

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 thousand unless otherwise stated

	Note	Quarter ended 30 September		% +/(-)
		2017	2016	
<u>Continuing operations</u>				
Revenue		463,774	444,358	4.4
Cost of sales		(317,390)	(292,252)	
Gross profit		146,384	152,106	(3.8)
Other income		3,439	16,430	
Selling and marketing expenses		(18,756)	(12,104)	
Administrative expenses		(114,118)	(108,414)	
Other gains		318,772	130,359	
Share of results of joint ventures		84,009	73	
Share of results of associates		569	5,526	
Profit before interest and tax	A7	420,299	183,976	128.5
Finance income		9,053	9,355	
Finance costs		(10,317)	(20,089)	
Profit before tax		419,035	173,242	141.9
Tax credit/(expense)	B6	5,023	(37,131)	
Profit from continuing operations		424,058	136,111	211.6
<u>Discontinuing operations</u>				
Profit from discontinuing operations		1,566	21,203	(92.6)
Profit for the period		425,624	157,314	170.6
Attributable to owners of:				
- the Company				
- from continuing operations		420,753	136,351	208.6
- from discontinuing operations		940	12,722	(92.6)
		421,693	149,073	182.9
- non-controlling interests		3,931	8,241	
Profit for the period		425,624	157,314	170.6
		Sen	Sen	
Basic earnings per share attributable to owners of the Company	B12			
- from continuing operations		42.1	13.6	208.6
- from discontinuing operations		0.1	1.3	(92.6)
Total		42.2	14.9	182.9

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Quarter ended 30 September 2017	2016	% +/(–)
Profit for the period	<u>425,624</u>	<u>157,314</u>	170.6
Other comprehensive income/(loss)			
<u>Continuing operations</u>			
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences	42,053	5,470	
Net changes in fair value of available-for-sale investments	<u>(1,652)</u>	<u>(5,108)</u>	
	40,401	362	
Reclassified to profit or loss currency translation differences on :			
- disposal of a subsidiary	–	(6,382)	
Share of other comprehensive loss of an associate	<u>(610)</u>	<u>–</u>	
Other comprehensive income/(loss) from continuing operations	<u>39,791</u>	<u>(6,020)</u>	761.0
Total comprehensive income for the period	<u>465,415</u>	<u>151,294</u>	207.6
Attributable to owners of:			
- the Company			
- from continuing operations	460,392	127,640	260.7
- from discontinuing operations	<u>940</u>	<u>12,722</u>	(92.6)
	461,332	140,362	228.7
- non-controlling interests	<u>4,083</u>	<u>10,932</u>	
Total comprehensive income for the period	<u>465,415</u>	<u>151,294</u>	207.6

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 PROPERTY BERHAD
(Company No: 15631-P)

Unaudited Condensed Consolidated Statement of Financial Position
Amounts in RM thousand unless otherwise stated

	Note	Unaudited As at 30 September 2017	Audited As at 30 June 2017
<u>Non-current assets</u>			
Property, plant and equipment		816,876	824,398
Investment properties		484,284	474,221
Inventories		1,691,463	1,227,225
Joint ventures		2,136,692	1,967,983
Associates		139,165	138,596
Investments		44,688	46,341
Intangible assets		5,169	5,386
Deferred tax assets		482,477	452,521
Receivables		61,435	61,275
		<u>5,862,249</u>	<u>5,197,946</u>
<u>Current assets</u>			
Inventories		4,878,409	4,579,438
Contract assets		131,299	167,862
Receivables		718,751	682,533
Tax recoverable		30,846	27,818
Cash held under Housing Development Accounts		472,666	581,049
Bank balances, deposits and cash		575,172	494,211
		<u>6,807,143</u>	<u>6,532,911</u>
Assets held for sale		<u>1,893,669</u>	<u>2,222,866</u>
Total assets	A7	<u>14,563,061</u>	<u>13,953,723</u>
<u>Equity</u>			
Share capital		2,405,496	2,405,496
Contribution from immediate holding company		1,500,000	1,500,000
Reserves		134,330	94,691
Retained earnings		2,887,355	2,322,990
Attributable to owners of the Company		<u>6,927,181</u>	<u>6,323,177</u>
Non-controlling interests		223,196	264,724
Total equity		<u>7,150,377</u>	<u>6,587,901</u>
<u>Non-current liabilities</u>			
Contract liabilities		260,632	260,746
Borrowings	B8	866,521	938,727
Provisions		161,467	160,923
Deferred tax liabilities		34,464	33,880
Loans due to related companies		2,186,666	2,229,691
		<u>3,509,750</u>	<u>3,623,967</u>
<u>Current liabilities</u>			
Payables		2,074,460	2,047,741
Contract liabilities		79,893	11,495
Borrowings	B8	233,808	230,154
Provisions		14,860	15,983
Tax payable		98,982	39,121
		<u>2,502,003</u>	<u>2,344,494</u>
Liabilities associated with assets held for sale		<u>1,400,931</u>	<u>1,397,361</u>
Total liabilities		<u>7,412,684</u>	<u>7,365,822</u>
Total equity and liabilities		<u>14,563,061</u>	<u>13,953,723</u>

