

QUARTERLY REPORT

On the consolidated results for the second quarter ended 30 June 2019

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 June		%	Six (6) months ended 30 June		%
		2019	2018		2019	2018	
Revenue	A8	865,897	617,365	40.3	1,441,029	1,176,867	22.4
Cost of sales		(591,650)	(470,393)		(1,031,771)	(935,862)	
Gross profit		274,247	146,972	86.6	409,258	241,005	69.8
Other income		3,142	4,495		5,006	15,617	
Selling and marketing expenses		(30,021)	(37,955)		(47,442)	(59,039)	
Administrative expenses		(57,792)	(61,542)		(107,126)	(102,867)	
Operating profit		189,576	51,970		259,696	94,716	
Share of results of joint ventures		(14,072)	(4,201)		(10,232)	(22,069)	
Share of results of associates		(784)	(785)		(1,158)	(13)	
Other (losses)/ gains		(24,072)	(1,467)		180,332	10,070	
Profit before interest and tax	A7	150,648	45,517	231.0	428,638	82,704	418.3
Finance income		30,192	39,449		60,416	65,049	
Finance costs		(1,382)	(11,157)		(8,116)	(30,946)	
Profit before tax		179,458	73,809	143.1	480,938	116,807	311.7
Tax credit/ (expense)	B6	12,538	17,753		(14,620)	3,471	
Profit for the period		191,996	91,562	109.7	466,318	120,278	287.7
Attributable to:							
- owners of the Company		205,259	46,570	340.8	470,334	80,239	486.2
- non-controlling interests		(13,263)	44,992		(4,016)	40,039	
Profit for the period		191,996	91,562	109.7	466,318	120,278	287.7
Basic earnings per share attributable to owners of the Company (sen)	B11	3.0	0.7	340.8	6.9	1.2	486.2

The Group has changed its financial year-end from 30 June to 31 December in previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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 period ended 31 December 2018.

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

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

	Quarter ended		%	Six (6) months ended		%
	30 June			30 June		
	2019	2018	+ / (-)	2019	2018	+ / (-)
Profit for the period	<u>191,996</u>	<u>91,562</u>	109.7	<u>466,318</u>	<u>120,278</u>	287.7
Other comprehensive (loss)/ income						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences	(48,784)	(60,501)		(5,355)	(80,025)	
Net changes in fair value of investments	-	980		-	(2,388)	
Share of other comprehensive gain of an associate	326	1,440		326	2,229	
Other comprehensive loss for the period	<u>(48,458)</u>	<u>(58,081)</u>		<u>(5,029)</u>	<u>(80,184)</u>	
Total comprehensive income for the period	<u>143,538</u>	<u>33,481</u>	328.7	<u>461,289</u>	<u>40,094</u>	1,050.5
Attributable to:						
- owners of the Company	156,643	(11,707)	1,438.0	465,824	3,043	15,208.1
- non-controlling interest	<u>(13,105)</u>	<u>45,188</u>		<u>(4,535)</u>	<u>37,051</u>	
Total comprehensive income for the period	<u>143,538</u>	<u>33,481</u>	328.7	<u>461,289</u>	<u>40,094</u>	1,050.5

The Group has changed its financial year-end from 30 June to 31 December in previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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 period ended 31 December 2018.

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 June 2019	Audited As at 31 December 2018
<u>Non-current assets</u>			
Property, plant and equipment		647,575	640,445
Investment properties		748,319	644,206
Inventories (note 1)		2,114,286	2,127,594
Joint ventures		2,746,150	2,574,020
Associates		140,404	140,492
Investments		59,362	59,239
Intangible assets		3,390	3,454
Deferred tax assets		548,260	487,225
Receivables		88,000	88,000
Contract assets		1,336,787	1,409,083
		8,432,533	8,173,758
<u>Current assets</u>			
Inventories (note 1)		4,644,250	4,625,027
Receivables		690,214	736,579
Contract assets		938,110	773,602
Prepayment		23,503	18,556
Tax recoverable		59,626	60,226
Cash held under Housing Development Accounts		362,992	343,518
Bank balances, deposits and cash		332,208	305,572
		7,050,903	6,863,080
Assets held for sale (note 2)		1,950	79,519
Total assets	A7	15,485,386	15,116,357
<u>Equity</u>			
Share capital		6,800,839	6,800,839
Fair value reserve		38,389	38,063
Exchange reserve		(67,880)	(63,044)
Retained profits		2,835,987	2,433,661
Attributable to owners of the Company		9,607,335	9,209,519
Non-controlling interests		232,346	236,881
Total equity		9,839,681	9,446,400
<u>Non-current liabilities</u>			
Borrowings	B8	2,112,117	1,925,221
Contract liabilities		252,457	256,231
Deferred tax liabilities		157,826	170,175
Lease liabilities		84,725	–
		2,607,125	2,351,627
<u>Current liabilities</u>			
Payables		1,363,999	1,390,175
Borrowings	B8	1,119,060	1,347,816
Provisions		150,160	108,823
Lease liabilities		14,542	–
Contract liabilities		178,819	210,532
Tax provision		212,000	260,984
		3,038,580	3,318,330
Total liabilities		5,645,705	5,669,957
Total equity and liabilities		15,485,386	15,116,357

