

QUARTERLY REPORT

On the consolidated results for the third quarter ended 30 September 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 September		%	Nine (9) months ended 30 September		%
		2019	2018	+ / (-)	2019	2018	+ / (-)
Revenue	A8	850,033	480,337	77.0	2,291,062	1,657,204	38.2
Cost of sales		(675,055)	(375,554)		(1,706,826)	(1,311,416)	
Gross profit		174,978	104,783	67.0	584,236	345,788	69.0
Other income		4,049	3,009		9,055	18,626	
Selling and marketing expenses		(33,728)	(17,124)		(81,170)	(76,163)	
Administrative expenses		(76,780)	(50,612)		(183,906)	(153,479)	
Operating profit		68,519	40,056		328,215	134,772	
Share of results of joint ventures		(23,288)	(4,835)		(33,520)	(26,904)	
Share of results of associates		353	882		(805)	869	
Other (losses)/gains		(27,515)	2,848		152,817	12,918	
Profit before interest and tax	A7	18,069	38,951	(53.6)	446,707	121,655	267.2
Finance income		30,143	29,788		90,559	94,837	
Finance costs		(7,114)	(15,741)		(15,230)	(46,687)	
Profit before tax		41,098	52,998	(22.5)	522,036	169,805	207.4
Tax expense	B6	(25,690)	(17,108)		(40,310)	(13,637)	
Profit for the period		15,408	35,890	(57.1)	481,726	156,168	208.5
Attributable to:							
- owners of the Company		25,242	28,799	(12.4)	495,576	109,038	354.5
- non-controlling interests		(9,834)	7,091		(13,850)	47,130	
Profit for the period		15,408	35,890	(57.1)	481,726	156,168	208.5
Basic earnings per share attributable to owners of the Company (sen)	B11	0.4	0.4	(12.4)	7.3	1.6	354.5

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 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			Nine (9) months ended		
	30 September	2018	%	30 September	2018	%
	2019		+ / (-)	2019		+ / (-)
Profit for the period	15,408	35,890	(57.1)	481,726	156,168	208.5
Other comprehensive (loss)/income						
Items which will subsequently be reclassified to profit or loss (net of tax):						
Currency translation differences	(66,170)	66,097		(71,525)	(13,928)	
Net changes in fair value of investments	(420)	15,371		(420)	12,983	
Share of other comprehensive income of an associate	33	952		359	3,181	
Other comprehensive (loss)/income for the period	(66,557)	82,420		(71,586)	2,236	
Total comprehensive (loss)/income for the period	(51,149)	118,310	(143.2)	410,140	158,404	158.9
Attributable to:						
- owners of the Company	(40,310)	110,839	(136.4)	425,514	113,882	273.6
- non-controlling interest	(10,839)	7,471		(15,374)	44,522	
Total comprehensive (loss)/income for the period	(51,149)	118,310	(143.2)	410,140	158,404	158.9

