

QUARTERLY REPORT

On the consolidated results for the second quarter ended 30 June 2020

The Directors hereby announce the following:

Unaudited Condensed Consolidated Statement of Profit or Loss Amounts in RM thousand unless otherwise stated

		Quarter ended			Six (6) months ended		
	Note	30 June	30 June	%	30 June	30 June	%
		2020	2019	+ / (-)	2020	2019	+ / (-)
Revenue	A8	288,225	865,897	(66.7)	764,962	1,441,029	(46.9)
Cost of sales		(319,637)	(591,650)		(720,013)	(1,031,771)	
Gross (loss)/profit		(31,412)	274,247	(111.5)	44,949	409,258	(89.0)
Other income		2,416	3,142		6,412	5,006	
Selling and marketing expenses		(13,801)	(30,021)		(29,393)	(47,442)	
Administrative expenses		(57,396)	(57,792)		(110,904)	(107,126)	
Operating (loss)/profit		(100,193)	189,576		(88,936)	259,696	
Share of results of joint ventures		(10,347)	(14,072)		(21,881)	(10,232)	
Share of results of associates		811	(784)		1,030	(1,158)	
Other gains/(losses)		851	(24,072)		(4,507)	180,332	
(Loss)/Profit before interest and tax	A7	(108,878)	150,648	(172.3)	(114,294)	428,638	(126.7)
Finance income		28,910	30,192		57,765	60,416	
Finance costs		(18,284)	(1,382)		(30,799)	(8,116)	
(Loss)/Profit before tax		(98,252)	179,458	(154.7)	(87,328)	480,938	(118.2)
Tax (expense)/credit	B6	(1,164)	12,538		(10,028)	(14,620)	
(Loss)/Profit for the period		(99,416)	191,996	(151.8)	(97,356)	466,318	(120.9)
Attributable to:							
- owners of the Company		(81,766)	205,259	(139.8)	(67,613)	470,334	(114.4)
- non-controlling interests		(17,650)	(13,263)		(29,743)	(4,016)	
(Loss)/Profit for the period		(99,416)	191,996	(151.8)	(97,356)	466,318	(120.9)
Basic (loss)/earnings per share attributable to owners of the Company (sen)	B11	(1.2)	3.0	(139.8)	(1.0)	6.9	(114.4)

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

SIME DARBY PROPERTY BERHAD
Registration No: 197301002148 (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		
	2020	2019	+ / (-)	2020	2019	+ / (-)
(Loss)/Profit for the period	<u>(99,416)</u>	191,996	(151.8)	<u>(97,356)</u>	466,318	(120.9)
Other comprehensive (loss)/income						
Items which will subsequently be reclassified to profit or loss (net of tax):						
Currency translation differences	(38,559)	(48,784)		(61,786)	(5,355)	
Share of other comprehensive gain of an associate	-	326		-	326	
Net changes in fair value of investments	<u>(109)</u>	-		<u>(109)</u>	-	
Other comprehensive loss for the period	<u>(38,668)</u>	(48,458)		<u>(61,895)</u>	(5,029)	
Total comprehensive (loss)/income for the period	<u>(138,084)</u>	143,538	(196.2)	<u>(159,251)</u>	461,289	(134.5)
Attributable to:						
- owners of the Company	(123,267)	156,643	(178.7)	(127,323)	465,824	(127.3)
- non-controlling interest	<u>(14,817)</u>	(13,105)		<u>(31,928)</u>	(4,535)	
Total comprehensive (loss)/income for the period	<u>(138,084)</u>	143,538	(196.2)	<u>(159,251)</u>	461,289	(134.5)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

SIME DARBY PROPERTY BERHAD
Registration No: 197301002148 (15631-P)

