

QUARTERLY REPORT

On the consolidated results for the fourth quarter ended 31 December 2020

The Directors hereby announce the following:

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

		Quarter ended 31 December		%	Year ended 31 December		%
	Note	2020	2019	+ / (-)	2020	2019	+ / (-)
Revenue	A8	705,191	888,932	(20.7)	2,062,781	3,179,994	(35.1)
Cost of sales		(551,067)	(680,904)		(1,772,953)	(2,387,730)	
Gross profit		154,124	208,028	(25.9)	289,828	792,264	(63.4)
Other income		6,579	645		15,806	9,700	
Selling and marketing expenses		(22,847)	(38,593)		(74,060)	(119,763)	
Administrative expenses		(73,808)	(71,366)		(232,102)	(241,647)	
Operating profit/(loss)		64,048	98,714		(528)	440,554	
Share of results of joint ventures		(46,221)	3,619		(420,030)	(29,901)	
Share of results of associates		(1,961)	858		(1,300)	53	
Other (losses)/gains		(69,118)	17,441		(88,022)	156,633	
(Loss)/Profit before interest and tax	A7	(53,252)	120,632	(144.1)	(509,880)	567,339	(189.9)
Finance income		25,659	30,683		109,944	121,242	
Finance costs		(7,411)	(7,681)		(44,774)	(22,911)	
(Loss)/Profit before tax		(35,004)	143,634	(124.4)	(444,710)	665,670	(166.8)
Tax expense	B6	(24,721)	(34,479)		(70,973)	(74,789)	
(Loss)/Profit for the period		(59,725)	109,155	(154.7)	(515,683)	590,881	(187.3)
Attributable to:							
- owners of the Company		(55,928)	102,955	(154.3)	(478,802)	598,531	(180.0)
- non-controlling interests		(3,797)	6,200		(36,881)	(7,650)	
(Loss)/Profit for the period		(59,725)	109,155	(154.7)	(515,683)	590,881	(187.3)
Basic (loss)/earnings per share attributable to owners of the Company (sen)	B10	(0.8)	1.5	(154.3)	(7.0)	8.8	(180.0)

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		%	Year ended		%
	31 December	2019	+ / (-)	31 December	2019	+ / (-)
	2020			2020		
(Loss)/Profit for the period	<u>(59,725)</u>	<u>109,155</u>	(154.7)	<u>(515,683)</u>	<u>590,881</u>	(187.3)
Other comprehensive income/(loss)						
Items which will subsequently be reclassified to profit or loss (net of tax):						
Currency translation differences	76,591	121,038		45,569	49,513	
Share of other comprehensive income/(loss) of an associate	3,153	(710)		1,074	(351)	
Net changes in fair value of investments	<u>-</u>	<u>-</u>		<u>(2,298)</u>	<u>(420)</u>	
	79,744	120,328		44,345	48,742	
Reclassified to profit or loss:						
Currency translation differences on repayment of net investments	<u>(7,119)</u>	<u>-</u>		<u>6,642</u>	<u>-</u>	
Other comprehensive income for the period	<u>72,625</u>	<u>120,328</u>		<u>50,987</u>	<u>48,742</u>	
Total comprehensive income/(loss) for the period	<u>12,900</u>	<u>229,483</u>	(94.4)	<u>(464,696)</u>	<u>639,623</u>	(172.7)
Attributable to:						
- owners of the Company	17,705	222,694	(92.0)	(426,301)	648,208	(165.8)
- non-controlling interest	<u>(4,805)</u>	<u>6,789</u>		<u>(38,395)</u>	<u>(8,585)</u>	
Total comprehensive income/(loss) for the period	<u>12,900</u>	<u>229,483</u>	(94.4)	<u>(464,696)</u>	<u>639,623</u>	(172.7)