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Unaudited Condensed Consolidated Statement of Financial Position (continued)
Amounts in RM thousand 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)	<u>6.93</u>	<u>6.32</u>
Note:		
1. Assets held for sale		
Non-current assets		
Investment properties	102	310
Associate	-	338,264
Disposal groups	<u>1,893,567</u>	<u>1,884,292</u>
	<u>1,893,669</u>	<u>2,222,866</u>
2. Liabilities associated with assets held for sale		
Disposal groups	<u>1,400,931</u>	<u>1,397,361</u>

The disposal groups classified under assets held for sale and liabilities associated with assets held for sale as at 30 June 2017 were in respect of Sime Darby Property Selatan Sdn Bhd group and Malaysia Land Development Company Berhad group. The disposal of Malaysia Land Development Company Berhad group was completed on 19 September 2017.

The associate classified as assets held for sale as at 30 June 2017 was in relation to the Group's entire 40% equity interest in Seriemas Development Sdn Bhd group. The disposal was completed on 29 September 2017.

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 PROPERTY BERHAD
(Company No: 15631-P)

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

	Share capital	Share premium	Contribution from immediate holding company	Available-for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total equity
Quarter ended 30 September 2017									
At 1 July 2017	2,405,496	–	1,500,000	20,152	74,539	2,322,990	6,323,177	264,724	6,587,901
Total comprehensive (loss)/ income for the period	–	–	–	(2,262)	41,901	421,693	461,332	4,083	465,415
Transactions with owners									
- waiver on intercompany loan (net of tax)	–	–	–	–	–	142,672	142,672	1,172	143,844
- disposal of subsidiary	–	–	–	–	–	–	–	780	780
- dividends paid	–	–	–	–	–	–	–	(47,563)	(47,563)
At 30 September 2017	2,405,496	–	1,500,000	17,890	116,440	2,887,355	6,927,181	223,196	7,150,377
Quarter ended 30 September 2016									
At 1 July 2016	1,010,409	1,030,493	1,500,000	25,823	18,599	1,748,533	5,333,857	174,510	5,508,367
Total comprehensive (loss)/ income for the period	–	–	–	(5,108)	(3,603)	149,073	140,362	10,932	151,294
Transactions with owners									
- issue of shares	1,279	126,669	–	–	–	–	127,948	–	127,948
At 30 September 2016	1,011,688	1,157,162	1,500,000	20,715	14,996	1,897,606	5,602,167	185,442	5,787,609

The 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 PROPERTY BERHAD
(Company No: 15631-P)

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

	Note	Quarter ended 30 September 2017	2016
Cash flow from operating activities			
Profit for the period		424,058	136,111
Adjustments for:			
Share of results of joint ventures and associates		(84,578)	(5,599)
Finance income		(9,053)	(9,355)
Finance costs		10,317	20,089
Gain on disposal		(319,711)	(130,359)
Reversal of impairment losses		–	(18,071)
Depreciation and amortisation		9,922	14,108
Impairment and write offs		6,737	21,730
Tax (credit)/expense		(5,023)	37,131
		<u>32,669</u>	<u>65,785</u>
Changes in working capital:			
Inventories		(728,728)	(54,950)
Contract assets and contract liabilities		5,543	237,062
Trade, other receivables and prepayments		(17,663)	(144,890)
Trade, other payables and provisions		330,268	(176,151)
		<u>(377,911)</u>	<u>(73,144)</u>
Cash used in operations		<u>14,756</u>	<u>(33,404)</u>
Tax refund/(paid)		(363,155)	(106,548)
Operating cash used in continuing operations		15,902	(50,036)
Operating cash from/(used in) discontinuing operations		<u>(347,253)</u>	<u>(156,584)</u>
Net cash used in operating activities			
Cash flow from investing activities			
Finance income received		8,612	5,411
Proceeds from sale of:			
- property, plant and equipment		1,212	–
- investment property		540	–
- an associate		615,846	–
Net cash inflow from disposal of subsidiaries	A11	59,413	222,355
Purchase of:			
- property, plant and equipment		(938)	(3,329)
- investment properties		(10,211)	–
- intangible assets		(384)	(184)
Purchase/subscription of shares in joint ventures and associates		(44,419)	(157,541)
Others		–	7,900
		<u>629,671</u>	<u>74,612</u>
Investing cash from continuing operations		393	980
Investing cash from discontinuing operations		<u>630,064</u>	<u>75,592</u>
Net cash from investing activities			