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

	Note	Unaudited As at 30 June 2020	Audited As at 31 December 2019
<u>Non-current assets</u>			
Property, plant and equipment		628,935	636,284
Investment properties		729,741	745,785
Inventories (note 1)		4,592,960	4,542,929
Joint ventures		2,739,459	2,805,001
Associates		142,197	139,137
Investments		57,178	58,788
Intangible assets		5,309	4,143
Deferred tax assets		593,310	579,376
Receivables		80,791	50,790
Contract assets		1,276,212	1,318,352
		10,846,092	10,880,585
<u>Current assets</u>			
Inventories (note 1)		1,931,830	1,989,843
Receivables		664,427	628,711
Contract assets		885,975	1,198,933
Prepayment		13,881	17,549
Tax recoverable		29,967	23,334
Cash held under Housing Development Accounts		402,763	456,706
Bank balances, deposits and cash		420,479	286,632
		4,349,322	4,601,708
Total assets	A7	15,195,414	15,482,293
<u>Equity</u>			
Share capital		6,800,839	6,800,839
Fair value reserve		36,266	36,375
Exchange reserve		(71,280)	(11,679)
Retained profits		2,707,956	2,896,175
Attributable to owners of the Company		9,473,781	9,721,710
Non-controlling interests		194,168	228,296
Total equity		9,667,949	9,950,006
<u>Non-current liabilities</u>			
Payables		80,550	81,375
Borrowings	B8	2,293,636	2,408,140
Lease liabilities		69,825	74,042
Provisions		117,113	99,332
Contract liabilities		252,255	251,623
Deferred tax liabilities		169,403	163,713
		2,982,782	3,078,225
<u>Current liabilities</u>			
Payables		1,169,146	1,304,027
Borrowings	B8	1,034,539	796,147
Lease liabilities		15,230	17,670
Provisions		83,043	76,569
Contract liabilities		149,189	100,902
Tax provision		93,536	158,747
		2,544,683	2,454,062
Total liabilities		5,527,465	5,532,287
Total equity and liabilities		15,195,414	15,482,293

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

	Unaudited As at 30 June 2020	Audited As at 31 December 2019
Net assets per share attributable to owners of the Company (RM)	<u>1.39</u>	<u>1.43</u>

Note:

1. Inventories

Completed development units	674,769	532,786
Ongoing development	1,255,241	1,455,335
Others	1,820	1,722
	<u>1,931,830</u>	<u>1,989,843</u>
Not within normal operating cycle	4,592,960	4,542,929
	<u>6,524,790</u>	<u>6,532,772</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

SIME DARBY PROPERTY BERHAD
Registration No: 197301002148 (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 2020							
At 1 January 2020	6,800,839	36,375	(11,679)	2,896,175	9,721,710	228,296	9,950,006
Total comprehensive loss for the period	–	(109)	(59,601)	(67,613)	(127,323)	(31,928)	(159,251)
Transaction with owners:							
- dividends paid	–	–	–	(136,017)	(136,017)	(2,200)	(138,217)
- reversal of tax provision on waiver on intercompany loan	–	–	–	15,411	15,411	–	15,411
At 30 June 2020	6,800,839	36,266	(71,280)	2,707,956	9,473,781	194,168	9,667,949
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:							
- dividends 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