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

	Unaudited As at 30 June 2019	Audited As at 31 December 2018
Net assets per share attributable to owners of the Company (RM)	<u>1.41</u>	<u>1.35</u>

Note:

1. Inventories

Completed development units	745,487	871,281
On-going development:		
Launched	1,393,195	1,248,047
Not yet launched	2,504,070	2,504,136
Others	<u>1,498</u>	<u>1,563</u>
	4,644,250	4,625,027
Not within normal operating cycle	<u>2,114,286</u>	<u>2,127,594</u>
	<u>6,758,536</u>	<u>6,752,621</u>

2. Assets held for sale

Property, plant and equipment	<u>1,950</u>	<u>79,519</u>
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The property, plant and equipment classified as non-current assets held for sale as at 30 June 2019 were in relation to two bungalows in Penang. The sale and purchase agreement for the two bungalows was signed on 19 December 2018. The completion is subjected to the fulfilment of conditions precedent.

Included in the assets held for sale as at 31 December 2018 was the carrying value of Darby Park Executive Suites in Singapore. The sale and purchase agreement for Darby Park Executive Suites was signed on 1 November 2018 and completed on 31 January 2019 for a consideration of SGD93.0 million. The Group registered a gain on disposal of SGD67.3 million (equivalent to RM203.4 million).

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 period ended 31 December 2018.

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	Fair value reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total equity
Six (6) months ended 30 June 2019							
At 1 January 2019	6,800,839	38,063	(63,044)	2,433,661	9,209,519	236,881	9,446,400
Total comprehensive income/ (loss) for the period	–	326	(4,836)	470,334	465,824	(4,535)	461,289
Transaction with owners:							
- dividend paid	–	–	–	(68,008)	(68,008)	–	(68,008)
At 30 June 2019	6,800,839	38,389	(67,880)	2,835,987	9,607,335	232,346	9,839,681
Six (6) months ended 30 June 2018							
At 1 January 2018	6,800,839	16,035	25,256	3,025,431	9,867,561	220,902	10,088,463
Total comprehensive (loss)/ income for the period	–	(159)	(77,037)	80,239	3,043	37,051	40,094
Transaction with owners:							
- dividend paid	–	–	–	(136,017)	(136,017)	(27,116)	(163,133)
At 30 June 2018	6,800,839	15,876	(51,781)	2,969,653	9,734,587	230,837	9,965,424

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 period ended 31 December 2018.

SIME DARBY PROPERTY BERHAD
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Unaudited Condensed Consolidated Statement of Cash Flows
Amounts in RM thousand unless otherwise stated

	Six (6) months ended	
	30 June	
	2019	2018
Cash flow from operating activities	466,318	120,278
Profit for the period		
Adjustments for:		
Share of results of joint ventures and associates	11,390	22,082
Depreciation and amortisation	29,807	24,724
Write-down/ (reversal of write-down) of inventories	2,603	(38,814)
Write-off of property development expenditure	7,173	-
Net reversal of impairment	1,474	(5,729)
Bad debts recovered	(4,891)	-
Write-offs of:		
- property, plant and equipment	109	2,082
- intangible assets	-	28
Gain on disposal	(208,789)	(9,949)
Changes in fair value/ impairment of quoted investments	(123)	1,439
Provision on obligation for an investment property disposed	28,455	-
Finance income	(60,416)	(65,049)
Finance costs	8,116	30,946
Tax expense/ (credit)	14,620	(3,471)
	<u>295,846</u>	<u>78,567</u>
Changes in working capital:		
- inventories	60,248	(277,710)
- trade, other receivables and prepayments	44,290	97,805
- contract assets and contract liabilities	(74,975)	144,422
- trade, other payables and provisions	(5,378)	(79,395)
Cash from/ (used in) operations	320,031	(36,311)
Tax paid	(136,201)	(89,962)
Dividends received from a joint venture	858	1,754
Net cash from/ (used in) operating activities	184,688	(124,519)
Cash flow from investing activities		
Finance income received	6,549	13,445
Proceeds from sale of:		
- property, plant and equipment	291,307	239
- investment properties	-	56,717
Purchase/ addition of:		
- property, plant and equipment	(2,240)	(15,727)
- investment properties	(43,253)	(93,164)
- intangible assets	(775)	(210)
Subscription of shares in joint ventures	(187,026)	(227,468)
Advances to an associate	-	(7,878)
Net cash from/ (used in) investing activities	64,562	(274,046)
Cash flow from financing activities		
Finance costs paid	(89,592)	(52,671)
Borrowings raised	310,767	539,234
Repayments of long-term borrowings	(166,061)	(208,158)
Revolving credits (net)	(180,000)	3,250
Repayments of lease liabilities	(9,250)	-
Dividend paid on ordinary shares	(68,008)	(136,017)
Dividend paid to non-controlling interests	-	(27,116)
Net cash (used in)/ from financing activities	(202,144)	118,522