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

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

	Note	Quarter ended 30 September 2017	2016
Cash flow from financing activities			
Proceeds from issuance of shares		–	127,948
Finance costs paid		(34,778)	(79,374)
Long-term borrowings raised		17,585	38,259
Repayments of long-term borrowings		(9,137)	(8,512)
Revolving credits (net)		(77,000)	(63,000)
Dividends paid to non-controlling interests		(47,563)	–
(Repayment to)/advances from related companies		(144,000)	2,140
Financing cash (used in)/from continuing operations		(294,893)	17,461
Financing cash (used in)/from discontinuing operations		(13,842)	2,140
Net cash (used in)/from financing activities		(308,735)	19,601
Net changes in cash and cash equivalents			
Foreign exchange differences		(25,924)	(61,391)
		956	(1,532)
Cash and cash equivalents at beginning of the period		1,129,154	906,010
Cash and cash equivalents at end of the period		1,104,186	843,087
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Cash held under Housing Development Accounts		472,666	622,249
Bank balances, deposits and cash		575,172	92,320
Cash and cash equivalents from continuing operations		1,047,838	714,569
Cash and cash equivalents from discontinuing operations		56,348	128,518
		1,104,186	843,087

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.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

EXPLANATORY NOTES

This is the first interim financial report of Sime Darby Property Berhad group for the financial year ending 30 June 2018. The Company's proposed listing of its entire enlarged share capital on the Main Market of Bursa Malaysia Securities Berhad has been approved by the Securities Commission Malaysia and Bursa Malaysia Securities Berhad and subject to the approval of the shareholders of Sime Darby Berhad at its Extraordinary General Meeting to be held on 20 November 2017, the listing will take place on 30 November 2017.

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 consolidated financial statements for the financial year ended 30 June 2017.

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 2017 except as described below.

- a) Accounting pronouncements that have been adopted for this interim financial report:
- 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 above did not result in any significant changes to the Group's results and financial position.

- b) 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
- c) Accounting pronouncement where the effective date has been deferred to a date to be determined by the 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.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

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

Aside from the following, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

During the period under review, the Group registered a gain of RM278 million on the disposal of its entire 40% equity interest in Seriemas Development Sdn Bhd (see Note A11). In addition, pursuant to the Sime Darby Berhad group restructuring, the equity of the Company was increased by RM144 million, attributable to the waiver of the intercompany loan by Sime Darby Far East (1991) Ltd.

A4. Material Changes in Estimates

There were no material changes in the estimates of amounts in the previous financial year 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. As at 30 September 2017, the number of ordinary shares and redeemable preference shares in issue were 1,000,000,000 and 1,405,496,300, respectively.

Subsequent to the end of the reporting period, the redeemable preference shares were redeemed and the number of ordinary shares of the Company was increased to 6,800,839,377 shares (see Note B7).

A6. Dividends Paid

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

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

A7. Segment Information

The Group has 3 reportable segments and these strategic business units are managed separately by respective Business Heads. The Group's Managing Director and senior management review the operations and performance reports on a monthly basis and conducts dialogues with the business units on a regular basis.

	Continuing operations				Total	Discontinuing operations	Total
	Property Development	Property Investment	Leisure and Hospitality	Elimination			
Quarter ended 30 September 2017							
Revenue:							
External	424,293	11,758	27,723	–	463,774	8,838	472,612
Inter-segment	9	–	284	(293)	–	–	–
	424,302	11,758	28,007	(293)	463,774	8,838	472,612
Cost of sales	(298,285)	(7,533)	(11,865)	293	(317,390)	(6,323)	(323,713)
Gross profit	126,017	4,225	16,142	–	146,384	2,515	148,899
Other income	2,285	506	684	(36)	3,439	98	3,537
Selling and marketing expenses	(18,265)	(150)	(341)	–	(18,756)	–	(18,756)
Administrative expenses	(83,799)	(7,241)	(23,114)	36	(114,118)	(747)	(114,865)
Share of results of joint ventures and associates	88,941	(4,363)	–	–	84,578	–	84,578
Segment results	115,179	(7,023)	(6,629)	–	101,527	1,866	103,393
Other gains	278,192	–	40,580	–	318,772	–	318,772
Profit/(loss) before interest and tax	393,371	(7,023)	33,951	–	420,299	1,866	422,165
Included in other gains are:							
Gain on disposal of:							
- subsidiaries	–	–	40,580	–	40,580	–	40,580
- an associate	278,192	–	–	–	278,192	–	278,192