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

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	
	2020	2019
Cash flow from operating activities		
(Loss)/Profit for the period	(97,356)	466,318
Adjustments for:		
Share of results of joint ventures and associates	20,851	11,390
Depreciation and amortisation	29,891	29,807
Write-down of inventories	29,038	2,603
Write-off of property development expenditure	56,297	7,173
Impairment of receivables and contract assets	13,603	1,474
Gain on disposal of property, plant and equipment	(15)	(208,789)
Provisions	21,781	28,455
Finance income	(57,765)	(60,416)
Finance costs	30,799	8,116
Tax expense	10,028	14,620
Others	602	(4,905)
	57,754	295,846
Changes in working capital:		
- inventories	(31,610)	60,248
- trade, other receivables and prepayments	(46,838)	44,290
- contract assets and contract liabilities	453,951	(74,975)
- trade, other payables and provisions	(131,422)	(5,378)
Cash from operations	301,835	320,031
Tax paid	(74,630)	(136,201)
Dividends received from a joint venture	1,795	858
Net cash from operating activities	229,000	184,688
Cash flow from investing activities		
Finance income received	6,550	7,293
Proceeds from sale of property, plant and equipment	17	291,307
Purchase/addition of:		
- property, plant and equipment	(8,242)	(2,240)
- investment properties	(292)	(43,253)
Subscription of shares in joint ventures	(12,450)	(187,026)
Advances to joint ventures and associates	(32,031)	(744)
Others	(1,008)	(775)
Net cash (used in)/from investing activities	(47,456)	64,562
Cash flow from financing activities		
Finance costs paid	(79,765)	(89,592)
Net proceeds from/(repayment of) borrowings	123,278	(35,294)
Repayments of lease liabilities	(9,266)	(9,250)
Dividend paid on ordinary shares	(136,017)	(68,008)
Dividend paid to non-controlling interests	(2,200)	-
Net cash used in financing activities	(103,970)	(202,144)
Net changes in cash and cash equivalents	77,574	47,106
Foreign exchange differences	2,330	(996)
Cash and cash equivalents at beginning of the period	743,338	649,090
Cash and cash equivalents at end of the period	823,242	695,200
For the purpose of the Condensed Consolidated Statement of Cash Flows, cash and cash equivalents comprised the following:		
Cash held under Housing Development Accounts	402,763	362,992
Bank balances, deposits and cash	420,479	332,208
	823,242	695,200

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Explanatory Notes on the Quarterly Report – 30 June 2020
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 interim financial report is unaudited and should be read in conjunction with the Group’s audited consolidated financial statements for the financial year ended 31 December 2019.

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 year ended 31 December 2019 except as described below.

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

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform
Amendment to MFRS 16	Covid-19 - Related Rent Concessions
Amendments to References to the Conceptual Framework in MFRS Standards	

The adoption of the above did not result in any significant changes to the Group’s results and financial position.

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

MFRS 17	Insurance Contracts
Amendments to MFRS 9	Fees in the ‘10 percent’ Test for Derecognition of Financial Liabilities
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract

- c. Accounting pronouncement where the effective date has been deferred to a date to be determined by the MASB is set out below:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

- d. Agenda Decision on IAS 23 Borrowing Costs relating to over time transfer of constructed goods

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 MASB 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.

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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

During the financial period under review, the Malaysian government has implemented various phases of Movement Control Order ("MCO") since 18 March 2020 as a preventive measure in response to the Covid-19 pandemic. Similar measures were also implemented in other countries where the Group operates. The adverse impact from Covid-19 and the consequent restrictive measures implemented during the various phases of MCO are explained further in Notes B1 and B2.

There were no other 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 period under review other than as disclosed in Notes B1 and B5.

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 2020.

A6. Dividend Paid

The second interim single tier dividend in respect of the financial year ended 31 December 2019 of 2.0 sen per ordinary share, amounting to RM136.0 million was paid on 20 April 2020.

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A7. Segment Information

The Group has three (3) reportable 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 2020					
Revenue:					
External	703,358	31,423	30,181	–	764,962
Inter-segment	177	4,808	585	(5,570)	–
	703,535	36,231	30,766	(5,570)	764,962
Cost of sales	(669,899)	(29,223)	(20,960)	69	(720,013)
Gross profit	33,636	7,008	9,806	(5,501)	44,949
Other income	5,944	319	149	–	6,412
Selling and marketing expenses	(28,076)	(978)	(339)	–	(29,393)
Administrative expenses	(82,092)	(8,927)	(25,386)	5,501	(110,904)
Operating loss	(70,588)	(2,578)	(15,770)	–	(88,936)
Share of results of joint ventures and associates	(18,960)	(1,891)	–	–	(20,851)
Segment results	(89,548)	(4,469)	(15,770)	–	(109,787)
Other gains/(losses)	707	(4,998)	(216)	–	(4,507)
Loss before interest and tax	(88,841)	(9,467)	(15,986)	–	(114,294)
Included in other gains/(losses) are:					
Gain on disposal of property, plant and equipment	5	–	10	–	15
Surplus from liquidation of an associate	950	–	–	–	950
Reversal of impairment of amount due from a joint venture	1,296	–	–	–	1,296
Provision on obligation for an investment property disposed	–	(5,003)	–	–	(5,003)
Changes in fair value of quoted investments	(1,501)	–	–	–	(1,501)