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 31 December 2020	Audited As at 31 December 2019
<u>Non-current assets</u>			
Property, plant and equipment		628,038	636,284
Investment properties		707,170	745,785
Inventories (note 1)		4,468,084	4,542,929
Joint ventures		2,480,258	2,805,001
Associates		139,142	139,137
Investments		56,275	58,788
Intangible assets		5,721	4,143
Deferred tax assets		592,235	579,376
Receivables		80,790	50,790
Contract assets		1,255,602	1,318,352
		10,413,315	10,880,585
<u>Current assets</u>			
Inventories (note 1)		1,883,467	1,989,843
Receivables		622,660	628,711
Contract assets		1,123,772	1,198,933
Prepayment		7,794	17,549
Tax recoverable		32,203	23,334
Cash held under Housing Development Accounts		345,486	456,706
Bank balances, deposits and cash		456,351	286,632
		4,471,733	4,601,708
Total assets	A7	14,885,048	15,482,293
<u>Equity</u>			
Share capital		6,800,839	6,800,839
Fair value reserve		35,151	36,375
Exchange reserve		42,046	(11,679)
Retained profits		2,225,657	2,896,175
Attributable to owners of the Company		9,103,693	9,721,710
Non-controlling interests		185,763	228,296
Total equity		9,289,456	9,950,006
<u>Non-current liabilities</u>			
Payables		78,744	81,375
Borrowings	B8	3,033,927	2,408,140
Lease liabilities		66,057	74,042
Provisions		131,188	99,332
Contract liabilities		244,937	251,623
Deferred tax liabilities		172,562	163,713
		3,727,415	3,078,225
<u>Current liabilities</u>			
Payables		1,248,533	1,304,027
Borrowings	B8	292,542	796,147
Lease liabilities		16,880	17,670
Provisions		116,681	76,569
Contract liabilities		134,241	100,902
Tax provision		59,300	158,747
		1,868,177	2,454,062
Total liabilities		5,595,592	5,532,287
Total equity and liabilities		14,885,048	15,482,293

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 31 December 2020	Audited As at 31 December 2019
Net assets per share attributable to owners of the Company (RM)	<u>1.34</u>	<u>1.43</u>

Note:

1. Inventories

Completed development units	556,806	532,786
Ongoing development	1,325,194	1,455,335
Others	1,467	1,722
	<u>1,883,467</u>	<u>1,989,843</u>
Not within normal operating cycle	4,468,084	4,542,929
	<u>6,351,551</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

	Note	Share capital	Fair value reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total equity
Year ended 31 December 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)/income for the year		–	(1,224)	53,725	(478,802)	(426,301)	(38,395)	(464,696)
Transaction with owners:								
- dividends paid		–	–	–	(204,025)	(204,025)	(4,400)	(208,425)
- reversal of tax provision on waiver on intercompany loan		–	–	–	15,409	15,409	–	15,409
- acquisition of non-controlling interest	A12(b)	–	–	–	(3,100)	(3,100)	262	(2,838)
At 31 December 2020		6,800,839	35,151	42,046	2,225,657	9,103,693	185,763	9,289,456
Year ended 31 December 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 year		–	(1,688)	51,365	598,531	648,208	(8,585)	639,623
Transaction with owners:								
- dividends paid		–	–	–	(136,017)	(136,017)	–	(136,017)
At 31 December 2019		6,800,839	36,375	(11,679)	2,896,175	9,721,710	228,296	9,950,006

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.