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 September 2019	Audited As at 31 December 2018
<u>Non-current assets</u>			
Property, plant and equipment		644,191	640,445
Investment properties		748,986	644,206
Inventories (note 1)		2,004,763	2,127,594
Joint ventures		2,653,358	2,574,020
Associates		140,789	140,492
Investments		58,696	59,239
Intangible assets		3,503	3,454
Deferred tax assets		545,208	487,225
Receivables		74,375	88,000
Contract assets		1,327,267	1,409,083
		<u>8,201,136</u>	<u>8,173,758</u>
<u>Current assets</u>			
Inventories (note 1)		4,632,685	4,625,027
Receivables		766,671	736,579
Contract assets		1,176,558	773,602
Prepayment		24,246	18,556
Tax recoverable		36,619	60,226
Cash held under Housing Development Accounts		388,870	343,518
Bank balances, deposits and cash		203,830	305,572
		<u>7,229,479</u>	<u>6,863,080</u>
Assets held for sale (note 2)		<u>1,950</u>	<u>79,519</u>
Total assets	A7	<u><u>15,432,565</u></u>	<u><u>15,116,357</u></u>
<u>Equity</u>			
Share capital		6,800,839	6,800,839
Fair value reserve		38,002	38,063
Exchange reserve		(133,045)	(63,044)
Retained profits		2,793,220	2,433,661
Attributable to owners of the Company		<u>9,499,016</u>	<u>9,209,519</u>
Non-controlling interests		221,507	236,881
Total equity		<u>9,720,523</u>	<u>9,446,400</u>
<u>Non-current liabilities</u>			
Borrowings	B8	2,111,260	1,925,221
Contract liabilities		252,327	256,231
Deferred tax liabilities		160,425	170,175
Lease liabilities		80,618	-
		<u>2,604,630</u>	<u>2,351,627</u>
<u>Current liabilities</u>			
Payables		1,393,978	1,390,175
Borrowings	B8	1,089,156	1,347,816
Provisions		174,276	108,823
Lease liabilities		14,842	-
Contract liabilities		191,444	210,532
Tax provision		175,708	260,984
Dividend payable		68,008	-
		<u>3,107,412</u>	<u>3,318,330</u>
Total liabilities		<u>5,712,042</u>	<u>5,669,957</u>
Total equity and liabilities		<u><u>15,432,565</u></u>	<u><u>15,116,357</u></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 2019	Audited As at 31 December 2018
Net assets per share attributable to owners of the Company (RM)	<u>1.40</u>	<u>1.35</u>

Note:

1. Inventories

Completed development units	622,405	871,281
On-going development:		
Launched	1,215,445	1,248,047
Not yet launched	2,793,261	2,504,136
Others	1,574	1,563
	<u>4,632,685</u>	<u>4,625,027</u>
Not within normal operating cycle	2,004,763	2,127,594
	<u>6,637,448</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 September 2019 were in relation to two bungalows in Penang. The sale and purchase agreement for the two bungalows was signed on 19 December 2018, and completed after the reporting period on 9 October 2019.

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
Nine (9) months ended 30 September 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 (loss)/income for the period	–	(61)	(70,001)	495,576	425,514	(15,374)	410,140
Transaction with owners:							
- dividends paid/payable	–	–	–	(136,017)	(136,017)	–	(136,017)
At 30 September 2019	6,800,839	38,002	(133,045)	2,793,220	9,499,016	221,507	9,720,523
Nine (9) months ended 30 September 2018							
At 1 January 2018	6,800,839	16,035	25,256	3,025,431	9,867,561	220,902	10,088,463
Effect of the adoption of MFRS 9 on 1 July 2018	–	–	–	(12,722)	(12,722)	–	(12,722)
Total comprehensive income/(loss) for the period	–	16,164	(11,320)	109,038	113,882	44,522	158,404
Transaction with owners:							
- dividends paid/payable	–	–	–	(340,042)	(340,042)	(27,116)	(367,158)
At 30 September 2018	6,800,839	32,199	13,936	2,781,705	9,628,679	238,308	9,866,987

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 period ended 31 December 2018.