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

	Continuing operations					Discontinuing operations	Total
	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total		
Quarter ended 30 September 2016							
Revenue:							
External	398,112	16,737	29,509	–	444,358	13,310	457,668
Inter-segment	6	–	6	(12)	–	–	–
	398,118	16,737	29,515	(12)	444,358	13,310	457,668
Cost of sales	(271,445)	(8,371)	(12,448)	12	(292,252)	(12,701)	(304,953)
Gross profit	126,673	8,366	17,067	–	152,106	609	152,715
Other income	5,457	677	10,335	(39)	16,430	267	16,697
Selling and marketing expenses	(10,701)	(24)	(1,379)	–	(12,104)	–	(12,104)
Administrative expenses	(81,120)	(6,885)	(20,448)	39	(108,414)	(872)	(109,286)
Share of results of joint ventures and associates	(693)	6,292	–	–	5,599	–	5,599
Segment results	39,616	8,426	5,575	–	53,617	4	53,621
Other gains	–	130,359	–	–	130,359	–	130,359
Profit before interest and tax	39,616	138,785	5,575	–	183,976	4	183,980
Included in other gains are:							
Gain on disposal of:							
- a subsidiary	–	130,359	–	–	130,359	–	130,359

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

	Continuing operations				Total	Discontinuing operations	Total
	Property Development	Property Investment	Hospitality and Leisure	Elimination			
As at 30 September 2017							
Segment assets:							
Operating assets	9,121,406	894,161	674,016	(809,371)	9,880,212	–	9,880,212
Joint ventures and associates	2,070,727	205,130	–	–	2,275,857	–	2,275,857
Non-current assets held for sale	–	102	–	–	102	1,893,567	1,893,669
	11,192,133	1,099,393	674,016	(809,371)	12,156,171	1,893,567	14,049,738
Tax assets							513,323
Total assets							14,563,061
As at 30 June 2017							
Segment assets:							
Operating assets	8,422,046	904,074	683,985	(866,166)	9,143,939	–	9,143,939
Joint ventures and associates	1,897,063	209,516	–	–	2,106,579	–	2,106,579
Non-current assets held for sale	338,265	310	20,550	–	359,125	1,863,741	2,222,866
	10,657,374	1,113,900	704,535	(866,166)	11,609,643	1,863,741	13,473,384
Tax assets							480,339
Total assets							13,953,723

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand 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	As at 30 June 2017
Contracted		
- property, plant and equipment	26,057	25,294
- land held for property development	5,560	718,560
- investment properties	276,184	285,674
	307,801	1,029,528
Not contracted		
- property, plant and equipment	–	9,100
	307,801	1,038,628

In addition, pursuant to the Subscription and Shareholders' Agreement, which is reiterated through Letters of Undertaking issued by the shareholders of Battersea Project Holding Company Limited ("Battersea") to Battersea, the shareholders are committed to subscribe for shares in Battersea in proportion to their respective shareholdings when a capital call is made for the purpose of ensuring Battersea and its subsidiaries are able to meet their respective funding obligations. The Group's portion of the commitment as at 30 September 2017 is up to GBP286 million (equivalent to RM1,621 million) (2017: GBP294 million, equivalent to RM1,615 million).

A9. Significant Related Party Transactions

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

	Quarter ended 30 September 2017	2016
a. Transactions between subsidiaries and their owners of non-controlling interests		
Turnkey works rendered by Brunnsfield Engineering Sdn Bhd to Sime Darby Brunnsfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	34,262	37,141
b. Transactions with related companies		
Sime Darby Holdings Berhad		
Rental income	2,762	2,722
Interest expense	(22,874)	(26,309)
Management fees and internal audit services	(5,668)	(6,597)
Sime Darby Far East (1991) Ltd		
Waiver of amount owing by two subsidiaries of the Company	159,863	–
Interest expense	(361)	(344)
Sime Darby Global Services Centre Sdn Bhd		
Rental income	975	956
Shared services	(3,769)	(3,126)
Sime Darby Rent-A-Car Sdn Bhd		
Car lease rental	(280)	(450)
Sime Darby Plantation Berhad group		
Rental income	1,662	495
Acquisition of land	(689,587)	–

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

A9. Significant Related Party Transactions (continued)

Related party transactions conducted during the quarter ended 30 September are as follows: (continued)

	Quarter ended 30 September 2017	2016
b. Transactions with related companies (continued)		
Sime Darby Lockton Insurance Brokers Sdn Bhd		
Rental income	252	301
Insurance premium	<u>(696)</u>	<u>(78)</u>
c. Transaction with a joint venture		
Disposal of Sime Darby Property (Alexandra) Private Limited to Aster Investment Holding Pte Ltd, a subsidiary of Sime Darby Real Estate Investment Trust 1	<u>–</u>	<u>249,229</u>
d. Transactions with key management personnel and their close family members		
Sales of properties by the Group	<u>–</u>	<u>1,101</u>

e. Transactions with shareholders and Government

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (“ASNB”), together owns 52% as at 30 September 2017 of the issued share capital of Sime Darby Berhad, the immediate holding company of Sime Darby Property Berhad. 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.