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Explanatory Notes on the Quarterly Report – 30 June 2020
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A7. Segment Information (continued)

a. Segment results (continued)

	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	382,517	15,221	17,065	(5,545)	409,258
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	(12,009)	619	–	–	(11,390)
Segment results	<u>248,555</u>	<u>8,358</u>	<u>(8,607)</u>	<u>–</u>	<u>248,306</u>
Other gains/(losses)	102	(28,555)	208,785	–	180,332
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	123	–	–	–	123

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A7. Segment Information (continued)

b. Segment assets

	Property Development	Property Investment	Leisure and Hospitality	Elimination	Total
As at 30 June 2020					
Operating assets	9,169,478	2,469,720	567,883	(516,600)	11,690,481
Joint ventures and associates	2,674,354	253,916	–	(46,614)	2,881,656
	<u>11,843,832</u>	<u>2,723,636</u>	<u>567,883</u>	<u>(563,214)</u>	<u>14,572,137</u>
Tax assets					623,277
Total assets					<u>15,195,414</u>
As at 31 December 2019					
Operating assets	9,333,152	2,570,431	590,648	(558,786)	11,935,445
Joint ventures and associates	2,746,022	244,730	–	(46,614)	2,944,138
	<u>12,079,174</u>	<u>2,815,161</u>	<u>590,648</u>	<u>(605,400)</u>	<u>14,879,583</u>
Tax assets					602,710
Total assets					<u>15,482,293</u>

A8. Revenue

	Six (6) months ended 30 June	
	2020	2019
Revenue comprise the following:		
Revenue from contracts with customers	742,370	1,415,494
Revenue from rental income	22,592	25,535
	<u>764,962</u>	<u>1,441,029</u>
Disaggregation of the Group's revenue from contracts with customers:		
Geographical market		
- Malaysia	621,589	1,410,637
- Australia	120,492	4,391
- Vietnam	289	420
- Singapore	–	46
	<u>742,370</u>	<u>1,415,494</u>
Timing of revenue recognition		
- at point in time	194,137	452,875
- over time	548,233	962,619
	<u>742,370</u>	<u>1,415,494</u>

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A9. Capital Commitments

	As at 30 June 2020	As at 31 December 2019
Authorised capital expenditure not provided for in the interim financial report is as follows:		
Contracted		
- investment properties	39,409	37,016
- property, plant and equipment	7,747	10,524
- intangible assets	700	938
	47,856	48,478
Not contracted		
- investment properties	100,764	105,960
- property, plant and equipment	17,863	34,338
- intangible assets	1,093	1,203
	167,576	189,979

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 2020 is estimated up to GBP140.0 million (equivalent to RM738.8 million) (31 December 2019: GBP140.0 million, equivalent to RM754.3 million).

The Board of Directors has also authorised the subscription of shares in Sime Darby Property MIT Development Sdn Bhd in proportion to the Group's shareholding in the joint venture. As at 30 June 2020, the limit of equity injection commitment is RM57.6 million (31 December 2019: RM70.0 million).

A10. Significant Related Party Transactions

Significant related party transactions during the six months ended 30 June 2020 are as follows:

	Six (6) months ended 30 June	
	2020	2019
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	(63,832)	(34,213)

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A10. Significant Related Party Transactions (continued)

Significant related party transactions during the six months ended 30 June 2020 are as follows: (continued)

b. Transactions with shareholders and Government

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (“ASNB”), together own 58.5% as at 30 June 2020 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 by 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 by the Company with the related parties are conducted in the ordinary course of the Group’s and of the Company’s businesses on negotiated terms or terms comparable to those with other entities that are not related.

