsidiaries	**1**	7		**2**	(24)	
Reclassified changes in fair value of cash flow hedges to:						
- profit or loss	**(10)**	1		**(13)**	8	
- inventories	**(7)**	(1)		**(3)**	10	
Tax credit/(expense)	**4**	(1)		**4**	(6)	
	(72)	(389)	81.5	**(28)**	(405)	93.1
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**	–	
Discontinued operations						
Other comprehensive loss from discontinued operations	**–**	(114)		**–**	(228)	
Total other comprehensive loss	**(72)**	(503)	85.7	**(26)**	(633)	95.9
Total comprehensive income/(loss) for the period	**265**	(159)	266.7	**549**	1,105	(50.3)
Attributable to owners of:						
- the Company						
- from continuing operations	**243**	(312)	177.9	**515**	(80)	743.8
- from discontinued operations	**–**	125		**–**	1,088	
	243	(187)	229.9	**515**	1,008	(48.9)
- perpetual sukuk from discontinued operations	**–**	21		**–**	52	
- non-controlling interests						
- from continuing operations	**22**	8		**34**	35	
- from discontinued operations	**–**	(1)		**–**	10	
Total comprehensive income/(loss) for the period	**265**	(159)	266.7	**549**	1,105	(50.3)

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 31 December 2018	Audited As at 30 June 2018
Non-current assets			
Property, plant and equipment		**5,802**	5,773
Prepaid lease rentals		**296**	300
Investment properties		**284**	289
Joint ventures and associates		**1,698**	1,715
Financial assets at fair value[1]		**81**	124
Intangible assets		**1,510**	1,415
Deferred tax assets		**586**	519
Tax recoverable		**65**	63
Receivables and other assets		**207**	214
		10,529	10,412
Current assets			
Inventories		**7,808**	7,210
Receivables and contract assets		**4,708**	4,583
Prepayments		**550**	527
Tax recoverable		**77**	63
Derivatives assets	B9(a)	**13**	66
Bank balances, deposits and cash		**1,518**	1,672
		14,674	14,121
Assets held for sale		**103**	340
Total assets		**25,306**	24,873
Equity			
Share capital		**9,299**	9,299
Reserves		**5,149**	5,071
Attributable to owners of the Company		**14,448**	14,370
Non-controlling interests		**385**	389
Total equity		**14,833**	14,759
Non-current liabilities			
Borrowings	B8	**215**	247
Provisions		**23**	17
Payables and contract liabilities		**170**	180
Government grants		**151**	153
Deferred tax liabilities		**278**	286
Derivative liabilities		**–**	2
		837	885
Current liabilities			
Payables		**4,749**	4,760
Contract liabilities		**1,372**	1,315
Borrowings	B8	**2,982**	2,642
Provisions		**408**	356
Tax payable		**115**	89
Derivative liabilities	B9(a)	**10**	24
		9,636	9,186
Liabilities associated with assets held for sale		**–**	43
Total liabilities		**10,473**	10,114
Total equity and liabilities		**25,306**	24,873
Net assets per share attributable to owners of the Company (RM)		**2.12**	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	Non-controlling interests	Total equity
Half-year ended 31 December 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 (loss)/income for the period	**–**	**–**	**–**	**(1)**	**–**	**(28)**	**544**	**515**	**515**	**34**	**549**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(408)**	**(408)**	**(408)**	**(39)**	**(447)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**	**(4)**	**1**	**(3)**
Reclassification upon disposal of a subsidiary	**–**	**–**	**(15)**	**–**	**–**	**–**	**15**	**–**	**–**	**–**	**–**
Transfer between reserves	**–**	**23**	**–**	**–**	**–**	**–**	**(23)**	**–**	**–**	**–**	**–**
At 31 December 2018	**9,299**	**212**	**47**	**(18)**	**–**	**76**	**4,832**	**5,149**	**14,448**	**385**	**14,833**