On 29 June 2017, Sime Darby Builders Sdn Bhd entered into a Sale and Purchase Agreement for the proposed disposal of freehold land in New Lunderston Estate measuring approximately 297.51 acres to PNB Development Sdn Bhd, a subsidiary of PNB, for a total consideration of RM85.5 million. This transaction is yet to complete as at 30 September 2017.

Other than those arising from the ordinary course of business, on 31 July 2017, Sime Darby Property Berhad entered into a Share Sale Agreement with PNB Development Sdn Bhd to dispose 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 (see Note A11).

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

There is 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, other than the Corporate Proposal disclosed in Note B7.

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

Disposal of subsidiaries and an associate

- a) On 3 April 2017, the Group entered into a Share Sale Agreement with Dato’ Sri Tong Seech Wi (“Purchaser”) to dispose the Group’s entire 100% equity interest in Malaysia Land Development Company Berhad (“MLDC”) for a cash consideration of RM1 and settlement by the Purchaser of the shareholder’s loan and any other liabilities owing by MLDC for a settlement amount of RM60 million. The disposal was completed on 19 September 2017. A gain on disposal of RM41 million was recorded.
- b) On 31 July 2017, the Group entered into a Share Sale Agreement with PNB Development Sdn Bhd, a wholly-owned subsidiary of PNB, to dispose the Group’s entire 40% equity interest in Seriemas Development Sdn Bhd for a total cash consideration of RM616 million, net of transaction costs. The disposal was completed on 29 September 2017. A gain on disposal of RM278 million was recorded.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

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

Disposal of subsidiaries and an associate (continued)

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	18,303
Inventories	1,313
Net current assets	(976)
Non-controlling interest	780
Net assets disposed	19,420
Gain on disposal	40,580
Proceeds from disposal, net of transaction costs	60,000
Less: Cash and cash equivalents in MLDC	(587)
Net cash inflow from disposal of MLDC	59,413

A12. Contingent Liabilities – unsecured

	As at 8 November 2017	As at 30 June 2017
Claims pending against the Group	39,834	58,043

Details of the claims pending is disclosed in Note B10.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand 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	+ / (-)
<u>Continuing operations</u>			
Revenue	<u>463,774</u>	444,358	4.4
Segment results:			
Property development	115,179	39,616	190.7
Property investment	(7,023)	8,426	(183.3)
Leisure and hospitality	<u>(6,629)</u>	<u>5,575</u>	(218.9)
	<u>101,527</u>	53,617	
Other gains	<u>318,772</u>	130,359	
Profit before interest and tax	<u>420,299</u>	183,976	128.5
Finance income	9,053	9,355	
Finance costs	<u>(10,317)</u>	<u>(20,089)</u>	
Profit before tax	<u>419,035</u>	173,242	141.9
Tax credit/(expense)	<u>5,023</u>	<u>(37,131)</u>	
Profit from continuing operations	<u>424,058</u>	136,111	211.6
<u>Discontinuing operations</u>			
Profit from discontinuing operations	<u>1,566</u>	21,203	(92.6)
Profit after tax	<u>425,624</u>	157,314	170.6
Non-controlling interests	<u>(3,931)</u>	<u>(8,241)</u>	
Profit attributable to owners of the Company	<u>421,693</u>	<u>149,073</u>	182.9

Group revenue and profit before tax from continuing operations for the quarter ended 30 September 2017 was higher than corresponding period of the previous year by 4.4% and 141.9%, respectively. The net earnings of the Group from both continuing and discontinuing operations was higher at RM422 million as compared to RM149 million a year ago.

The Group's results for the quarter was boosted by Other Gains which comprise of the gains on disposal of Malaysia Land Development Company Berhad of RM41 million and the disposal of its 40% equity stake in Seriemas Development Sdn Bhd of RM278 million. In the previous year, Other Gain comprises the gain on disposal of Sime Darby Property (Alexandra) Pte Ltd of RM130 million.

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

a) Property development

Property development performance improved significantly by 190.7% compared to the corresponding period of the previous year mainly due to the share of profit of Battersea Project Holding Company Limited ("Battersea") of RM87 million (Sep 16: loss of RM1 million) and higher contribution from Elmina West, Elmina East and Serenity Cove, Australia which mitigated the lower contribution from Nilai Impian township.

In the last financial year, the Group recognised its maiden contribution from the development of Phase 1 of the Battersea Project upon handover on completion of 338 units. During the current quarter, Battersea hand-over a further 431 units of Phase 1.