Significant transactions entered with shareholders and government-related entities during the financial period include:

	Six (6) months ended 30 June	
	2020	2019
<u>Yayasan Sime Darby</u>		
Contribution paid to Yayasan Sime Darby	(10,000)	(10,000)
<u>Sime Darby Berhad group</u>		
Rental income	5,931	5,923
<u>Sime Darby Plantation Berhad group</u>		
Rental income	3,435	3,029

In addition to the above, on 28 April 2020, Sime Darby Brunfield Damansara Sdn Bhd, Sime Darby Property (Ara Damansara) Sdn Bhd (formerly known as Sime Darby Ara Damansara Development Sdn Bhd) and Sime Darby Holdings Berhad, a subsidiary of Sime Darby Berhad, entered into a Supplemental Agreement to the Sale and Purchase Agreement dated 20 June 2017 (“SPA”) in relation to the disposal of two (2) blocks of eleven (11) storeys (with a ground floor and roof top) of commercial office buildings together with accessory parcels and one (1) level of basement car park at basement 2. The Supplemental Agreement has amended certain terms in the SPA whereby the purchase consideration has been adjusted to RM200.0 million as a result of the finalisation of the net floor area measurement.

The differential between the adjusted sum and the revenue recognised has been adjusted in the preceding quarter.

	Six (6) months ended 30 June	
	2020	2019
c. Transactions with Directors and their family member and key management personnel		
Sale of properties to:		
- Directors and their close family members	-	1,729
- key management personnel	-	2,733

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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 19 August 2020, 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 2020, other than disclosed below.

Incorporation of a new company

On 3 March 2020, Sime Darby Property (BBR Industrial I) Sdn Bhd (“SDPBRII”) was incorporated in Malaysia with its entire share capital of RM1.0 million held by Sime Darby Property Berhad. The principal activity of SDPBRII is property investment.

A13. Contingent Liabilities – unsecured

	As at 30 June 2020	As at 31 December 2019
Claims pending against the Group	<u>81,937</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 2020	As at 31 December 2019
Investments:		
- quoted shares	796	2,297
- unquoted shares	<u>56,382</u>	<u>56,491</u>
	<u>57,178</u>	<u>58,788</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		
	2020	2019	% +/(–)
Revenue	764,962	<u>1,441,029</u>	(46.9)
Segment results:			
Property development	(89,548)	248,555	(136.0)
Property investment	(4,469)	8,358	(153.5)
Leisure and hospitality	(15,770)	<u>(8,607)</u>	(83.2)
	(109,787)	<u>248,306</u>	
Other (losses)/gains	(4,507)	<u>180,332</u>	
(Loss)/Profit before interest and tax	(114,294)	428,638	(126.7)
Finance income	57,765	60,416	
Finance costs	(30,799)	<u>(8,116)</u>	
(Loss)/Profit before tax	(87,328)	480,938	(118.2)
Tax expense	(10,028)	<u>(14,620)</u>	
(Loss)/Profit for the period	(97,356)	<u><u>466,318</u></u>	(120.9)
Attributable to:			
- owners of the Company	(67,613)	470,334	(114.4)
- non-controlling interests	(29,743)	<u>(4,016)</u>	
(Loss)/Profit for the period	(97,356)	<u><u>466,318</u></u>	(120.9)

The Covid-19 pandemic, which led to the implementation of the various phases of Movement Control Order (“MCO”), had a significant impact to the Group’s results in the current period.

The Group’s revenue for the six (6) months ended 30 June 2020 decreased by 46.9% or RM676.1 million whilst the results for the period decreased by 120.9% from a profit RM466.3 million to a loss of RM97.4 million. All three (3) business segments registered losses due to the disruption caused by the Covid-19 pandemic, coupled with write-down of completed inventories to expedite its clearance and impairment of receivables and contract assets in the current period. On the contrary, the results for the corresponding period of previous year were enhanced by the gains on the disposal of properties in Singapore totaling RM208.8 million and land sales totaling RM147.0 million.