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

	Six (6) months ended	
	30 June	
	2019	2018
Net changes in cash and cash equivalents	47,106	(280,043)
Foreign exchange differences	(996)	(6,493)
Cash and cash equivalents at beginning of the period	649,090	1,035,931
Cash and cash equivalents at end of the period	695,200	749,395
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:		
Cash held under Housing Development Accounts	362,992	492,969
Bank balances, deposits and cash	332,208	256,426
	695,200	749,395

The Group has changed its financial year-end from 30 June to 31 December in previous financial period. Accordingly, comparative information for the corresponding interim period of the preceding year is presented.

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 period ended 31 December 2018.

SIME DARBY PROPERTY BERHAD
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Explanatory Notes on the Quarterly Report – 30 June 2019
Amounts in RM thousand unless otherwise stated

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 complied 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 Group has changed its financial year-end from 30 June to 31 December in previous financial period. Accordingly, comparative information for statement of profit or loss, statement of comprehensive income, statement of cash flows and all relevant explanatory notes for the corresponding period of the preceding year are presented.

The interim financial report is unaudited and should be read in conjunction with the Group’s audited consolidated financial statements for the financial period ended 31 December 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 consolidated financial statements for the financial period ended 31 December 2018 except as described below.

a. New accounting pronouncements

- i. Accounting pronouncements that have been newly adopted for this interim financial period:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS 3 and MFRS 11	Previously Held Interest in a Joint Operation
Annual Improvements to MFRS 112	Income Tax Consequences of Payments on Financial Instruments Classified as Equity
Annual Improvements to MFRS 123	Borrowing Costs Eligible for Capitalisation

The adoption of the above did not result in any significant changes to the Group’s results and financial position other than MFRS 16 and Annual Improvements to MFRS 123. The impact of adoption is shown in Note A1(b) and Note A1(c).

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

MFRS 17	Insurance Contracts
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards	

- iii. 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)

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Explanatory Notes on the Quarterly Report – 30 June 2019
Amounts in RM thousand unless otherwise stated

A1. Basis of Preparation (continued)

a. New accounting pronouncements (continued)

iv. Agenda Decision on IAS 23 Borrowing Costs relating to over time transfer of constructed good

In March 2019, IFRS Interpretations Committee (“IFRIC”) published an agenda decision on borrowings costs confirming, receivables, contract assets and inventories for which revenue is recognised over time are non-qualifying assets. On 20 March 2019, the Malaysian Accounting Standards Board decided that an entity shall apply the change in accounting policy as a result of the IFRIC Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is assessing the impact on the change in accounting policy pursuant to IFRIC Agenda Decision on borrowing costs incurred on property under construction where control is transferred over time.

b. Adoption of MFRS 16 – Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use (“ROU”) asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group adopted the modified retrospective approach without restating the comparatives. At the date of initial application, 1 January 2019, all ROU assets are measured at an amount equal to the lease liabilities measured at the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application.

The Group has also applied the following practical expedients at initial application as permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Upon application, the Group recognised carrying value of ROU and lease liability of RM23.1 million.

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Explanatory Notes on the Quarterly Report – 30 June 2019
Amounts in RM thousand unless otherwise stated

A1. Basis of Preparation (continued)

b. Adoption of MFRS 16 – Leases (continued)

Reconciliation of the Group's statement of financial position as at 31 December 2018 is as follows:

	Audited as at 31 December 2018	Effects of MFRS 16	Restated as at 1 January 2019
Non-current assets			
Property, plant and equipment	640,445	23,096	663,541
Other non-current assets	7,533,313	–	7,533,313
	<u>8,173,758</u>	<u>23,096</u>	<u>8,196,854</u>
Current assets	<u>6,863,080</u>	<u>–</u>	<u>6,863,080</u>
Assets held for sale	<u>79,519</u>	<u>–</u>	<u>79,519</u>
Total assets	<u>15,116,357</u>	<u>23,096</u>	<u>15,139,453</u>
Total equity	<u>9,446,400</u>	<u>–</u>	<u>9,446,400</u>
Lease liabilities	–	22,945	22,945
Other non-current liabilities	2,351,627	–	2,351,627
Total non-current liabilities	<u>2,351,627</u>	<u>22,945</u>	<u>2,374,572</u>
Lease liabilities	–	151	151
Other current liabilities	3,318,330	–	3,318,330
Total current liabilities	<u>3,318,330</u>	<u>151</u>	<u>3,318,481</u>
Total liabilities	<u>5,669,957</u>	<u>23,096</u>	<u>5,693,053</u>
Total equity and liabilities	<u>15,116,357</u>	<u>23,096</u>	<u>15,139,453</u>

c. Adoption of Annual Improvements to MFRS 123 – Borrowing Costs Eligible for Capitalisation

The Annual Improvement to MFRS 123 requires borrowings obtained specifically for the construction of a qualifying asset to be designated as general borrowings when the qualifying asset is ready for its intended use or sale. Hence, instead of charging to profit and loss, such borrowing costs are capitalised as part of other qualifying assets. This has resulted in the capitalisation of additional finance costs of RM28.3 million into property development expenditure.