Township development recorded higher contribution from Elmina West and Elmina East mainly due to higher development activities as compared to last year. Nilai Impian posted lower contribution mainly attributable to the sale of commercial lots in the previous year.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

B1. Review of Group Performance (continued)

An analysis of the results of each segment is as follows: (continued)

a) Property development (continued)

The Group's project in Gold Coast, Australia, Serenity Cove, registered a profit of RM7 million in the current quarter as a result of the sale of 13 lots of residential land. No sales were recorded in the first quarter of the previous year.

b) Property investment

Property investment segment registered a loss of RM7 million as compared to a profit of RM8 million in the previous year mainly due to the share of loss of RM5 million from Sime Darby CapitaLand (Melawati Mall) Sdn Bhd. The Melawati Mall was opened in July 2017 and is still in its early gestation period with occupancy of about 60%.

Included in the corresponding period of the previous year were the reversal of impairment of an investment property in the United Kingdom of RM8 million and the share of gain on disposal of investment by Shaw Brothers (M) Sdn Bhd of RM5 million.

c) Leisure and hospitality

Leisure and hospitality suffered a loss of RM7 million for the quarter as compared to a profit of RM6 million in the previous year which arose from the reversal of an impairment of property, plant and equipment of RM10 million.

The tax credit for the current quarter is mainly due to the gains from the disposal of a subsidiary and an associate which are not subjected to tax and also the overprovision of tax in prior years.

Profit from discontinuing operations is in relation to the Pagoh Education Hub Project which has been classified under Assets Held for Sale. The discontinuing operations recorded a lower profit after tax of RM2 million as compared to RM21 million in the previous year largely due to non-capitalisation of interest charge of RM16 million (Sep 16: RM8 million) in the current quarter.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand 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	% + / (-)
<u>Continuing operations</u>			
Revenue	<u>463,774</u>	<u>1,124,938</u>	(58.8)
Segment results:			
Property development	115,179	273,797	(57.9)
Property investment	(7,023)	153,019	(104.6)
Leisure and hospitality	<u>(6,629)</u>	<u>(2,935)</u>	(125.9)
	101,527	423,881	(76.0)
Other gains	<u>318,772</u>	<u>584</u>	
Profit before interest and tax	420,299	424,465	(1.0)
Finance income	9,053	9,197	
Finance costs	<u>(10,317)</u>	<u>(2,124)</u>	
Profit before tax	419,035	431,538	(2.9)
Tax credit/(expense)	<u>5,023</u>	<u>(61,902)</u>	
Profit from continuing operations	424,058	369,636	14.7
<u>Discontinuing operations</u>			
Profit from discontinuing operations	<u>1,566</u>	<u>6,801</u>	(77.0)
Profit after tax	425,624	376,437	13.1
Non-controlling interests	<u>(3,931)</u>	<u>(81,444)</u>	
Profit attributable to owners of the Company	421,693	294,993	43.0

Group revenue and profit before tax from continuing operations for the quarter ended 30 September 2017 declined by 58.8% and 2.9% respectively as compared to the preceding quarter. Net earnings of the Group for both continuing and discontinuing operations increased by 43.0%.

As explained in Note B1, the result of the Group for the current quarter was boosted by the gains from the disposal of a subsidiary and an associate amounting to RM319 million.

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

a) Property development

Property development results declined by 57.9% as compared to the preceding quarter which included a gain of RM209 million from the sale of 402 acres of freehold land in Semenyih, Selangor to Petaling Garden Sdn Bhd, a subsidiary of Permodalan Nasional Berhad. Excluding this gain, contribution from development projects was higher compared to the preceding quarter, largely due to profit from Bandar Bukit Raja, Elmina West and Bukit Jelutong. Elmina West registered higher profit due to the commencement of infrastructure works for a purchaser and higher progress billings for Elmina Valley 1 and 4.

Share of profit from Battersea for the current year at RM87 million was higher than that of the preceding quarter of RM53 million due to handover of more completed units to purchasers during the quarter.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

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

An analysis of the results of each segment is as follows: (continued)

b) Property investment

Property investment segment registered a loss of RM7 million as compared to a profit of RM153 million in the preceding quarter, principally due to the higher share of profit from Sime Darby Real Estate Investment Trust 1 of RM135 million following the disposal of a property by the joint venture and the share of loss from the newly opened Melawati Mall.

c) Leisure and hospitality

Leisure and hospitality incurred a higher loss of RM7 million compared to RM3 million in the preceding quarter as the results of the preceding quarter was mitigated by the reversal of impairment of property, plant and equipment of RM6 million.

The higher non-controlling interest of RM81 million in the preceding quarter compared to the current quarter of RM4 million was mainly due to the non-controlling interest's share of the gain on disposal of the land in Semenyih.