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
Half-year ended 31 December 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	–	–	–	22	(45)	(590)	1,621	1,008	1,008	52	45	1,105
Dividends paid	–	–	–	–	–	–	(1,156)	(1,156)	(1,156)	–	(61)	(1,217)
Distribution paid	–	–	–	–	–	–	–	–	–	(63)	–	(63)
Distribution-in-specie[1]	–	–	–	–	–	–	(22,625)	(22,625)	(22,625)	–	–	(22,625)
Reclassification upon deconsolidation of subsidiaries[2]	–	(14)	(25)	–	–	–	39	–	–	–	–	–
Derecognition arising from deconsolidation of subsidiaries[3]	–	–	–	–	–	–	–	–	–	(2,219)	(543)	(2,762)
Transfer between reserves	–	–	14	–	–	–	(14)	–	–	–	–	–
At 31 December 2017	9,299	193	63	(17)	3	468	4,561	5,271	14,570	–	417	14,987

[1] The distribution-in-specie relates to the distribution of the Group's entire equity interest in SD Plantation and SD Property to the shareholders of Sime Darby Berhad.

[2] Reclassification of the capital and legal reserves of the SD Plantation group to retained profits following the deconsolidation of SD Plantation and SD Property.

[3] The perpetual sukuk and non-controlling interests of SD Plantation and SD Property are derecognised upon the deconsolidation of SD Plantation and SD Property.

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

	Note	Half-year ended 31 December 2018	2017
Cash flow from operating activities			
Profit from continuing operations		**575**	360
Adjustments for:			
Share of results of joint ventures and associates		**23**	(14)
Finance income		**(27)**	(80)
Finance costs		**62**	61
Taxation		**64**	154
Gain on disposal of a subsidiary		**(78)**	–
Net gain on disposal of assets		**(21)**	(166)
Depreciation and amortisation		**296**	318
(Reversal of impairments)/impairments and write offs (net)		**(4)**	75
Inventory provision (net)		**93**	140
Net fair value loss on financial assets at fair value		**60**	–
Other non-cash items		**8**	29
		1,051	877
Changes in working capital:			
Inventories		**(456)**	(532)
Rental assets		**(353)**	346
Trade, other receivables and prepayments		**(72)**	(849)
Trade, other payables and provisions		**80**	589
Cash generated from operations		**250**	431
Tax paid		**(118)**	(149)
Dividends received from associates		**8**	9
Operating cash flow from continuing operations		**140**	291
Operating cash flow from discontinued operations		**–**	596
Net cash from operating activities		**140**	887
Cash flow from investing activities			
Finance income received		**17**	80
Purchase of property, plant and equipment, investment properties, intangible assets and prepaid lease rentals		**(189)**	(200)
Acquisition of a subsidiary	A11	**(174)**	–
Subscription of shares in a joint venture		**(12)**	(19)
Addition to financial assets at fair value		**(11)**	(29)
Proceeds from sale of a subsidiary	A11	**252**	–
Proceeds from sale of property, plant and equipment and investment properties		**34**	406
Deconsolidation of Yayasan Sime Darby		**–**	(59)
Repayment by discontinued operations		**–**	735
Net repayment of loans by/(loans to) joint ventures and associates		**11**	(32)
Investing cash flow (used in)/from continuing operations		**(72)**	882
Investing cash flow used in discontinued operations		**–**	(1,474)[1]
Net cash used in investing activities		**(72)**	(592)

[1] Includes cash balances of discontinued operations deconsolidated of RM1.8 billion.

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

	Note	Half-year ended 31 December 2018	2017
Cash flow from financing activities			
Finance costs paid		**(70)**	(70)
Net borrowings raised/(repaid)		**286**	(419)
Purchase of additional interest in a subsidiary		**(3)**	–
Dividends paid to shareholders		**(408)**	(1,156)
Dividends paid to non-controlling interests[2]		**(39)**	(12)
Financing cash flow used in continuing operations		**(234)**	(1,657)
Financing cash flow used in discontinued operations		**–**	(936)
Net cash used in financing activities		**(234)**	(2,593)
Net decrease in cash and cash equivalents		**(166)**	(2,298)
Foreign exchange differences		**12**	(70)
Cash and cash equivalents at beginning of the period		**1,629**	3,842
Cash and cash equivalents at end of the period		**1,475**	1,474
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		**1,518**	1,505
Less:			
Bank overdrafts	B8	**(43)**	(31)
Cash and cash equivalents from continuing operations		**1,475**	1,474
Cash and cash equivalents from discontinued operations		**–**	–
		1,475	1,474

[2] 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 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
- Definition of a Business (Amendments to MFRS 3)
- Definition of Material (Amendments to MFRS 101 and MFRS 108)

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 7 and Notes B1, B2 and B5 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 period under review.