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Explanatory Notes on the Quarterly Report – 30 June 2019
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A2. Seasonal or Cyclical Factors

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

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

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 period of the current financial year or the previous financial period 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.

The Company has 6,800,839,377 ordinary shares in issue as at 30 June 2019.

A6. Dividend Paid

The interim single tier dividend in respect of financial period ended 31 December 2018 of 1.0 sen per ordinary share amounting to RM68.0 million was paid in 26 April 2019.

SIME DARBY PROPERTY BERHAD
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Explanatory Notes on the Quarterly Report – 30 June 2019
Amounts in RM thousand unless otherwise stated

A7. Segment Information

With effect from 1 January 2019, the Group has combined the Property Investment and Concession Arrangement, which have similar economic characteristic, as a single operating segment. Following the reorganisation, the Group has there (3) main business segments – property development, property investment and leisure and hospitality. The Senior Management of the Group reviews the operations and performance of the respective business segments on a regular basis and their respective performances are as follows:

a. Segment results

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
Six (6) months ended 30 June 2019					
Revenue:					
External	1,357,706	36,359	46,964	–	1,441,029
Inter-segment	122	4,991	452	(5,565)	–
	<u>1,357,828</u>	<u>41,350</u>	<u>47,416</u>	<u>(5,565)</u>	<u>1,441,029</u>
Cost of sales	(975,311)	(26,129)	(30,351)	20	(1,031,771)
Gross profit	<u>382,517</u>	<u>15,221</u>	<u>17,065</u>	<u>(5,545)</u>	<u>409,258</u>
Other income	3,999	760	247	–	5,006
Selling and marketing expenses	(44,270)	(2,563)	(609)	–	(47,442)
Administrative expenses	(81,682)	(5,679)	(25,310)	5,545	(107,126)
Operating profit/(loss)	<u>260,564</u>	<u>7,739</u>	<u>(8,607)</u>	<u>–</u>	<u>259,696</u>
Share of results of joint ventures and associates	<u>(12,009)</u>	<u>619</u>	<u>–</u>	<u>–</u>	<u>(11,390)</u>
Segment results	<u>248,555</u>	<u>8,358</u>	<u>(8,607)</u>	<u>–</u>	<u>248,306</u>
Other gains/(losses)	<u>102</u>	<u>(28,555)</u>	<u>208,785</u>	<u>–</u>	<u>180,332</u>
Profit/(loss) before interest and tax	<u>248,657</u>	<u>(20,197)</u>	<u>200,178</u>	<u>–</u>	<u>428,638</u>
Included in other gains/(losses) are:					
Gain on disposal of property, plant and equipment	–	–	208,789	–	208,789
Provision on obligation for an investment property disposed	–	(28,455)	–	–	(28,455)
Changes in fair value of quoted investments	<u>123</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>123</u>

SIME DARBY PROPERTY BERHAD
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Explanatory Notes on the Quarterly Report – 30 June 2019
Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

a. Segment results (continued)

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
Six (6) months ended 30 June 2018					
Revenue:					
External	1,025,687	102,495	48,685	–	1,176,867
Inter-segment	229	5,072	139	(5,440)	–
	<u>1,025,916</u>	<u>107,567</u>	<u>48,824</u>	<u>(5,440)</u>	<u>1,176,867</u>
Cost of sales	(833,650)	(70,790)	(32,031)	609	(935,862)
Gross profit	192,266	36,777	16,793	(4,831)	241,005
Other income	13,415	1,797	451	(46)	15,617
Selling and marketing expenses	(58,400)	–	(639)	–	(59,039)
Administrative expenses	(73,308)	(4,421)	(30,015)	4,877	(102,867)
Operating profit/(loss)	73,973	34,153	(13,410)	–	94,716
Share of results of joint ventures and associates	(25,249)	3,167	–	–	(22,082)
Segment results	48,724	37,320	(13,410)	–	72,634
Other (losses)/gains	(993)	9,492	1,571	–	10,070
Profit/(loss) before interest and tax	<u>47,731</u>	<u>46,812</u>	<u>(11,839)</u>	<u>–</u>	<u>82,704</u>
Included in other gains/ (losses) are:					
Gain on disposal of:					
- property, plant and equipment	–	7	–	–	7
- investment properties	536	9,406	–	–	9,942
Reversal of impairment/ (impairment) of:					
- property, plant and equipment	–	–	1,571	–	1,571
- investments	(1,439)	–	–	–	(1,439)