B3. Prospects for the current financial year

Since the announcement by Sime Darby Berhad on 27 February 2017 on the proposal to create three standalone listed entities, namely Sime Darby Plantation Berhad, Sime Darby Property Berhad and Sime Darby Berhad, the Securities Commission Malaysia has approved the Proposed Listing of Sime Darby Property Berhad on 26 October 2017. On 10 November 2017, Bursa Malaysia Securities Berhad approved the admission to the official list and the listing and quotation of the shares of the Company on the Main Market of Bursa Securities. Subject to the approval of Sime Darby Berhad shareholders at the Extraordinary General Meeting to be held on 20 November 2017, Sime Darby Property Berhad is enroute for its listing on Bursa Securities on 30 November 2017.

The Malaysian property market remains subdued on the back of weak consumer sentiment and tight lending conditions. However, amid a resilient broader economy, there are signs of a gradual pick up in the industry as indicated by good take up rates of recent launches. The recent measures unveiled under Budget 2018 such as the reduction of individual tax rates is also expected to stimulate further interest in the property market.

The Group is also poised to benefit from the Digital Free Trade Zone ("DFTZ"), the world's first outside China, which is expected to propel small and medium enterprises onto the online market place. The DFTZ will include a regional logistics hub located in Sepang. This is within the Group's Malaysia Vision Valley ("MVV") Project, where about 3,196 acres of the Group's landbank is being planned for Phase 1 development of the MVV Project.

Notwithstanding the current competitive environment, the Group will leverage on the superior connectivity and strategic location of our landbank in high growth corridors and transport hubs in the upcoming launches. The Group is prioritising developments based on market demand, focusing on our core strength of township development and improving operational efficiency for higher performance.

For the year-to-date to 31 October 2017, the Group has launched a total of 397 units, largely in our township in the City of Elmina and Bandar Bukit Raja, in Selangor for total gross sales value of RM361 million, with an average take up rate of approximately 60 percent. For this financial year, mindful of the market challenges, the Group will be focusing on launches of products that meet the demand of the market namely landed products at the right price-points and also leveraging on proximity to transport hubs.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
 Amounts in RM thousand unless otherwise stated

B3. Prospects for the current financial year (continued)

In the UK, the Group is well positioned to benefit from the Battersea Power Station project, which is located in a prime area of London. The remaining units of Phase 1 of Battersea are expected to be handed-over by the end of 2017. The project achieved a major milestone earlier this month, when tunnelling works for the tube extension to Battersea was completed. The Northern Line extension is targeted for completion in 2020. This augurs well for the Battersea Project, particularly for Phase 2 which is on the iconic Power Station and Phases 3A and 3B which are directly connected to the tube station, and where development works are in progress.

Barring any unforeseen circumstances, 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.

B5. Profit Before Interest and Tax

	Quarter ended 30 September	
	2017	2016
Included in operating profit are:		
Depreciation and amortisation	(9,922)	(14,108)
Reversal of impairment/(Impairment) of		
- property, plant and equipment	–	9,815
- investment properties	–	7,721
- receivables	(6,498)	(21,170)
Write offs of property, plant and equipment	(239)	(25)
Gain on disposal of		
- property, plant and equipment		
- land and buildings	604	–
- others	3	–
- investment properties	332	–
Net foreign exchange loss	<u>–</u>	<u>(7)</u>
Included in other gains are:		
Gain on disposal of		
- subsidiaries	40,580	130,359
- an associate	278,192	<u>–</u>

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

B6. Tax (Credit)/Expense

	Quarter ended 30 September	
	2017	2016
Continuing operations		
In respect of the current year:		
- current tax	31,730	18,905
- deferred tax	(25,369)	15,945
	6,361	34,850
In respect of prior years:		
- current tax	(5,972)	2,180
- deferred tax	(5,412)	101
	(5,023)	37,131
Discontinuing operations	7,589	(1,342)

The tax credit for continuing operations for the current quarter ended 30 September 2017 is mainly due to the overprovision of tax in prior years as well as the gains on disposal of equity interest in Seriemas Development Sdn Bhd and Malaysia Land Development Company Berhad which are not subjected to tax.

B7. Status of Corporate Proposal

In conjunction with the proposal to distribute the entire shareholding of Sime Darby Berhad in the Company to its shareholders and the listing of the Company's entire enlarged share capital on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the latest status is as follows:

- a. The Securities Commission has approved the Company's listing application on 26 October 2017;
- b. The Bursa Securities has approved the Company's listing application on 10 November 2017;
- c. On 10 November 2017, the 1,405,496,300 redeemable preference shares ("RPS") of the Company were redeemed at RM1 per share via the issuance of 1,405,496,300 new ordinary shares at an issue price of RM1 each;
- d. On 10 November 2017, the repayment of deemed equity and loan totalling RM4,395,343,077 from Sime Darby Berhad to Sime Darby Property Berhad were satisfied via the issuance of 4,395,343,077 new ordinary shares of Sime Darby Property Berhad;

Following the redemption of the RPS and the capitalisation of deemed equity and loan from Sime Darby Berhad, the Company's issued and paid up ordinary shares have increased from 1,000,000,000 shares to 6,800,839,377 shares. All new shares issued ranked pari passu in all respects with the existing ordinary shares.