A6. Dividends Paid to Shareholders

The second interim dividend of 4.0 sen per share amounting to RM272 million and special dividend of 2.0 sen per share amounting to RM136 million for the financial year ended 30 June 2018 which totaled RM408 million was paid by way of cash on 31 October 2018.

Amounts in RM million unless otherwise stated

A7. Segment Information

	Continuing operations							Discontinued operations	
Half-year ended 31 December 2018	**Industrial**	**Motors**	**Logistics**	**Healthcare**	**Others**	**Corporate/ Elimination**	**Total**		**Total**
Segment revenue:									
External	**6,832**	**11,190**	**150**	**–**	**96**	**–**	**18,268**	**–**	**18,268**
Inter-segment	**1**	**6**	**–**	**–**	**27**	**(34)**	**–**	**–**	**–**
	6,833	**11,196**	**150**	**–**	**123**	**(34)**	**18,268**	**–**	**18,268**
Profit/(loss) before interest and tax	**366**	**240**	**104**	**30**	**(36)**	**(30)**	**674**	**–**	**674**
Net finance costs							**(35)**	**–**	**(35)**
Taxation							**(64)**	**–**	**(64)**
Profit for the period							**575**	**–**	**575**
Half-year ended 31 December 2017									
Segment revenue:									
External	6,197	10,559	173	–	30	–	16,959	6,980	23,939
Inter-segment	34	10	–	–	35	(79)	–	–	–
	6,231	10,569	173	–	65	(79)	16,959	6,980	23,939
Profit/(loss) before interest and tax	393	135	43	25	10	(111)	495	1,700	2,195
Net finance income/(costs)							19	(61)	(42)
Taxation							(154)	(261)	(415)
Profit for the period							360	1,378	1,738

Amounts in RM million unless otherwise stated

A7. Segment Information (continued)

	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Elimination	Total
As at 31 December 2018							
Segment assets	**10,750**	**9,741**	**2,382**	**764**	**409**	**532**	**24,578**
Segment liabilities	**(2,705)**	**(3,501)**	**(288)**	**–**	**(378)**	**(11)**	**(6,883)**
Segment invested capital	**8,045**	**6,240**	**2,094**	**764**	**31**	**521**	**17,695**
Net tax assets							**335**
Borrowings							**(3,197)**
Total Equity							**14,833**
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:

	Half-year ended 31 December 2018	2017
Revenue from contracts with customers	**17,895**	16,618
Rental income	**373**	341
	18,268	16,959

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

Half-year ended 31 December 2018	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Major goods and services					
Sale of equipment and vehicles	**3,319**	**9,449**	**–**	**–**	**12,768**
Sale of parts, assembly charges and provision of after-sales services	**3,092**	**1,466**	**–**	**–**	**4,558**
Engineering services	**164**	**–**	**–**	**20**	**184**
Port and related charges	**–**	**–**	**131**	**–**	**131**
Sale of water	**–**	**–**	**19**	**–**	**19**
Commission, handling fees and others	**–**	**165**	**–**	**70**	**235**
	6,575	**11,080**	**150**	**90**	**17,895**
Geographical location					
Malaysia	**570**	**2,038**	**–**	**86**	**2,694**
Other countries in South East Asia	**351**	**2,473**	**–**	**3**	**2,827**
China	**1,632**	**5,219**	**150**	**1**	**7,002**
Australasia	**4,022**	**1,350**	**–**	**–**	**5,372**
	6,575	**11,080**	**150**	**90**	**17,895**
Timing of revenue recognition					
At a point in time	**5,022**	**9,682**	**–**	**20**	**14,724**
Over time	**1,553**	**1,398**	**150**	**70**	**3,171**
	6,575	**11,080**	**150**	**90**	**17,895**