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Explanatory Notes on the Quarterly Report – 30 June 2019
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A7. Segment Information (continued)

b. Segment assets

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
As at 30 June 2019					
Operating assets	9,295,331	2,572,307	600,580	(479,222)	11,988,996
Joint ventures and associates	2,683,245	249,923	–	(46,614)	2,886,554
Non-current assets held for sale	–	1,950	–	–	1,950
	11,978,576	2,824,180	600,580	(525,836)	14,877,500
Tax assets					607,886
Total assets					15,485,386
As at 31 December 2018					
Operating assets	9,267,748	2,661,718	594,169	(748,760)	11,774,875
Joint ventures and associates	2,526,873	234,253	–	(46,614)	2,714,512
Non-current assets held for sale	–	1,950	77,569	–	79,519
	11,794,621	2,897,921	671,738	(795,374)	14,568,906
Tax assets					547,451
Total assets					15,116,357

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A8. Revenue

	Six (6) months ended	
	30 June	
	2019	2018
Revenue comprise the following:		
Revenue from contracts with customers	1,415,494	1,155,570
Revenue from rental income	25,535	21,297
	<u>1,441,029</u>	<u>1,176,867</u>
Disaggregation of the Group's revenue from contracts with customers:		
Geographical market		
- Malaysia	1,410,637	1,132,265
- Australia	4,391	19,037
- Vietnam	420	3,402
- Singapore	46	866
	<u>1,415,494</u>	<u>1,155,570</u>
Timing of revenue recognition		
- at point in time	452,875	269,632
- over time	962,619	885,938
	<u>1,415,494</u>	<u>1,155,570</u>

A9. Capital Commitments

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

	As at	As at
	30 June 2019	31 December 2018
Contracted		
- property, plant and equipment	20,064	17
- investment properties	66,887	122,773
	<u>86,951</u>	<u>122,790</u>
Not contracted		
- property, plant and equipment	5,901	19,377
- investment properties	16,293	-
	<u>109,145</u>	<u>142,167</u>

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 June 2019 is estimated up to GBP144.0 million (equivalent to RM758.0 million) (31 December 2018: GBP144.0 million, equivalent to RM759.0 million).

The Board of Directors has also authorised the subscription of shares in Sime Darby MIT Development Sdn Bhd in proportion to the Group's shareholding in the joint venture. As at 30 June 2019, the limit of equity injection authorised is RM70.0 million (31 December 2018: RM86.7 million).

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A10. Significant Related Party Transactions

Significant related party transactions during the six (6) months ended 30 June 2019 are as follows:

	Six (6) months ended 30 June	
	2019	2018
a. Transactions between subsidiaries and their owners of non-controlling interests		
Turnkey works rendered by Brunfield Engineering Sdn Bhd to Sime Darby Brunfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	<u>(34,213)</u>	<u>(71,022)</u>

b. Transactions with shareholders and Government

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad ("ASNB"), together own 57% as at 30 June 2019 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 control over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government-related entities) are related parties of the Group and the Company.

Transactions entered by the Group and the Company with shareholders and related parties include purchase of raw materials, placement of bank deposits and use of public utilities and amenities. All the transactions entered by the Group and the Company with the related parties are conducted in the ordinary course of the Group's and the Company's businesses on negotiated terms or terms comparable to those with other entities that are not related. The significant transactions with related parties are as follows:

	Six (6) months ended 30 June	
	2019	2018
<u>Yayasan Sime Darby</u>		
Contribution paid to Yayasan Sime Darby	(10,000)	(10,000)
<u>Sime Darby Berhad group</u>		
Annual branding royalty fee	–	(2,000)
<u>Sime Darby Plantation Berhad group</u>		
Rental income	3,029	5,142
c. Transactions with Directors and their family member and key management personnel		
Sale of properties to:		
- Directors and their close family members	1,729	1,490
- key management personnel	<u>2,733</u>	<u>–</u>

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A11. Material Events Subsequent to the End of the Financial Period

Save for the following, there was no material event subsequent to the end of the current quarter under review to 21 August 2019, being a date not earlier than 7 days from the date of issue of the quarterly report.

A12. Effect of Significant Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the financial period ended 30 June 2019.

A13. Contingent Liabilities – unsecured

	As at 30 June 2019	As at 31 December 2018
Claims pending against the Group	<u>90,842</u>	<u>79,842</u>

A14. Financial Instruments

The carrying amounts of financial instruments measured at amortised cost approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair values of financial instruments measured at Fair Value through Other Comprehensive Income (“FVOCI”) and Fair Value Through Profit or Loss (“FVTPL”) are as follows:

	As at 30 June 2019	As at 31 December 2018
Investments:		
- quoted shares	2,451	2,328
- unquoted shares	<u>56,911</u>	<u>56,911</u>
	<u>59,362</u>	<u>59,239</u>

The quoted shares are measured at FVTPL at Level 1 of the fair value hierarchy, based on quoted prices of the shares in active markets. Unquoted shares are measured at FVOCI at Level 3 of the fair value hierarchy. The fair values of the unquoted shares are determined using valuation technique based on inputs other than quoted prices.