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

	Year ended 31 December	
Note	2020	2019
Cash flow from operating activities		
(Loss)/Profit for the year	(515,683)	590,881
Adjustments for:		
Share of results of joint ventures and associates	421,330	29,848
Depreciation and amortisation	62,097	53,125
Write-down of inventories	131,293	43,318
Write-off of property development expenditure	73,111	9,723
Impairment	39,957	34,113
Gain on disposal of property, plant and equipment	(15)	(246,232)
Adjustment to variable consideration in respect of property disposal in prior year	31,098	–
Provisions	42,637	89,557
Finance income	(109,944)	(121,242)
Finance costs	44,774	22,911
Tax expense	70,973	74,789
Others	8,130	(5,131)
	<u>299,758</u>	<u>575,660</u>
Changes in working capital:		
- inventories	73,983	320,518
- trade, other receivables and prepayments	(10,081)	65,764
- contract assets and contract liabilities	262,718	(336,196)
- trade, other payables and provisions	(51,889)	9,543
Cash from operations	<u>574,489</u>	<u>635,289</u>
Tax paid	(167,828)	(233,407)
Dividends received from joint ventures and associate	3,595	9,759
Net cash from operating activities	<u>410,256</u>	<u>411,641</u>
Cash flow from investing activities		
Finance income received	10,509	16,085
Proceeds from sale of property, plant and equipment	17	333,971
Purchase/addition of:		
- property, plant and equipment	(17,008)	(11,712)
- investment properties	(14,206)	(75,269)
- intangible assets	(3,230)	(2,247)
Subscription of shares in joint ventures	(45,865)	(187,212)
Advances to joint ventures and associates	(37,031)	(4,244)
Others	950	–
Net cash (used in)/from investing activities	<u>(105,864)</u>	<u>69,372</u>
Cash flow from financing activities		
Finance costs paid	(145,662)	(169,209)
Net proceeds from/(repayment of) borrowings	124,405	(67,092)
Repayments of lease liabilities	(15,853)	(14,164)
Dividend paid on ordinary shares	(204,025)	(136,017)
Dividend paid to non-controlling interests	(4,400)	–
Acquisition of non-controlling interest	(2,838)	–
Net cash used in financing activities	<u>(248,373)</u>	<u>(386,482)</u>
Net changes in cash and cash equivalents	<u>56,019</u>	<u>94,531</u>
Foreign exchange differences	2,480	(283)
Cash and cash equivalents at beginning of the period	<u>743,338</u>	<u>649,090</u>
Cash and cash equivalents at end of the period	<u>801,837</u>	<u>743,338</u>

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

	Note	Year ended 31 December	
		2020	2019
For the purpose of the Condensed Consolidated Statement of Cash Flows, cash and cash equivalents comprised the following:			
Cash held under Housing Development Accounts		345,486	456,706
Bank balances, deposits and cash		456,351	286,632
		801,837	743,338

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

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Explanatory Notes on the Quarterly Report – 31 December 2020
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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
Amendments to MFRS 7, MFRS 9, and MFRS 139	Interest Rate Benchmark Reform – Phase 2

- 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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Explanatory Notes on the Quarterly Report – 31 December 2020
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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 year 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 and its joint venture operate. 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 year 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 year under review.

The Company has 6,800,839,377 ordinary shares in issue as at 31 December 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.

A first interim single tier dividend in respect of the financial year ended 31 December 2020 of 1.0 sen per ordinary share, amounting to RM68.0 million was paid on 22 December 2020.

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Explanatory Notes on the Quarterly Report – 31 December 2020
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A7. Segment Information

The Group has three (3) reportable business segments – property development, investment and asset management and leisure. 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	Investment and Asset Management	Leisure	Elimination	Total
Year ended 31 December 2020					
Revenue:					
External	1,922,096	69,006	71,679	–	2,062,781
Inter-segment	355	9,781	1,507	(11,643)	–
	<u>1,922,451</u>	<u>78,787</u>	<u>73,186</u>	<u>(11,643)</u>	<u>2,062,781</u>
Cost of sales	(1,664,246)	(64,801)	(44,580)	674	(1,772,953)
Gross profit	258,205	13,986	28,606	(10,969)	289,828
Other income	12,742	1,695	1,464	(95)	15,806
Selling and marketing expenses	(68,505)	(4,872)	(683)	–	(74,060)
Administrative expenses	(163,021)	(23,363)	(56,782)	11,064	(232,102)
Operating profit/(loss)	39,421	(12,554)	(27,395)	–	(528)
Share of results of joint ventures and associates	(394,849)	(26,481)	–	–	(421,330)
Segment results	(355,428)	(39,035)	(27,395)	–	(421,858)
Other losses	(12,169)	(75,409)	(444)	–	(88,022)
Loss before interest and tax	(367,597)	(114,444)	(27,839)	–	(509,880)