Half-year ended 31 December 2017	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Major goods and services					
Sale of equipment and vehicles	2,848	8,884	–	–	11,732
Sale of parts, assembly charges and provision of after-sales services	2,959	1,432	–	–	4,391
Engineering services	158	–	–	–	158
Port and related charges	–	–	140	–	140
Sale of water	–	–	33	–	33
Commission, handling fees and others	–	138	–	26	164
	5,965	10,454	173	26	16,618

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)

Half-year ended 31 December 2017	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Geographical location					
Malaysia	567	1,753	–	21	2,341
Other countries in South East Asia	339	2,802	–	4	3,145
China	1,670	4,465	173	1	6,309
Australasia	3,389	1,434	–	–	4,823
	5,965	10,454	173	26	16,618
Timing of revenue recognition					
At a point in time	4,527	9,071	–	21	13,619
Over time	1,438	1,383	173	5	2,999
	5,965	10,454	173	26	16,618

A8. Capital Commitments

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

	As at 31 December 2018	**As at 30 June 2018**
Property, plant and equipment		
- contracted	**169**	184
- not contracted	**597**	620
	766	804
Other capital expenditure		
- contracted	**59**	69
- not contracted	**4**	–
	829	873

Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions

Significant related party transactions conducted during the financial year ended 31 December are as follows:

	Half-year ended 31 December	
	2018	**2017**
a. Transactions with joint ventures and associates		
Continuing operations		
Interest income from Mine Energy Solutions Pty Ltd	**10**	8
Purchase of products and services from Sitech Construction Systems Pty Ltd	**5**	5
Channel usage fees charged by Weifang Port Services Co Ltd	**6**	6
Contribution paid to Yayasan Sime Darby	**10**	–
Discontinued operations		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	**–**	19
Sale of products and services to Tesco Stores (Malaysia) Sdn Bhd	**–**	5
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	**–**	5
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	**12**	18
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	**14**	4
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	**58**	36
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	**30**	11
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	**–**	46
c. Transactions with Directors and key management personnel and their close family members		
Sale of cars by the Group	**2**	–[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 31 December 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 52% as at 31 December 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:

	Half-year ended 31 December	
	2018	**2017**
Provision of shared services	**43**	6
Sales, servicing and leasing of equipment and vehicles	**23**	5
Renovation work on Automotive Complex	**8**	–
Royalty income charged	**4**	–
Rental income	**3**	1
Rental charges	**4**	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 February 2019, being a date not earlier than 7 days from the date of issue of the quarterly report other than the following:

On 17 January 2019, the Company announced the 3rd Grant Offer of ordinary shares of the Company under the Performance-Based Employee Share Scheme ("Share Scheme") which comprises the Performance Share ("PS") Grant and Restricted Share ("RS") Grant to eligible employees and/or grantees of the Group. 7,806,200 shares and 1,947,400 shares were offered to eligible employees under the PS and RS grants respectively.

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

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

1. <u>Establishment of new companies</u>

   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.

   d) Elite Motors Limited was incorporated in Hong Kong on 29 October 2018. The subsidiary was subsequently disposed in January 2019.

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. Acquisition of a subsidiary

On 3 December 2018, Sime Darby Allied Operations Pty Ltd acquired the entire issued share capital of Heavy Maintenance Group Pty Ltd ("HMG") for a total cash consideration of AUD58 million (equivalent to approximately RM176 million).

Details of net assets and net cash outflow arising from the acquisition of HMG are as follows:

	Fair value
Non-current assets	**20**
Net current assets	**8**
Net assets acquired[1]	**28**
Goodwill	**148**
Net purchase consideration	**176**
Less: Cash and cash equivalent of subsidiary acquired	**(2)**
Net cash outflow on acquisition	**174**

[1] The book value of the net assets acquired approximated its fair value.

The fair value as stated above are provisional and would be adjusted, if necessary, upon completion of the purchase price allocation as allowed under MFRS 3.

3. Disposal of a subsidiary

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:

	Half-year ended 31 December 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**

4. Others

On 21 December 2018 Chengdu Bow Yue Vehicle Company Limited, an indirect wholly-owned subsidiary of Sime Darby Berhad, entered into an equity transfer agreement with Yunnan Kai Cheng Economic and Trading Co., Ltd. and Heshan Shunwei Property Management Co., Ltd. to acquire 65% of the equity interest in Qujing Bow Kai Motors Sales & Services Co. Ltd. for a cash consideration of RMB19.50 million (equivalent to approximately RM11.83 million). The acquisition was completed on 18 January 2019.