The proposed distribution and listing of the Company's shares on Bursa Securities targeted by end November 2017 are subject to the approval of the shareholders of Sime Darby Berhad at its Extraordinary General Meeting to be held on 20 November 2017.

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

B8. Group Borrowings

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

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	264,210	–	264,210
Islamic financing	222,368	–	222,368
Revolving credits	–	234,500	234,500
Amounts due to non-controlling interests	–	145,443	145,443
	<u>486,578</u>	<u>379,943</u>	<u>866,521</u>
<u>Short-term borrowings</u>			
Term loans due within one year	13,515	–	13,515
Islamic financing	48,003	–	48,003
Revolving credits	–	172,290	172,290
	<u>61,518</u>	<u>172,290</u>	<u>233,808</u>
Total borrowings	<u>548,096</u>	<u>552,233</u>	<u>1,100,329</u>

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

	Secured	Unsecured	Total
Borrowings			
- principal	546,581	551,995	1,098,576
- interest	1,515	238	1,753
Total borrowings	<u>548,096</u>	<u>552,233</u>	<u>1,100,329</u>

The Group borrowings are denominated in Ringgit Malaysia.

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

B9. 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	2,811,567	1,980,433
- unrealised	304,202	576,198
	<u>3,115,769</u>	<u>2,556,631</u>
Total share of retained profits from joint ventures		
- realised	80,538	(1,899)
- unrealised	101	(1,471)
	<u>80,639</u>	<u>(3,370)</u>
Total share of retained profits from associates		
- realised	84,416	101,767
- unrealised	283	(841)
	<u>84,699</u>	<u>100,926</u>
Less: consolidation adjustments	(393,752)	(331,197)
Total retained profits of the Group	<u>2,887,355</u>	<u>2,322,990</u>

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

B9. Unrealised Profits or Losses (continued)

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

B10. Material Litigations

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

a) Tanjung Mahsuri Sdn Bhd (“TMSB”)

TMSB was appointed as the main contractor for Ara Hill Project and Putra Heights Project. Their services were terminated in 2011 prior to the completion of the projects due to delay in the projects' completion. TMSB filed a Writ of Summon and Statement of Claim on 22 May 2012 to claim a total of RM18 million from Sime Darby Ara Damansara Development Sdn Bhd (“SDAD”) and Sime Darby USJ Development Sdn Bhd (“SDUSJ”). All parties entered into a consent judgement on 16 August 2012 to proceed the matters by way of arbitration. However, TMSB did not proceed to appoint an arbitrator.

SDAD and SDUSJ submitted application for security for costs of RM1,200,000 in respect of the arbitration proceedings initiated by TMSB. However, on 6 June 2017, SDAD and SDUSJ withdrew the said security for cost applications with liberty to file afresh to facilitate the negotiation between the parties to reach a without prejudice and amicable global settlement. As at the reporting date, the negotiation was concluded with a settlement of RM6 million.

b) Claim against Sime Darby Ara Damansara Development Sdn Bhd (“SDAD”)

A civil suit has been commenced by 72 purchasers of Ara Hill (“Plaintiffs”) against SDAD, claiming, among other things, both general and specific damages of RM40 million and specific performance arising from SDAD's breaches of the terms of the sale and purchase agreements and the provisions of various statutes including, the Uniform Building By-Laws 1984 and the Street, Drainage and Building Act 1974.

The Plaintiffs alleged that the breaches by SDAD have, amongst others, caused the delay in delivery of strata titles and the construction of sub-standard common facilities and various infrastructures, which caused the Plaintiffs to suffer loss and damage, including indirect losses.

The dispute was referred to mediation. However, the parties did not reach a global settlement. On 10 October 2017, the High Court has adjourned the trial dates which were previously fixed on 14-16, 20-23, 28-30 November 2017 and 4-6 December 2017 to 10-11, 16-19 April 2018 and 7-10 May 2018. The matter has also been fixed for case management on 4 December 2017.

B11. Dividend

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

SIME DARBY PROPERTY BERHAD
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 30 September 2017
Amounts in RM thousand unless otherwise stated

B12. 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	420,753	136,351
- discontinuing operations	940	12,722
	421,693	149,073
Weighted average number of ordinary shares in issue (thousand)	1,000,000	1,000,000
Basic earnings per share (sen)		
- continuing operations	42.1	13.6
- discontinuing operations	0.1	1.3
	42.2	14.9

The earnings per share is calculated based on the number of ordinary shares in issue as at 30 September 2017.

Selangor Darul Ehsan
15 November 2017

By Order of the Board
Moriame binti Mohd
Company Secretary