Included in other losses are:

Adjustment to variable consideration in respect of property disposal in prior year	–	(31,098)	–	–	(31,098)
Gain on disposal of property, plant and equipment	5	–	10	–	15
Surplus from liquidation of an associate	950	–	–	–	950
Reversal of impairment/ (impairment) of:					
- amount due from a joint venture	1,296	–	–	–	1,296
- property, plant and equipment	(2,386)	(3,579)	–	–	(5,965)
- investment properties	(965)	(21,069)	–	–	(22,034)
Provision on obligation for an investment property disposed	–	(19,679)	–	–	(19,679)
Changes in fair value of quoted investments	(214)	–	–	–	(214)

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Explanatory Notes on the Quarterly Report – 31 December 2020
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A7. Segment Information (continued)

a. Segment results (continued)

	Property Development	Investment and Asset Management	Leisure	Elimination	Total
Year ended 31 December 2019					
Revenue:					
External	3,000,970	88,389	90,635	–	3,179,994
Inter-segment	371	9,965	3,673	(14,009)	–
	<u>3,001,341</u>	<u>98,354</u>	<u>94,308</u>	<u>(14,009)</u>	<u>3,179,994</u>
Cost of sales	(2,268,454)	(64,395)	(61,030)	6,149	(2,387,730)
Gross profit	732,887	33,959	33,278	(7,860)	792,264
Other income	9,228	59	413	–	9,700
Selling and marketing expenses	(112,361)	(5,914)	(1,488)	–	(119,763)
Administrative expenses	(166,539)	(24,622)	(58,346)	7,860	(241,647)
Operating profit/(loss)	463,215	3,482	(26,143)	–	440,554
Share of results of joint ventures and associates	(31,383)	1,535	–	–	(29,848)
Segment results	431,832	5,017	(26,143)	–	410,706
Other (losses)/gains	(13,989)	(34,693)	205,315	–	156,633
Profit/(loss) before interest and tax	417,843	(29,676)	179,172	–	567,339
Included in other (losses)/gains are:					
Gain on disposal of property, plant and equipment	2	31,108	215,122	–	246,232
Impairment of:					
- amount due from a joint venture	(14,921)	–	–	–	(14,921)
- investment properties	–	–	(9,811)	–	(9,811)
Provision on obligation for an investment property disposed	–	(65,801)	–	–	(65,801)
Changes in fair value of quoted investments	(31)	–	–	–	(31)

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A7. Segment Information (continued)

b. Segment assets

	Property Development	Investment and Asset Management	Leisure	Elimination	Total
As at 31 December 2020					
Operating assets	9,197,741	2,408,814	550,092	(515,437)	11,641,210
Joint ventures and associates	2,432,752	233,262	–	(46,614)	2,619,400
	<u>11,630,493</u>	<u>2,642,076</u>	<u>550,092</u>	<u>(562,051)</u>	<u>14,260,610</u>
Tax assets					624,438
Total assets					<u>14,885,048</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

	Year ended 31 December	
	2020	2019
Revenue comprise the following:		
Revenue from contracts with customers	2,014,658	3,129,928
Revenue from rental income	48,123	50,066
	<u>2,062,781</u>	<u>3,179,994</u>
Disaggregation of the Group's revenue from contracts with customers:		
Geographical market		
- Malaysia	1,893,617	3,119,669
- Australia	120,492	9,334
- Vietnam	549	880
- Singapore	–	45
	<u>2,014,658</u>	<u>3,129,928</u>
Timing of revenue recognition		
- at point in time	453,398	855,470
- over time	1,561,260	2,274,458
	<u>2,014,658</u>	<u>3,129,928</u>