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

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

	Nine (9) months ended	
	30 September	
	2019	2018
Cash flow from operating activities		
Profit for the period	481,726	156,168
Adjustments for:		
Share of results of joint ventures and associates	34,325	26,035
Depreciation and amortisation	44,478	36,353
Write-down/(reversal of write-down) of inventories	26,395	(38,814)
Write-off of property development expenditure	9,723	-
Net impairment/(reversal) of impairment	17,375	(6,215)
Bad debts recovered	(5,016)	-
Write-offs of:		
- property, plant and equipment	109	2,096
- intangible assets	-	28
Gain on disposal	(208,800)	(12,592)
Changes in fair value/impairment of quoted investments	123	1,439
Provisions	84,178	8,539
Finance income	(90,559)	(94,837)
Finance costs	15,230	46,687
Tax expense	40,310	13,637
	449,597	138,524
Changes in working capital:		
- inventories	189,086	(192,490)
- trade, other receivables and prepayments	42,352	81,611
- contract assets and contract liabilities	(345,331)	189,560
- trade, other payables and provisions	(5,782)	(244,663)
Cash from/(used in) operations	329,922	(27,458)
Tax paid	(169,172)	(123,911)
Dividends received from a joint venture	7,959	1,754
Net cash from/(used in) operating activities	168,709	(149,615)
Cash flow from investing activities		
Finance income received	10,276	17,749
Proceeds from sale of:		
- property, plant and equipment	291,319	240
- investment properties	-	61,422
Purchase/addition of:		
- property, plant and equipment	(6,278)	(17,957)
- investment properties	(51,863)	(106,033)
- intangible assets	(1,240)	(337)
Subscription of shares in joint ventures	(187,026)	(402,926)
Advances to an associate	-	(7,878)
Net cash from/(used in) investing activities	55,188	(455,720)
Cash flow from financing activities		
Finance costs paid	(132,192)	(92,670)
Borrowings raised	334,989	540,844
Repayments of long-term borrowings	(281,182)	(312,824)
Revolving credits (net)	(120,000)	313,250
Repayments of lease liabilities	(13,875)	-
Dividends paid on ordinary shares	(68,008)	(136,017)
Dividends paid to non-controlling interests	-	(27,116)
Net cash (used in)/from financing activities	(280,268)	285,467

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

	Nine (9) months ended	
	30 September	
	2019	2018
Net changes in cash and cash equivalents	(56,371)	(319,868)
Foreign exchange differences	(19)	(5,518)
Cash and cash equivalents at beginning of the period	649,090	1,035,931
Cash and cash equivalents at end of the period	592,700	710,545
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:		
Cash held under Housing Development Accounts	388,870	448,797
Bank balances, deposits and cash	203,830	261,748
	592,700	710,545

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.

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Explanatory Notes on the Quarterly Report – 30 September 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 September 2019
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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 September 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 RM42.3 million into property development expenditure.

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Explanatory Notes on the Quarterly Report – 30 September 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 September 2019.

A6. Dividend Paid

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

A first interim single tier dividend of 1.0 sen per ordinary share in respect of financial year ending 31 December 2019 amounting to RM68.0 million was paid on 22 October 2019.

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Explanatory Notes on the Quarterly Report – 30 September 2019
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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
Nine (9) months ended 30 September 2019					
Revenue:					
External	2,168,103	53,891	69,068	–	2,291,062
Inter-segment	212	7,460	2,617	(10,289)	–
	<u>2,168,315</u>	<u>61,351</u>	<u>71,685</u>	<u>(10,289)</u>	<u>2,291,062</u>
Cost of sales	(1,623,109)	(40,342)	(46,123)	2,748	(1,706,826)
Gross profit	<u>545,206</u>	<u>21,009</u>	<u>25,562</u>	<u>(7,541)</u>	<u>584,236</u>
Other income	7,854	907	294	–	9,055
Selling and marketing expenses	(77,291)	(3,018)	(861)	–	(81,170)
Administrative expenses	(140,488)	(11,075)	(39,884)	7,541	(183,906)
Operating profit/(loss)	<u>335,281</u>	<u>7,823</u>	<u>(14,889)</u>	<u>–</u>	<u>328,215</u>
Share of results of joint ventures and associates	(35,372)	1,047	–	–	(34,325)
Segment results	<u>299,909</u>	<u>8,870</u>	<u>(14,889)</u>	<u>–</u>	<u>293,890</u>
Other (losses)/gains	(267)	(55,587)	208,671	–	152,817
Profit/(loss) before interest and tax	<u>299,642</u>	<u>(46,717)</u>	<u>193,782</u>	<u>–</u>	<u>446,707</u>

Included in other gains/(losses) are:

Gain on disposal of property, plant and equipment	–	–	208,800	–	208,800
Provision on obligation for an investment property disposed	–	(55,778)	–	–	(55,778)
Changes in fair value of quoted investments	(123)	–	–	–	(123)

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

a. Segment results (continued)

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
Nine (9) months ended 30 September 2018					
Revenue:					
External	1,460,947	123,904	72,353	–	1,657,204
Inter-segment	290	7,559	183	(8,032)	–
	<u>1,461,237</u>	<u>131,463</u>	<u>72,536</u>	<u>(8,032)</u>	<u>1,657,204</u>
Cost of sales	(1,181,065)	(81,546)	(49,554)	749	(1,311,416)
Gross profit	280,172	49,917	22,982	(7,283)	345,788
Other income	15,806	2,289	577	(46)	18,626
Selling and marketing expenses	(75,028)	(127)	(1,008)	–	(76,163)
Administrative expenses	(106,708)	(8,302)	(45,798)	7,329	(153,479)
Operating profit/(loss)	114,242	43,777	(23,247)	–	134,772
Share of results of joint ventures and associates	(29,211)	3,176	–	–	(26,035)
Segment results	85,031	46,953	(23,247)	–	108,737
Other (losses)/gains	(796)	12,145	1,569	–	12,918
Profit/(loss) before interest and tax	84,235	59,098	(21,678)	–	121,655
Included in other gains/(losses) are:					
Gain on disposal of:					
- property, plant and equipment	1	7	–	–	8
- investment properties	536	12,048	–	–	12,584
Reversal of impairment/ (impairment) of:					
- property, plant and equipment	–	–	1,571	–	1,571
- investments	(1,439)	–	–	–	(1,439)

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A7. Segment Information (continued)

b. Segment assets

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
As at 30 September 2019					
Operating assets	9,354,265	2,584,022	595,168	(478,814)	12,054,641
Joint ventures and associates	2,597,682	243,079	–	(46,614)	2,794,147
Non-current assets held for sale	–	1,950	–	–	1,950
	<u>11,951,947</u>	<u>2,829,051</u>	<u>595,168</u>	<u>(525,428)</u>	<u>14,850,738</u>
Tax assets					581,827
Total assets					<u>15,432,565</u>
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
	<u>11,794,621</u>	<u>2,897,921</u>	<u>671,738</u>	<u>(795,374)</u>	<u>14,568,906</u>
Tax assets					547,451
Total assets					<u>15,116,357</u>

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A8. Revenue

	Nine (9) months ended 30 September	
	2019	2018
Revenue comprise the following:		
Revenue from contracts with customers	2,253,144	1,620,430
Revenue from rental income	37,918	36,774
	<u>2,291,062</u>	<u>1,657,204</u>
Disaggregation of the Group's revenue from contracts with customers:		
Geographical market		
- Malaysia	2,246,041	1,570,978
- Australia	6,355	43,651
- Vietnam	703	1,172
- Singapore	45	4,629
	<u>2,253,144</u>	<u>1,620,430</u>
Timing of revenue recognition		
- at point in time	630,809	360,496
- over time	1,622,335	1,259,934
	<u>2,253,144</u>	<u>1,620,430</u>

A9. Capital Commitments

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

	As at 30 September 2019	As at 31 December 2018
Contracted		
- property, plant and equipment	14,939	17
- investment properties	59,467	122,773
	<u>74,406</u>	<u>122,790</u>
Not contracted		
- property, plant and equipment	17,401	19,377
- investment properties	16,281	-
	<u>108,088</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 September 2019 is estimated up to GBP140.0 million (equivalent to RM720.3 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 September 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 nine (9) months ended 30 September 2019 are as follows:

	Nine (9) months ended 30 September	
	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>(54,111)</u>	<u>(92,724)</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 September 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:

	Nine (9) months ended 30 September	
	2019	2018
<u>Yayasan Sime Darby</u>		
Contribution paid to Yayasan Sime Darby	(20,000)	(10,000)
<u>Sime Darby Berhad group</u>		
Annual branding royalty fee	–	(2,000)
<u>Sime Darby Plantation Berhad group</u>		
Rental income	4,463	6,839
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

There was no material event subsequent to the end of the current quarter under review to 20 November 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 September 2019.