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

B1. Review of Group Performance

	Six (6) months ended		%
	30 June		
	2019	2018	+ / (-)
Revenue	<u>1,441,029</u>	<u>1,176,867</u>	22.4
Segment results:			
Property development	248,555	48,724	410.1
Property investment	8,358	37,320	(77.6)
Leisure and hospitality	<u>(8,607)</u>	<u>(13,410)</u>	35.8
	<u>248,306</u>	<u>72,634</u>	241.9
Other gains	<u>180,332</u>	<u>10,070</u>	
Profit before interest and tax	<u>428,638</u>	82,704	418.3
Finance income	60,416	65,049	
Finance costs	<u>(8,116)</u>	<u>(30,946)</u>	
Profit before tax ("PBT")	<u>480,938</u>	116,807	311.7
Tax (expense)/credit	<u>(14,620)</u>	3,471	
Profit after tax	<u>466,318</u>	120,278	287.7
Non-controlling interests	<u>4,016</u>	<u>(40,039)</u>	
Profit attributable to owners of the Company ("PATAMI")	<u>470,334</u>	<u>80,239</u>	486.2

Revenue for the six (6) months ended 30 June 2019 increased by 22.4% or RM264.2 million whilst the PBT and PATAMI surged by 311.7% and 486.2% to RM480.9 million and RM470.3 million respectively as compared to the corresponding period of the previous year. The results of the Group were boosted by higher contribution from property development segment and one-off gains.

The one-off gains were derived from disposal of properties in Singapore amounting to RM208.8 million, which offset with additional provision of RM28.5 million on disposal obligations in relation to a property disposed in financial year 2017. Other gains in the previous year comprised mainly the disposal gain on investment properties in the United Kingdom of RM9.4 million.

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

a) Property development

Property development segment has shown a remarkable performance. Its contribution increased significantly by 410.1% or RM199.8 million as compared to the corresponding period of the previous year. Current year's results included gain on non-strategic land sale in Bukit Selarong, Kedah of RM81.1 million, which offset with provision and write-off of property development expenditure totalling RM30.1 million. The previous year's results included reversal of write-down of inventories of RM39.6 million in relation to the Group's project in Gold Coast, Australia.

Excluding these one-off, the current year performance registered a marked improvement of 1,848.4% contributed mainly by higher sales and development activities in Bandar Ainsdale, Bandar Bukit Raja, Bukit Jelutong, City of Elmina, Nilai Utama, Serenia City and Cantara Residences in Ara Damansara partially offset by lower contribution from Bandar Universiti Pagoh township.

The Group's share of losses from joint ventures and associates of RM12.0 million is significantly lower than RM25.2 million in the corresponding period a year ago. The improvement in results were mainly attributable to the lower share of losses from Battersea and Sime Darby Sunrise joint ventures. The higher loss in the previous year was mainly due to share of RM12.0 million impairment losses in Sime Darby Sunrise.

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B1. Review of Group Performance (continued)

b) Property investment

Property investment segment registered lower profit of RM8.4 million as compared to RM37.3 million in the corresponding period of the previous year. Previous year's result included contribution from supply of teaching equipment of RM29.6 million from concession arrangement.

The Group's share of result in Sime Darby CapitaLand (Melawati Mall) Sdn Bhd has improved to a profit of RM1.5 million from loss of RM0.1 million a year ago. The mall recorded higher occupancy rate of 86% as compared to the corresponding quarter of the previous year of 79%.

c) Leisure and hospitality

Leisure and hospitality recorded lower loss of RM8.6 million as compared to RM13.4 million in the corresponding period of the previous year. The improvement was due mainly to higher revenue recorded by TPC, Kuala Lumpur.

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

	Quarter ended		%
	30 June 2019	31 March 2019	+/(–)
Revenue	865,897	575,132	50.6
Segment results:			
Property development	176,790	71,765	146.3
Property investment	1,766	6,592	(73.2)
Leisure and hospitality	(3,836)	(4,771)	19.6
	174,720	73,586	137.4
Other (losses)/gains	(24,072)	204,404	
Profit before interest and tax	150,648	277,990	(45.8)
Finance income	30,192	30,224	
Finance costs	(1,382)	(6,734)	
Profit before tax (“PBT”)	179,458	301,480	(40.5)
Tax (expense)/credit	12,538	(27,158)	
Profit after tax	191,996	274,322	(30.0)
Non-controlling interests	13,263	(9,247)	
Profit attributable to owners of the Company (“PATAMI”)	205,259	265,075	(22.6)

Group revenue for the current quarter was 50.6% higher than the preceding quarter. However, the PBT and PATAMI of the Group for the current quarter was lower by 40.5% and 22.6% respectively. Results in the preceding quarter included disposal gain of Darby Park Executive Suites in Singapore of RM203.4 million whilst in current quarter, the result was impacted by the additional provision of RM28.5 million for disposal obligations in relation to a property disposed in financial year 2017.