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Explanatory Notes on the Quarterly Report – 31 December 2020
Amounts in RM thousand unless otherwise stated

A9. Capital Commitments

	As at 31 December 2020	As at 31 December 2019
Authorised capital expenditure not provided for in the interim financial report is as follows:		
Contracted		
- investment properties	631	37,016
- property, plant and equipment	4,404	10,524
- intangible assets	456	938
	<u>5,491</u>	<u>48,478</u>
Not contracted		
- investment properties	124,833	105,960
- property, plant and equipment	45,717	34,338
- intangible assets	6,083	1,203
	<u>182,124</u>	<u>189,979</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 31 December 2020 is estimated up to £150.0 million (equivalent to RM823.9 million) (31 December 2019: £140.0 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 31 December 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 year ended 31 December 2020 are as follows:

	Year ended 31 December 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	<u>(232,828)</u>	<u>(77,906)</u>
b. Transactions with joint ventures		
<u>Sime Darby Property Capitaland (Melawati Mall) Sdn Bhd</u> Project management fees	4,212	–
<u>Aster Real Estate Investment Trust 1</u> Rental expense	<u>(17,415)</u>	<u>(17,370)</u>

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A10. Significant Related Party Transactions (continued)

Significant related party transactions during the year ended 31 December 2020 are as follows: (continued)

c. Transactions with shareholders and Government

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (“ASNB”), together own 58.6% as at 31 December 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 of 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 year include:

	Year ended 31 December	
	2020	2019
<u>Yayasan Sime Darby</u>		
Contribution paid to Yayasan Sime Darby	(10,000)	(20,000)
<u>Sime Darby Berhad group</u>		
Annual branding royalty fee	(2,000)	(2,000)
Rental income	11,893	11,865
<u>Sime Darby Plantation Berhad group</u>		
Rental income	7,428	5,988

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 financial year under review.

	Year ended 31 December	
	2020	2019
d. 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 Year

There was no material event subsequent to the end of the current quarter under review to 18 February 2021, 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 year ended 31 December 2020, other than disclosed below.

a. 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.

b. Acquisition of non-controlling interest

In September 2020, Harvard Golf Resort (Jerai) Berhad (“HGRB”) completed the Selective Capital Reduction and Repayment Exercise (“SCR”) for a total cash consideration of RM2.8 million. Following the SCR, the Group’s interest in HGRB has increased from 99.9% to 100.0%.

Details of net cash outflow on acquisition of non-controlling interest by the Group for the financial year ended 31 December 2020 are as follows:

	As at 31 December 2020
Non-controlling interest acquired	(262)
Premium on acquisition	<u>3,100</u>
Net cash outflow on acquisition of non-controlling interest	<u><u>2,838</u></u>

A13. Contingent Liabilities – unsecured

	As at 31 December 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 31 December 2020	As at 31 December 2019
Investments:		
- quoted shares	2,083	2,297
- unquoted shares	<u>54,192</u>	<u>56,491</u>
	<u><u>56,275</u></u>	<u><u>58,788</u></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

	Year ended 31 December		%
	2020	2019	+/(-)
Revenue	2,062,781	3,179,994	(35.1)
Segment results:			
Property development	(355,428)	431,832	(182.3)
Investment and asset management	(39,035)	5,017	(878.1)
Leisure	(27,395)	(26,143)	(4.8)
	(421,858)	410,706	
Other (losses)/gains	(88,022)	156,633	
(Loss)/Profit before interest and tax	(509,880)	567,339	(189.9)
Finance income	109,944	121,242	
Finance costs	(44,774)	(22,911)	
(Loss)/Profit before tax	(444,710)	665,670	(166.8)
Tax expense	(70,973)	(74,789)	
(Loss)/Profit for the year	(515,683)	590,881	(187.3)
Attributable to:			
- owners of the Company	(478,802)	598,531	(180.0)
- non-controlling interests	(36,881)	(7,650)	
(Loss)/Profit for the year	(515,683)	590,881	(187.3)

The Groups' financial performance for the current year was impacted by the Covid-19 pandemic, which significantly hampered overall economic activities and market sentiments.