Amounts in RM million unless otherwise stated

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. Financial guarantees are also issued to financial institutions in respect of credit facilities granted to certain associates and joint ventures. A liability from the performance and financial 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 February 2019	**As at 30 June 2018**
Performance guarantees and advance payment guarantees to customers of the Group	**2,163**	2,193
Guarantees in respect of credit facilities granted to certain associates and joint ventures	**240**	218
	2,403	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 February 2019, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM309 million (30 June 2018: RM270 million).

b) Claims

	As at 15 February 2019	**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 31 December			Half-year ended 31 December		
	2018	**2017**	**% +/(-)**	**2018**	**2017**	**% +/(-)**
Continuing operations						
Revenue	**9,423**	8,815	6.9	**18,268**	16,959	7.7
Segment results:						
Industrial	**187**	146	28.1	**366**	393	(6.9)
Motors	**135**	23	487.0	**240**	135	77.8
Logistics	**15**	25	(40.0)	**104**	43	141.9
Healthcare	**15**	13	15.4	**30**	25	20.0
Others	**(6)**	10	(160.0)	**(36)**	10	(460.0)
	346	217	59.4	**704**	606	16.2
Corporate exchange (loss)/gain	**–**	(3)		**3**	24	
Corporate expense and elimination	**(19)**	(10)		**(33)**	(50)	
Yayasan Sime Darby	**–**	(65)		**–**	(85)	
Profit before interest and tax	**327**	139	135.3	**674**	495	36.2
Finance income	**13**	19		**27**	32	
Finance income from discontinued operations	**–**	11		**–**	48	
Finance costs	**(32)**	(31)		**(62)**	(61)	
Profit before tax	**308**	138	123.2	**639**	514	24.3
Taxation	**29**	(53)		**(64)**	(154)	
Profit from continuing operations	**337**	85	296.5	**575**	360	59.7
Non-controlling interests	**(20)**	(13)		**(33)**	(40)	
Profit from continuing operations attributable to owners of the Company	**317**	72	340.3	**542**	320	69.4
Discontinued operations						
Profit from discontinued operations attributable to owners of the Company	**–**	233		**–**	1,301	
Profit attributable to owners of the Company	**317**	305	3.9	**542**	1,621	(66.6)

B1. Review of Group Performance (continued)

An analysis of the results for the quarter ended 31 December 2018 against the quarter ended 31 December 2017 is as follows:

a) Industrial

Profit increased by 28.1% mainly due to higher equipment sales to the mining and construction sectors in Australia and gain on disposal of property in Malaysia of RM18 million. Included in the results is a fair value loss on financial assets of RM58 million.

b) Motors

Profit increased by 487.0% to RM135 million in the current quarter. The previous period included Vietnam losses of RM109 million compared to a profit of RM18 million in the current quarter. The profit of the Vietnam operations during the quarter was mainly from the refund of import duties and taxes. Excluding Vietnam, profit decreased by 11.4% 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 contributions from BMW and Ford.

c) Logistics

The division registered a 40.0% decrease in profit mainly due to lower port throughput in Jining and cessation of contribution from Weifang Water after the disposal was completed in September 2018.

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 RM31 million and the recognition of the arbitration award received for the Oil and Natural Gas Corporation Ltd ("ONGC") Wellhead project of RM20 million.

f) Corporate expenses

The higher corporate expenses for the quarter was mainly due to higher project expenses.

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. The previous corresponding period included the writedown of YSD of RM61 million.

h) Taxation

The current quarter includes recognition of a of deferred tax credit arising from the change in Real Property Gain Tax ("RPGT") rates in Malaysia of RM129 million.

i) Discontinued operations

Relates to the results of Sime Darby Plantation and Sime Darby Property groups prior to 30 November 2017.