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

a) Property development

Contribution from property development improved significantly by 146.3% to RM176.8 million as compared to the preceding quarter of RM71.8 million.

The strong operating performance recorded in the quarter under review compared to the preceding quarter is due mainly to higher sales and development activities achieved in Bandar Ainsdale, Bandar Bukit Raja, City of Elmina, Nilai Impian/Utama and Bukit Jelutong partially offset by lower contribution by Serenia City township. The results further enhanced with the gain on non-strategic land sale in Bukit Selarong, Kedah amounting to RM81.1 million.

For the quarter under review, the share of losses from Battersea was RM8.3 million as compared to a loss of RM5.6 million in the preceding quarter due to increase in sales and marketing expenses as sales and marketing efforts intensified.

b) Property investment

Property investment segment registered a lower profit of RM1.8 million as compared to RM6.6 million in the preceding quarter, due largely to lower contribution from facility and asset management services.

c) Leisure and hospitality

Leisure and hospitality recorded a lower loss of RM3.8 million as compared to RM4.8 million in the preceding quarter. The improved results were attributable mainly to better contribution achieved by TPC, Kuala Lumpur.

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B3. Prospects for the current financial year

The Malaysian economy is on track to achieve its Gross Domestic Product (GDP) growth target of 4.3% to 4.8% for 2019 after the economy recorded a stronger growth of 4.9% in the second quarter (1Q 2019: 4.5%), supported by stronger expansion in household spending and improvement in private investment.

During the period under review, the Company leveraged on the ongoing nationwide Home Ownership Campaign (HOC) which has been extended to 31 December 2019, to strategically launch a total of 2,082 units with a combined gross development value (GDV) of RM1.2 billion. The sales achieved for the First Half of FY2019 of RM1.4 billion was well supported by attractive pricing strategies and successful marketing campaigns namely the Primetime 8 and Pop Raya, which resulted in positive sales momentum and take-up rates of new launches and inventories. As at 30 June 2019, the total unbilled sales stood at RM1.5 billion.

Moving forward, the Group's future prospects are underpinned by its continuous commitment to grow core profit, reduce inventories, and maintain its sales momentum. The Group targets to launch new properties from the Affordable Collection (below RM500,000 per unit) and mid-range priced products (RM500,000 to RM800,000 per unit) via the ongoing Spotlight 8 Campaign which runs for eight consecutive weeks from 13 July 2019 to 28 September 2019, where the underlying demand for properties in strategic locations and at the right pricing points remains strong.

The Group is committed to its SHIFT20 transformation plan to expand into the key growth sector of industrial and logistics development to increase its profit and recurring income base. This will focus on build-to-suit and lease assets as well as managed industrial parks in City of Elmina, Bandar Bukit Raja, Serenia City, Malaysia Vision Valley 2.0 and Kota Elmina. On active land bank management, the Group is pursuing monetisation of non-core strategic land to unlock value from its sizeable land bank.

Barring unforeseen circumstances, the Board of Directors of the Company expect the results for the financial year ending 31 December 2019 to be satisfactory.

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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 June		Six (6) months ended 30 June	
	2019	2018	2019	2018
Included in operating profit are:				
Depreciation and amortisation	(15,890)	(12,693)	(29,807)	(24,724)
(Write-down)/ Reversal of write-down of inventories	(2,603)	39,570	(2,603)	38,814
Write-off of property development expenditure (Impairment)/ Reversal of impairment of:	(7,173)	–	(7,173)	–
- contract assets	(1,201)	–	(1,201)	–
- receivables	(420)	(1,598)	(273)	4,158
Bad debts recovered	4,891	–	4,891	–
Write-offs of:				
- property, plant and equipment	–	(2,004)	(109)	(2,082)
- intangible assets	–	2	–	(28)
Included in other gains/ (losses) are:				
Gain on disposal of:				
- property, plant and equipment:				
- land and buildings	5,388	–	208,775	–
- others	9	–	14	7
- investment properties	–	–	–	9,942
Reversal of impairment of property, plant and equipment	–	245	–	1,571
Provision on obligation for an investment property disposed	(28,455)	–	(28,455)	–
Changes in fair value of quoted investments	(122)	–	123	–
Impairment of investments	–	(1,439)	–	(1,439)
Net foreign exchange loss	(892)	(273)	(125)	(11)

B6. Tax Expense

	Quarter ended 30 June		Six (6) months ended 30 June	
	2019	2018	2019	2018
In respect of the current period:				
- current tax	46,571	1,059	76,958	(8,731)
- deferred tax	8,236	4,637	5,015	32,450
	54,807	5,696	81,973	23,719
In respect of prior years:				
- current tax	4,629	(11,168)	10,866	(14,941)
- deferred tax	(71,974)	(12,281)	(78,219)	(12,249)
	(12,538)	(17,753)	14,620	(3,471)

The effective tax rate for the current six (6) months of 3.0% is low compared to the statutory tax rate of 24.0% due to gain on disposal of properties of RM208.8 million is not subject to Singapore tax. In addition, during the quarter under review, the Group recognised a deferred tax asset amounting to RM67.2 million arising from the temporary differences between tax base and accounting base.