Finance costs for the financial period were higher as borrowing costs incurred during the temporary cessation of property development activities following the implementation of MCO were recognised in the profit or loss in accordance with accounting standards, instead of being capitalised into land held for property development and property development cost and unwound progressively during the construction period.

Tax expense was recognised despite the Group registering a net loss before tax as deferred tax asset has not been provided on losses incurred by certain subsidiaries.

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B1. Review of Group Performance (continued)

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

a) Property development

The unprecedented Covid-19 pandemic had greatly impacted the segment's performance. Property development segment swung to a loss of RM89.5 million as compared to RM248.6 million profit registered in the corresponding period of previous year.

The poor performance was attributable to lower registration of new sales and minimal development activities as on-site construction activities were halted during the implementation of MCO and Conditional MCO ("CMCO") for most of the quarter, coupled with higher share of losses from the joint ventures and associates.

On the back on a soft market following Covid-19 pandemic, the Group has taken firm measures, which include review of the projects in its pipeline launches to ensure that the products are aligned to the market demand. Consequently, the segment's result in the current period was further impacted by the write-off of development expenditure and impairment of other assets totalling RM98.2 million.

The segment's performance in the corresponding period of previous year has benefited from the Home Ownership Campaign 2019 and was further enhanced by gains on land sale totalling RM147.0 million.

b) Property investment

Property investment segment recorded a loss of RM4.5 million as compared to a profit of RM8.4 million in the corresponding period of the previous year. The decrease was mainly attributed to the lower revenue generated as a consequence of lower occupancy rate and ancillary revenue and coupled with the rent concessions given by the Group to its tenants. In addition, the segment's results were further impacted by the pre-opening expenditure incurred in respect of the KL East Mall.

c) Leisure and hospitality

Leisure and hospitality segment registered a higher loss of RM15.8 million as compared to RM8.6 million in the corresponding period of the previous year. The higher loss was mainly due to lower contribution from golfing revenue, events and functions following the Covid-19 pandemic outbreak and temporary closure of businesses as a result of the enforcement of MCO by the Malaysian Government.

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

	Quarter ended		%
	30 June 2020	31 March 2020	+/(–)
Revenue	<u>288,225</u>	<u>476,737</u>	(39.5)
Segment results:			
Property development	(94,385)	4,837	(2,051.3)
Property investment	(4,985)	516	(1,066.1)
Leisure and hospitality	(10,359)	(5,411)	(91.4)
	<u>(109,729)</u>	<u>(58)</u>	
Other gains/(losses)	851	(5,358)	
Loss before interest and tax	(108,878)	(5,416)	(1,910.3)
Finance income	28,910	28,855	
Finance costs	(18,284)	(12,515)	
(Loss)/Profit before tax	(98,252)	10,924	(999.4)
Tax expense	(1,164)	(8,864)	
(Loss)/Profit for the period	<u>(99,416)</u>	<u>2,060</u>	(4,926.0)
Attributable to:			
- owners of the Company	(81,766)	14,153	(677.7)
- non-controlling interests	(17,650)	(12,093)	
(Loss)/Profit for the period	<u>(99,416)</u>	<u>2,060</u>	(4,926.0)

The Covid-19 pandemic in Malaysia put the country in an almost complete lockdown during the MCO and CMCO periods and had resulted in significant adverse impact to the performance of the Group in the current quarter. The unprecedented global pandemic hits hard on the already weakened property market, which was evidenced by a sharp decline in all three (3) segments in the current quarter.

The revenue for the current quarter was 39.5% lower than the preceding quarter. The Group's results were further impacted by the write-down of completed inventories and impairment of receivables and contract assets.

Other gains/(losses) in the preceding quarter was impacted by the provision of disposal obligations in relation to a property disposed in financial year 2017 of RM5.0 million.

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

a) Property development

The performance of property development segment declined significantly from a profit of RM4.8 million in the preceding quarter to a loss of RM94.4 million in current quarter. The poor segment performance in the current quarter is due mainly to write-down of completed inventories and write-off of property development expenditure for projects totalling RM89.3 million following a review of the projects in Group's pipeline launches to ensure that the products are aligned to the market demand.