A13. Contingent Liabilities – unsecured

	As at 30 September 2019	As at 31 December 2018
Claims pending against the Group	<u>84,250</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 September 2019	As at 31 December 2018
Investments:		
- quoted shares	2,205	2,328
- unquoted shares	<u>56,491</u>	<u>56,911</u>
	<u>58,696</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

	Nine (9) months ended		
	30 September		
	2019	2018	% +/(–)
Revenue	<u>2,291,062</u>	<u>1,657,204</u>	38.2
Segment results:			
Property development	299,909	85,031	252.7
Property investment	8,870	46,953	(81.1)
Leisure and hospitality	<u>(14,889)</u>	<u>(23,247)</u>	36.0
	293,890	108,737	170.3
Other gains	<u>152,817</u>	<u>12,918</u>	
Profit before interest and tax	446,707	121,655	267.2
Finance income	90,559	94,837	
Finance costs	<u>(15,230)</u>	<u>(46,687)</u>	
Profit before tax (“PBT”)	522,036	169,805	207.4
Tax expense	<u>(40,310)</u>	<u>(13,637)</u>	
Profit after tax	481,726	156,168	208.5
Non-controlling interests	<u>13,850</u>	<u>(47,130)</u>	
Profit attributable to owners of the Company (“PATAMI”)	<u>495,576</u>	<u>109,038</u>	354.5

Revenue for the nine (9) months ended 30 September 2019 improved by 38.2% or RM633.9 million whilst the PBT and PATAMI surged by 207.4% and 354.5% to RM522.0 million and RM495.6 million respectively as compared to the corresponding period of the previous year. The improvement in the results of the Group were boosted by higher contribution from property development segment and one-off gains.

The one-off gains mainly derived from disposal of properties in Singapore amounting to RM208.8 million, which offset with additional provision of RM55.8 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 RM12.0 million.

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

a) Property development

Property development segment registered a significant improvement in performance with 252.7% or RM214.9 million increased in contribution 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 and compulsory land acquisitions of RM81.1 million and RM27.0 million respectively, offset with provision and impairment totalling RM70.0 million. The previous year’s results included gain on land sale of RM3.3 million, reversal of write-down of inventories of RM39.6 million in relation to the Group’s project in Gold Coast, Australia, and other provision totalling RM15.8 million.

Excluding these one-off, the 352.2% increased in current year performance was contributed mainly by higher sales and development activities in Denai Alam, City of Elmina, Bandar Bukit Raja, 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 increased to RM35.4 million as compared to RM29.2 million in the corresponding period a year ago. This was due mainly to higher marketing expenses incurred by Battersea and lower share of profit from PJ Midtown. Losses in the previous year include share of RM12.0 million impairment losses in Sime Darby Sunrise joint venture.

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B1. Review of Group Performance (continued)

b) Property investment

Property investment segment registered lower profit of RM8.9 million as compared to RM47.0 million in the corresponding period of the previous year. The strong performance in the previous year's corresponding period was due mainly to contribution of supply of teaching equipment of RM29.6 million from concession arrangement and contribution from commencement of tenancy of an investment property of RM7.0 million.

The Group's share of result in Sime Darby CapitaLand (Melawati Mall) Sdn Bhd has improved to a profit of RM1.1 million from loss of RM1.2 million a year ago. The mall recorded higher occupancy rate of 86% as compared to the corresponding period of the previous year of 80%.

c) Leisure and hospitality

Leisure and hospitality recorded lower loss of RM14.9 million as compared to RM23.2 million in the corresponding period of the previous year. The improvement was due mainly to better revenue contribution recorded by TPC, Kuala Lumpur, with the reopening of West Course which was closed for renovation works during the previous year.