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B7. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 21 August 2019.

B8. Group Borrowings

The breakdown of the borrowings as at 30 June 2019 is as follows:

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	477,259	–	477,259
Islamic financing	723,315	–	723,315
Syndicated Islamic financing	734,228	–	734,228
Amounts due to non-controlling interests	–	177,315	177,315
	<u>1,934,802</u>	<u>177,315</u>	<u>2,112,117</u>
<u>Short-term borrowings</u>			
Term loans due within one year	93,684	143,880	237,564
Islamic financing due within one year	50,782	–	50,782
Syndicated Islamic financing	67,721	–	67,721
Revolving credits	–	760,685	760,685
Amounts due to non-controlling interests	–	2,308	2,308
	<u>212,187</u>	<u>906,873</u>	<u>1,119,060</u>
Total borrowings	<u>2,146,989</u>	<u>1,084,188</u>	<u>3,231,177</u>

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

	Secured	Unsecured	Total
Borrowings			
- principal	2,139,435	1,083,123	3,222,558
- interest	7,554	1,065	8,619
Total borrowings	<u>2,146,989</u>	<u>1,084,188</u>	<u>3,231,177</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.

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B9. Material Litigations

Changes in material litigations since the date of the last audited annual statement of financial position up to 21 August 2019 are as follows:

a) 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 approximately RM39.8 million and specific performance arising from SDAD’s alleged 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, which caused the Plaintiffs to suffer loss and damage, including indirect losses (which have not been proven by the Plaintiffs). The dispute was referred to mediation and the parties explored possible settlement proposals. However, the parties did not reach a global settlement.

Trial commenced on 16 April 2018. On 19 March 2019, the Defendant commenced cross examination of the Plaintiff’s expert witness. At the request of the Judge, a joint site inspection was conducted on 20 March 2019. At the case management on 1 April 2019, the Judge allowed the Plaintiffs’ expert witness to adjourn giving evidence. 3 other Plaintiffs’ witnesses consisting of the Plaintiffs’ 2nd and 3rd expert witnesses, and the Plaintiffs’ 1st factual witness concluded their testimonies on 2 and 4 April 2019.

Trial dates fixed on 5 to 8 August 2019 were vacated by the Judge. At the case management on 5 August 2019, the Judge fixed further trial dates on 13, 15, 18, 19 November 2019 and 10 February 2020 to 14 February 2020 in addition to the 26 to 30 August 2019 trial dates.

b) Arbitration between Bumimetro Construction Sdn Bhd (“BCSB”) v Sime Darby Melawati Development Sdn Bhd (“SDMD”)

BCSB (“Claimant”), the main contractor of a development in Melawati, Kuala Lumpur (“Project”) has referred disputes arising from the Project and the construction contract (“Contract”) with SDMD (“Respondent”) to arbitration, pursuant to the Letter of Acceptance/Contract by issuing a notice of arbitration (“Notice”) on 20 September 2018. In the Notice, the Claimant made a claim for specific damages of approximately RM40 million. The Respondent had in its written response to the Notice dated on 22 October 2018 disputed the claims of the Claimant.

The Claimant filed its Statement of Claim on 1 March 2019 while the Respondent filed its Statement of Defence and Counterclaim on 22 April 2019. The Claimant subsequently filed its Reply and Defence to the Counterclaim on 31 May 2019 and the Respondent filed its Reply to the Claimant’s Defence to the Counterclaim on 8 July 2019.

Arbitration proceedings will be held in accordance with the rules of the Asian International Arbitration Centre before a single arbitrator. The hearing will commence on 13 January 2020.

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B10. Dividend

First interim single tier dividend of 1.0 sen per ordinary share in respect of the financial year ending 31 December 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 22 October 2019. The entitlement date for the dividend payment is 30 September 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 pm on 27 September 2019 in respect of shares which are exempted from mandatory deposit;
- (ii) shares transferred into the depositor's securities account before 4.00 pm on 30 September 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.

B11. Earnings Per Share

	Quarter ended 30 June		Six (6) months ended 30 June	
	2019	2018	2019	2018
Basic earnings per share attributable to owners of the Company are computed as follows:				
Profit for the period	<u>205,259</u>	<u>46,570</u>	<u>470,334</u>	<u>80,239</u>
Number of ordinary shares in issue (thousand)	<u>6,800,839</u>	<u>6,800,839</u>	<u>6,800,839</u>	<u>6,800,839</u>
Basic earnings per share (sen)	<u>3.0</u>	<u>0.7</u>	<u>6.9</u>	<u>1.2</u>

The basic and diluted earnings per share are the same as there is no potential ordinary shares in issue as at the end of the financial period.

Selangor Darul Ehsan
28 August 2019

By Order of the Board
Moriame binti Mohd
Company Secretary