The Group's revenue for the year ended 31 December 2020 decreased by 35.1% or RM1,117.2 million whilst the financial results deteriorated by 187.3% from a profit of RM590.9 million a year ago to a loss for the year of RM515.7 million. All three (3) business segments registered losses due to the disruption caused by the Covid-19 pandemic. The property development segment was adversely impacted by the share of impairment loss from Battersea Project Holding Company Limited and its subsidiaries ("the Battersea Group"), a 40% owned joint venture of the Group, in respect of the Battersea Power Station project ("Battersea Project") in London.

In view of the challenges presented by the Covid-19 pandemic in London and specifically its impact on the delivery of the Battersea Project, the Battersea Group had in the preceding quarter, recognised an impairment of its work in progress and inventories under development. The Group's 40% share of the said impairment recognised by the Battersea Group amounted to RM337.1 million (£62.4 million). The impairment reflects the impact of prolongation costs associated with the Covid-19 pandemic, notably the implementation of social distancing measures and the impact of the UK lockdown period on the delivery programme of the Battersea Project. Notwithstanding the impact of Covid-19 on the market, it is encouraging to note that the Battersea Project has continued to maintain momentum with respect to both residential sales and commercial leasing.

Other losses include downward adjustment to variable consideration in respect of property disposal in prior year, impairment of property, plant and equipment and impairment of investment properties totalling RM78.8 million.

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B1. Review of Group Performance (continued)

Excluding the write-down/write-off of inventories of RM204.4 million and the above-mentioned impairment and adjustment, the Group would have registered a profit before interest and tax of RM110.4 million. On the contrary, the profit before interest and tax for the corresponding period of the previous year of RM567.3 million were enhanced by the disposals of properties amounting to RM245.5 million and land sales totaling RM138.2 million.

At the operational level, the Group recorded good take-up rates in most of the launches. The Group registered close to RM2.0 billion sales during the year, of which RM1.2 billion or 60.0% were from townships and integrated development along the Guthrie Corridor, RM0.5 billion or 25.0% were from other areas within the Klang Valley while the remaining RM0.3 billion or 15.0% were contributed by other regions.

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

a) Property development

Property development segment registered a 35.9% decline in revenue to RM1.9 billion, as compared to RM3.0 billion in the corresponding period of the previous year. A loss of RM355.4 million was recorded during the current financial year, which includes the Group's share of impairment loss from the Battersea Group amounting to RM337.1 million (£62.4 million).

On the local front, good take-up rates were registered in both on-going projects and new launches. Due to the uncertainty of the economic recovery following the Covid-19 pandemic, the Group has taken firm measures in reviewing the projects in its pipeline launches to ensure that the products are aligned to the market demand, and also to prevent the build-up of unsold inventories. In addition, asset value assessments were carried out at year end by professional valuers to assess the net realisable values of assets. The aforesaid write-down/write-off of inventories amounted to RM204.4 million.

Excluding the share of impairment loss from the Battersea Group and the write-down/write-off of inventories, the segment would have recorded a profit of RM186.1 million mainly attributable to the commendable sales take-up rate and/or increased on-site development activities in township projects such as City of Elmina, Bandar Bukit Raja, Serenia City and Putra Heights, and also integrated developments including Lot 15, Cantara Residences and Senada Residences. During the financial year, the Group has successfully completed 18 projects with a total delivery of 3,725 units of properties.