The improvement was also due to the divestment of the loss making overseas hospitality assets in the previous year.

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

	Quarter ended 30 September 2019	Quarter ended 30 June 2019	% +/(–)
Revenue	<u>850,033</u>	<u>865,897</u>	(1.8)
Segment results:			
Property development	51,354	176,790	(71.0)
Property investment	512	1,766	(71.0)
Leisure and hospitality	<u>(6,282)</u>	<u>(3,836)</u>	(63.8)
	<u>45,584</u>	174,720	(73.9)
Other losses	<u>(27,515)</u>	<u>(24,072)</u>	
Profit before interest and tax	<u>18,069</u>	150,648	(88.0)
Finance income	<u>30,143</u>	30,192	
Finance costs	<u>(7,114)</u>	<u>(1,382)</u>	
Profit before tax (“PBT”)	<u>41,098</u>	179,458	(77.1)
Tax (expense)/credit	<u>(25,690)</u>	<u>12,538</u>	
Profit after tax	<u>15,408</u>	191,996	(92.0)
Non-controlling interests	<u>9,834</u>	<u>13,263</u>	
Profit attributable to owners of the Company (“PATAMI”)	<u><u>25,242</u></u>	<u><u>205,259</u></u>	(87.7)

Group revenue for the current quarter was 1.8% lower than the preceding quarter. PBT and PATAMI of the Group for the current quarter are lower by 77.1% and 87.7% respectively.

Results in the current and preceding quarter were impacted by additional provision for disposal obligations in relation to a property disposed in financial year 2017 of RM27.3 million and RM28.5 million respectively.

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

a) Property development

Contribution from property development declined by 71.0% to RM51.4 million as compared to the preceding quarter of RM176.8 million. The preceding quarter performance was boosted by land sale totalling RM147.0 million. Excluding these land sale, the current quarter results decreased by RM5.4 million or 18.2% against the prior quarter.

The operational performance in the current quarter was attributed by higher sales and development activities in Denai Alam, City of Elmina, Nilai Impian/Utama and Serenia City townships. However, the performance was impacted by impairment of receivable and unsold inventories of RM13.6 million and RM23.8 million respectively whilst in preceding quarter RM30.1 million was recorded in relation to provision and write off of property development expenditure.

The share of losses from Battersea was higher at RM21.5 million as compared to a loss of RM8.3 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 lower profit of RM0.5 million as compared to RM1.8 million in the preceding quarter mainly due to an impairment of receivable of RM2.6 million in the current quarter.

c) Leisure and hospitality

Leisure and hospitality incurred loss of RM6.3 million as compared to RM3.8 million in the preceding quarter. The higher loss recorded in the current quarter was due mainly to lower revenue registered by the leisure operating units.

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B3. Prospects for the current financial year

During the period under review, the Group launched a total of 2,320 units with a combined gross development value (GDV) of RM1.4 billion. The government's Home Ownership Campaign, which was extended until end of the year, played a significant role in supporting the industry. A series of successful marketing campaigns have yielded positive sales of new launches, on-going projects and completed inventories amounting to RM2.3 billion. As at 30 September 2019, total unbilled sales stood at RM1.6 billion.

The Group remains steadfast in our commitment to grow the core business segments and reduce inventories. Our Group's focus remains on affordable properties priced below RM500,000 and mid-range products priced between RM500,000 to RM800,000 per unit where demand remains strong.

The Group is also on track to expand into the growing industrial and logistics development segment. This includes build-to-suit, lease assets and managed industrial parks in City of Elmina and Bandar Bukit Raja.

The Board of Directors of the Company expects its results for the financial year ending 31 December 2019 to be satisfactory, barring unforeseen circumstances.