B1. Review of Group Performance (continued)

An analysis of the results for the half-year ended 31 December 2018 against the half-year ended 31 December 2017 is as follows:

a) Industrial

Profits decreased by 6.9% to RM366 million in the current period. The current period includes a gain on disposal of property of RM18 million (previous period - RM165 million). Excluding these gains, profits increased by 52.6% mainly due to higher equipment sales to the mining and construction sectors in Australia. Included in the results is a fair value loss on financial assets of RM60 million.

b) Motors

The division recorded an increase in profit of 77.8% to RM240 million. The current period includes profit from the Vietnam operations of RM15 million, mainly arising from the refund of import duties and taxes. The previous period included losses incurred in Vietnam of RM184 million, gain from land compensation in China of RM41 million and a branch compensation in Malaysia of RM9 million. Excluding these items, profit decreased by 16.4% mainly due to lower margins in China as a result of competitive discounting in the market and lower sales and margins in Singapore. This was partly mitigated by higher sales and profits in Malaysia following the zero-rating of the Goods and Services Tax in July and August 2018.

c) Logistics

Profit increased by 141.9% mainly due to the gain on disposal of Weifang Water of RM78 million. Excluding this gain, the division's profit decreased by RM17 million mainly due to lower contribution from Weifang Water following its disposal and an exchange loss of RM6 million in the current period as a result of the depreciation of the RMB against the HKD (previous period - exchange gain of RM6 million).

d) Others

The results include the impairment of the Group's investment in E&O of RM66 million and the recognition of the arbitration award received for the ONGC Wellhead project of RM20 million.

e) Corporate expenses

The higher expenses in the previous period was mainly due to expenses relating to the pure play exercise.

The variances for Healthcare, YSD, taxation and discontinued operations are as explained in notes (d), (g), (h) and (i) of the results for the quarter ended 31 December 2018.

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 31 December 2018	30 September 2018	% +/(-)
Continuing operations			
Revenue	**9,423**	8,845	6.5
Segment results:			
Industrial	**187**	179	4.5
Motors	**135**	105	28.6
Logistics	**15**	89	(83.1)
Healthcare	**15**	15	–
Others	**(6)**	(30)	80.0
	346	358	(3.4)
Corporate exchange gain	**–**	3	
Corporate expense and elimination	**(19)**	(14)	
Profit before interest and tax	**327**	347	(5.8)
Finance income	**13**	14	
Finance costs	**(32)**	(30)	
Profit before tax	**308**	331	(6.9)
Taxation	**29**	(93)	
Profit for the period	**337**	238	41.6
Non-controlling interests	**(20)**	(13)	
Profit attributable to owners of the Company	**317**	225	40.9

An analysis of the results for the quarter ended 31 December 2018 against the quarter ended 30 September 2018 is as follows:

a) Industrial

Profit increased by 4.5% to RM187 million in the current quarter mainly due to higher equipment sales in Australia and the gain on disposal of properties of RM18 million. Included in the results is a fair value loss on financial assets of RM58 million.

b) Motors

Profit increased by 28.6% mainly due to profit from the Vietnam operations of RM18 million compared to loss of RM3 million in the preceding quarter, due to the import duty and tax refund. Excluding this, profit increased by 8.3% from RM108 million to RM117 million mainly due to higher profits in China as a result of higher sales.

c) Logistics

Profit decreased by 83.1% as previous quarter includes gain on disposal of Weifang Water of RM78 million and contribution from Weifang Water of RM9 million. Excluding these, contribution from the port operations increased from RM2 million to RM15 million mainly due to higher port throughput of Weifang Port and net forex gain of RM1 million against a net forex loss of RM7 million in the preceding quarter.

d) Others

The results include the impairment of the Group's investment in E&O of RM31 million (preceding quarter - RM35 million) and the recognition of the arbitration award received for the ONGC Wellhead project of RM20 million.

The variance for taxation was explained in Note B1.

B3. Prospects

The Group had achieved a commendable year to date performance despite the challenging business environment. The global economy remains uncertain due to trade tensions and the pace of tightening in monetary policy. As economic and financial headwinds intensify, the growth of economies in the region may soften. Potential further slowdown in China's growth would limit the growth prospects of countries in which the Group operates in, mainly Australasia, China and South East Asia.

Notwithstanding the macroeconomic and geopolitical environment, the Chinese government continues to support infrastructure construction and has the option to implement tax cuts to stimulate consumption. Likewise in Australia, elevated rate of population growth has prompted the government to increase infrastructure spending.