The property sales of completed and all on-going projects and the on-site development activities were significantly lower as compared to the preceding quarter for all townships except for Ara Damansara, The Ridge and KLGCC Resort.

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

b) Property investment

Property investment segment registered a loss of RM5.0 million as compared to a profit of RM0.5 million in the preceding quarter. The decrease was attributable to drop in revenue, which resulted from rent concessions granted to the tenants during the various phases of the MCO. In addition, the results were also further impacted by the pre-opening expenditure incurred in respect of the KL East Mall.

c) Leisure and hospitality

Leisure and hospitality segment recorded higher loss of RM10.4 million as compared to RM5.4 million in the preceding quarter mainly due to lower revenue from golfing revenue, events and functions with the temporary closure of businesses during the MCO period.

B3. Prospects

The Group foresees a gradual economic recovery as a result of the Government's various stimulus packages and policy revisions such as the Home Ownership Campaign 2020 ("HOC") and Overnight Policy Rate ("OPR") reduced to 1.75%. These policies augur well for the Property sector and stimulate property purchases as a long-term investment asset class.

Riding on the HOC, the Group is intensifying its marketing & sales efforts particularly on the digital front, and sales bookings conversion. The Group will continue to focus on developing mid-range residential products with a targeted pipeline of new launches totalling RM1.0 billion for the rest of 2020. As at 30 June 2020, unbilled sales in hand stood at RM1.5 billion.

In the near term, the Group continues to review and monitor the financial impact of the Covid-19 pandemic, to remain focused on maintaining its financial discipline through cost rationalisation initiatives as well as cashflow and inventory management.

The Group recognises that the first half of 2020 was difficult and challenging. We are however already seeing promising signs of economic recovery. As reflected by our strong fundamentals and resilient financial position with net gearing ratio currently at 27%, the Group's long-term position remains healthy. We therefore have the potential to ride on the improved outlook going into year 2021.

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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. (Loss)/Profit Before Interest and Tax

	Quarter ended 30 June		Six (6) months ended 30 June	
	2020	2019	2020	2019
Included in operating (loss)/profit are:				
Depreciation and amortisation	(16,793)	(15,890)	(29,891)	(29,807)
Write-down of inventories	(33,022)	(2,603)	(29,038)	(2,603)
Impairment of:				
- receivables	(7,649)	(420)	(13,618)	(273)
- contract assets	(1,281)	(1,201)	(1,281)	(1,201)
Write-off of:				
- property development expenditure	(56,297)	(7,173)	(56,297)	(7,173)
- property, plant and equipment	(117)	–	(118)	(109)
Bad debts recovered	–	4,891	67	4,891

Included in other gains/(losses) are:

Gain on disposal of property, plant and equipment:				
- land and buildings	–	5,388	–	208,775
- others	5	9	15	14
Surplus from liquidation of an associate	950	–	950	–
Reversal of impairment of amount due from a joint venture	–	–	1,296	–
Provision on obligation for an investment property disposed	–	(28,455)	(5,003)	(28,455)
Changes in fair value of quoted investments	153	(122)	(1,501)	123
Net foreign exchange loss	(258)	(892)	(265)	(125)

B6. Tax Expense/(Credit)

	Quarter ended 30 June		Six (6) months ended 30 June	
	2020	2019	2020	2019
In respect of the current period:				
- current tax	14,438	46,571	25,383	76,958
- deferred tax	(16,246)	8,236	(15,907)	5,015
	(1,808)	54,807	9,476	81,973
In respect of prior years:				
- current tax	(1,947)	4,629	(7,121)	10,866
- deferred tax	4,919	(71,974)	7,673	(78,219)
	1,164	(12,538)	10,028	14,620

Tax expense was recognised for financial period under review despite the Group registering a net loss before tax as deferred tax asset has not been provided on losses incurred by certain subsidiaries.

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B7. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 19 August 2020.