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		Nine (9) months ended 30 September	
	2019	2018	2019	2018
Included in operating profit are:				
Depreciation and amortisation	(14,671)	(11,629)	(44,478)	(36,353)
(Write-down)/ Reversal of write-down of inventories	(23,792)	–	(26,395)	38,814
Write-off of property development expenditure (Impairment)/ Reversal of impairment of:	(2,550)	–	(9,723)	–
- contract assets	–	–	(1,201)	–
- receivables	(15,901)	486	(16,174)	4,644
Bad debts recovered	125	–	5,016	–
Write-offs of:				
- property, plant and equipment	–	(14)	(109)	(2,096)
- intangible assets	–	–	–	(28)
Included in other gains/ (losses) are:				
Gain on disposal of:				
- property, plant and equipment:				
- land and buildings	–	–	208,775	–
- others	11	1	25	8
- investment properties	–	2,642	–	12,584
Reversal of impairment of property, plant and equipment	–	–	–	1,571
Provision on obligation for an investment property disposed	(27,323)	–	(55,778)	–
Changes in fair value of quoted investments	(246)	–	(123)	–
Impairment of investments	–	–	–	(1,439)
Net foreign exchange loss	43	205	(82)	194

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B6. Tax Expense

	Quarter ended 30 September		Nine (9) months ended 30 September	
	2019	2018	2019	2018
In respect of the current period:				
- current tax	32,644	19,654	109,602	10,923
- deferred tax	9,172	(3,648)	14,187	28,802
	<u>41,816</u>	<u>16,006</u>	<u>123,789</u>	<u>39,725</u>
In respect of prior years:				
- current tax	(12,605)	–	(1,739)	(14,941)
- deferred tax	(3,521)	1,102	(81,740)	(11,147)
	<u>25,690</u>	<u>17,108</u>	<u>40,310</u>	<u>13,637</u>

The effective tax rate for the current quarter ended 30 September 2019 of 40.1% is high compared to the statutory tax rate of 24% due to certain expenses are not tax deductible and losses incurred by certain subsidiaries where deferred tax asset is not recognised. The effective tax rate for the nine (9) months ended 30 September 2019 of 7.2% is low due to gain on disposal of properties of RM208.8 million is not subject to Singapore tax and the over provision of tax in prior years.

B7. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 20 November 2019.

B8. Group Borrowings

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

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	474,185	–	474,185
Islamic financing	709,381	–	709,381
Syndicated Islamic financing	734,228	–	734,228
Amounts due to non-controlling interests	–	193,466	193,466
	<u>1,917,794</u>	<u>193,466</u>	<u>2,111,260</u>
<u>Short-term borrowings</u>			
Term loans due within one year	88,734	49,137	137,871
Islamic financing due within one year	61,993	–	61,993
Syndicated Islamic financing	67,721	–	67,721
Revolving credits	–	820,960	820,960
Amounts due to non-controlling interests	–	611	611
	<u>218,448</u>	<u>870,708</u>	<u>1,089,156</u>
Total borrowings	<u>2,136,242</u>	<u>1,064,174</u>	<u>3,200,416</u>

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

	Secured	Unsecured	Total
Borrowings			
- principal	2,126,303	1,062,466	3,188,769
- interest	9,939	1,708	11,647
Total borrowings	<u>2,136,242</u>	<u>1,064,174</u>	<u>3,200,416</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 20 November 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.

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.

On 14 August 2019, the Deputy Registrar vacated the August trial dates given that the presiding Judge had been elevated as a Court of Appeal Judge but maintained the rest of the 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

No dividend has been declared for the current quarter under review.

B11. Earnings Per Share

	Quarter ended 30 September		Nine (9) months ended 30 September	
	2019	2018	2019	2018
Basic earnings per share attributable to owners of the Company are computed as follows:				
Profit for the period	<u>25,242</u>	<u>28,799</u>	<u>495,576</u>	<u>109,038</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>0.4</u>	<u>0.4</u>	<u>7.3</u>	<u>1.6</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
27 November 2019

By Order of the Board
Moriama binti Mohd
Group Secretary