The Industrial division's performance continues to be supported by the recovery of the mining industry and increased construction spending in Australia. The continued growth in Australia is expected to compensate for the possible slowdown in Chinese demand in the face of the trade war. The division continues to focus on cost discipline, while investing in expanded offerings and services to drive long-term profitable growth. The acquisition of the Heavy Maintenance Group in Australia would expand the division's cylinder refurbishment and chroming business and contribute positively to the Division's results in the future.

The Motors division is expected to be impacted by strong competition while the expected slowdown in economic growth would adversely impact demand. Nevertheless, weakening demand in some markets will likely trigger the introduction of incentives to help stimulate demand. Sales of luxury vehicles in China is expected to improve as BMW plans to launch a range of new models in China. The division would continue to source for growth opportunities, particularly in China and Australia, and improve efficiency to mitigate these adverse effects.

In light of the potential slowdown in China's economic growth, the Logistics division will continue focusing on strengthening its business performance by improving operational productivity and diversifying cargo type and customers.

Notwithstanding the above and barring any unforeseen circumstances, the Board expects the Group's performance for the financial year ending 30 June 2019 to be better than that of the previous financial year.

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 31 December		Half-year ended 31 December	
	2018	**2017**	**2018**	**2017**
Included in operating profit are:				
Depreciation and amortisation	**(149)**	(161)	**(296)**	(318)
Impairment of financial assets at fair value	**–**	(2)	**–**	(5)
Impairment of intangible assets and assets held for sale	**(1)**	–	**(1)**	(61)
Reversal/(impairment) of receivables (net)	**4**	(4)	**6**	(9)
Inventory provisions (net)	**(57)**	(151)	**(93)**	(140)
Gain on disposal of a subsidiary	**–**	–	**78**	–
Gain/(loss) on disposal of properties[1]	**18**	(5)	**20**	161
Gain on disposal of other assets and an associate	–	5	**1**	5
Net foreign exchange gain/(loss)	**3**	5	**(4)**	19
Net fair value loss on financial assets at fair value	**(58)**	–	**(60)**	–
Gain/(loss) on derivatives	**–**	11	**(2)**	–
Gain on derivatives included in finance costs	**–**	3	**–**	–

[1] Includes gain/(loss) on disposal of investment properties and land and buildings.

B6. Taxation

	Quarter ended 31 December		Half-year ended 31 December	
	2018	**2017**	**2018**	**2017**
Continuing operations				
Current tax:				
- current year	**42**	4	**113**	131
- previous years	**16**	3	**16**	(1)
	58	7	**129**	130
Deferred tax:				
- origination and reversal of temporary differences	**44**	46	**66**	26
- effects of previously unrecognised temporary differences	**(2)**	–	**(2)**	(2)
- effects of change in RPGT rates	**(129)**	–	**(129)**	–
	(29)	53	**64**	154
Discontinued operations	**–**	158	**–**	261

The effective tax rates for the current quarter and half-year ended 31 December 2018 are -9% and 10% respectively. The effective tax rates were lower compared to the Malaysian income tax rate of 24% mainly due to deferred tax credit recognised due to the change in RPGT rates in Malaysia.

Amounts in RM million unless otherwise stated

B7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 15 February 2019.

B8. Group Borrowings

The breakdown of the borrowings as at 31 December 2018 is as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	28	–	28
Islamic financing	–	185	185
Finance leases	2	–	2
	30	185	215
Short-term			
Term loans due within one year	4	–	4
Islamic financing due within one year	–	60	60
Short term Islamic financing	–	772	772
Bank overdrafts	–	43	43
Revolving credits, trade facilities and other short-term borrowings	–	2,101	2,101
Finance leases	2	–	2
	6	2,976	2,982
Total borrowings	36	3,161	3,197

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

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	185	859	1,044
Australian dollar	–	515	515
Chinese renminbi	–	442	442
Hong Kong dollar	–	214	214
New Zealand dollar		163	163
Pacific franc	30	5	35
Singapore dollar	–	45	45
Taiwan dollar	–	61	61
Thailand baht	–	146	146
United States dollar	–	532	532
Total borrowings	215	2,982	3,197

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

B9. Financial Instruments

a) Derivatives

The Group uses forward foreign exchange contracts to primarily manage its exposure to foreign exchange risk. The fair values of these contracts as at 31 December 2018 are as follows:

	Classification in Statement of Financial Position		
	Assets Current	**Liabilities Current**	**Net fair value**
Forward foreign exchange contracts	**13**	**10**	**3**

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 other than that the outstanding interest rate swap and cross currency swap contracts reported then have expired.