B8. Group Borrowings

The breakdown of the borrowings as at 30 June 2020 is as follows:

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	465,271	–	465,271
Islamic financing	960,580	–	960,580
Syndicated Islamic financing	653,642	–	653,642
Amounts due to non-controlling interests	–	214,143	214,143
	<u>2,079,493</u>	<u>214,143</u>	<u>2,293,636</u>
<u>Short-term borrowings</u>			
Term loans due within one year	13,790	–	13,790
Islamic financing due within one year	174,967	–	174,967
Syndicated Islamic financing	84,951	–	84,951
Revolving credits	–	760,831	760,831
	<u>273,708</u>	<u>760,831</u>	<u>1,034,539</u>
Total borrowings	<u>2,353,201</u>	<u>974,974</u>	<u>3,328,175</u>

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

	Secured	Unsecured	Total
Borrowings			
- principal	2,344,217	973,856	3,318,073
- interest	8,984	1,118	10,102
Total borrowings	<u>2,353,201</u>	<u>974,974</u>	<u>3,328,175</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 19 August 2020 are as follows:

a) Claim against Sime Darby Property (Ara Damansara) Sdn Bhd (formerly known as Sime Darby Ara Damansara Development Sdn Bhd) (“SDPAD”)

A civil suit has been commenced by 72 purchasers of Ara Hill (“Plaintiffs”) against SDPAD, claiming general and specific damages of approximately RM40.0 million and specific performance arising from SDPAD’s alleged breaches of the terms of the sale and purchase agreements (“SPAs”) 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 SDPAD 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 were unable to reach a global settlement. The trial commenced on 16 April 2018 and further trial dates have been fixed in February, March and April 2021. In January 2020, the Plaintiffs filed an application to court to determine certain questions of law and the interpretation of the provisions of the SPAs, by exchange of affidavits, i.e., without a full trial and the decision of this application is fixed on 19 October 2020. In March 2020, the Plaintiffs filed another application to court to amend their Statement of Claim (“Amendment Application”). On 10 August 2020, the court allowed the Amendment Application with costs to be paid by the Plaintiffs to SDPAD.

The Plaintiffs’ claim is divided into various allegations against SDPAD. These claims and allegations have yet to be proven by the Plaintiffs and it would be speculative, at this juncture, to ascertain SDPAD’s potential liability to the Plaintiffs in respect of this civil suit.

b) Arbitration between Bumimetro Construction Sdn Bhd (“BCSB”) v Sime Darby Property (KL East) Sdn Bhd (formerly known as Sime Darby Melawati Development Sdn Bhd) (“SDPKE”)

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 SDPKE (“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 is claiming for specific damages of approximately RM40.0 million. The Respondent had disputed the claims by the Claimant, in its written response to the Notice (“Response”) on 22 October 2018.

The parties have filed its Statement of Claim, Statement of Defence and Counterclaim and replies thereto. On 15 June 2020, the arbitrator allowed the Claimant to amend its claim for specific damages to RM41.9 million.

The arbitration proceedings will be held in accordance with the rules of the Asian International Arbitration Centre before a single arbitrator. The hearing commenced on 15 June 2020 and continued for another 9 days in June and July 2020. Further hearing dates have been fixed in August, October and November 2020.

Solicitors for the Respondent are of the view that there are tenable grounds on the positions taken by the Respondent in resisting the claim subject to documentary and evidentiary proof.

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B10. Dividend

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

B11. Earnings Per Share

	Quarter ended 30 June		Six (6) months ended 30 June	
	2020	2019	2020	2019
Basic (loss)/earnings per share attributable to owners of the Company are computed as follows:				
(Loss)/Profit for the period	<u>(81,766)</u>	<u>205,259</u>	<u>(67,613)</u>	<u>470,334</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 (loss)/earnings per share (sen)	<u>(1.2)</u>	<u>3.0</u>	<u>(1.0)</u>	<u>6.9</u>

The basic and diluted (loss)/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
26 August 2020

By Order of the Board
Moriami binti Mohd
Group Secretary