The description, notional amount and maturity profile of the derivatives are shown below:

<u>Forward foreign exchange contracts</u>

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 31 December 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	**1,780**	**3**

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 February 2019 are as follows:

a) Qatar Petroleum Project ("QP Project"), Maersk Oil Qatar Project ("MOQ Project") and the Marine Project Civil Suits ("Oil & Gas 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 for an aggregate amount of RM93 million and USD79 million (equivalent to RM322 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 has fixed the hearing of the assessment of damages on 8 to 12 April 2019.

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 February 2019 are as follows: (continued)

c) Emirates International Energy Services ("EMAS")

On 13 January 2011, EMAS filed a civil suit in Abu Dhabi against Sime Darby Engineering Sdn Bhd ("SDE") claiming payment of USD178 million (approximately RM725 million) comprising a payment of USD128 million (approximately RM522 million) for commissions; and a payment of USD50 million (approximately RM204 million) as "morale compensation".

EMAS was unsuccessful in its claim against SDE in Abu Dhabi, and subsequently on 24 January 2016 submitted a request for arbitration against SDE to the Dubai Chamber of Commerce and Industry, claiming an amount of AED41 million (approximately RM45 million).

On 23 December 2018, the arbitration tribunal rejected all claims by EMAS against SDE and ordered EMAS to pay for SDE's portion of the arbitration costs and the tribunal fees and expenses.

The matter between EMAS and SDE has been concluded.

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 RM14 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.

On 27 January 2019, the experts submitted their report and recommended the payment of QAR12.9 million (approximately RM14 million) in favor of SDE. The Court adjourned the case until 28 April 2019 for parties to submit their responses towards the experts' report.

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 RM770 million).

Disputes have arisen between the Consortium and ONGC and the parties have subsequently referred the dispute to an Outside Expert Committee. SDE's portion of the Consortium's claim is circa USD33 million (approximately RM134 million).

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 which have been duly recorded by the tribunal. Pursuant to the Settlement Agreement, ONGC has fully paid the settlement amount. The matter between ONGC and SDE has been concluded.

B10. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 February 2019 are as follows: (continued)

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 RM2.5 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 RM310 million).

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 has yet to fix a new hearing date.

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 (RM704 million), of which approximately RMB741 million (RM446 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 RM481 million) in the bank accounts of the First Defendant and Second Defendant be frozen.

At the hearing held on 9 January 2019, the parties were unable to agree on the quantum of the Outstanding Sum. The Court has directed for the Plaintiff to submit an independent costing audit report.

B11. Dividend

An interim dividend of 2.0 sen per share in respect of the financial year ending 30 June 2019, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967 has been declared and will be paid on 8 May 2019. The entitlement date for the dividend payment is 24 April 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:

(i) shares deposited into the depositor's securities account before 12.30 p.m. on 22 April 2019 in respect of shares which are exempted from mandatory deposit;

(ii) shares transferred into the depositor's securities account before 4.00 p.m. on 24 April 2019 in respect of transfers; and

(iii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The interim dividend declared for the previous corresponding period was 2.0 sen per share.

B12. Earnings Per Share

	Quarter ended 31 December		**Half-year ended 31 December**	
	2018	**2017**	**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	**317**	72	**542**	320
- discontinued operations	**–**	233	**–**	1,301
	317	305	**542**	1,621
Weighted average number of ordinary shares in issue (million)	**6,801**	6,801	**6,801**	6,801
Basic earnings per share (sen)				
- continuing operations	**4.7**	1.1	**8.0**	4.7
- discontinued operations	**–**	3.4	**–**	19.1
	4.7	4.5	**8.0**	23.8

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 half-year ended 31 December 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

Petaling Jaya
21 February 2019