In contrast, the segment profit of RM431.8 million in the corresponding period of the previous year included gains on land sale totalling RM138.2 million.

b) Investment and asset management

The investment and asset management segment saw a reduction in revenue to RM69.0 million, as compared to RM88.4 million in the corresponding period of the previous year. The decrease is largely due to a reduction in the supply of teaching equipment under a concession arrangement, as majority of the delivery was completed in prior years. A loss of RM39.0 million was recorded in the current year, as compared to a profit of RM5.0 million in the corresponding period of the previous year. The loss was mainly attributable to higher share of losses from a joint venture arising from depreciation, which does not have an impact to cash flow, and higher pre-opening expenditure incurred in respect of the KL East Mall in line with increase in activities as the Group progressed towards opening of the mall in November 2020. In addition, lower rental revenue was generated as a consequence of lower occupancy rate and ancillary revenue, coupled with the rent concessions given by the Group to its tenants.

c) Leisure

Leisure segment registered a revenue of RM71.7 million as compared to RM90.6 million in the corresponding period of the previous year. Contribution from events and functions remains low following the Covid-19 pandemic outbreak and temporary closure of businesses as a result of the enforcement of MCO by the Malaysian Government. Despite that, the segment result has only marginally worsened at RM27.4 million as compared to RM26.1 million in the corresponding period of the previous year.

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

	Quarter ended 31 December 2020	Quarter ended 30 September 2020	% +/(-)
Revenue	705,191	592,628	19.0
Segment results:			
Property development	58,809	(324,689)	118.1
Investment and asset management	(29,947)	(4,619)	(548.3)
Leisure	(12,996)	1,371	(1,047.9)
	15,866	(327,937)	
Other losses	(69,118)	(14,397)	
Loss before interest and tax	(53,252)	(342,334)	84.4
Finance income	25,659	26,520	
Finance costs	(7,411)	(6,564)	
Loss before tax	(35,004)	(322,378)	89.1
Tax expense	(24,721)	(36,224)	
Loss for the period	(59,725)	(358,602)	83.3
Attributable to:			
- owners of the Company	(55,928)	(355,261)	84.3
- non-controlling interests	(3,797)	(3,341)	
Loss for the period	(59,725)	(358,602)	83.3

Group revenue for the current quarter has improved to RM705.2 million from RM592.6 million, an increase of 19.0% as compared to the preceding quarter. The improved performance is reflective of a gradual recovery in property development segment. The loss for the current quarter has narrowed down to RM59.7 million from a loss of RM358.6 million in the preceding quarter.

Excluding the write-down/write-off of inventories, provisions and impairments totaling RM93.4 million for the current quarter and RM436.6 million for the preceding quarter, the Group would have registered a profit before interest and tax of RM40.1 million for the current quarter and RM94.3 million for the preceding quarter.

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

a) Property development

Significant improvement was shown under the property development segment. Revenue has increased by 21.2% to RM667.7 million in the current quarter. The segment results has also improved by 118.1% to a profit of RM58.8 million as compared to a loss of RM324.7 million in the preceding quarter.

The improved operational performance was attributable to property sales of all on-going projects and increased on-site development activities in City of Elmina, Bandar Bukit Raja, Serenia City, Bandar Ainsdale, Nilai Utama and Senada Residences, and sales of completed stocks in KL East, Taman Melawati and KLGCC Resort.

The segment registered a loss of RM324.7 million in the preceding quarter due mainly to the Group's share of impairment loss from the Battersea Group of RM337.1 million and the write-down/write-off of inventories of RM97.8 million.

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

b) Investment and asset management

The investment and asset management segment registered higher revenue of RM20.5 million as compared to preceding quarter of RM17.0 million. Current quarter's revenue included the revenue from KL East Mall that was opened to the public in November 2020. However, the segment recorded higher loss of RM29.9 million as compared to the preceding quarter. The results in current quarter was impacted by higher share of losses from a joint venture arising from depreciation, which does not have an impact to cash flow. Both current and preceding quarter results were also impacted by KL East Mall's pre-opening expenditure.

c) Leisure

The leisure segment recorded a loss of RM13.0 million as compared to a profit of RM1.4 million in the preceding quarter, mainly due lower contribution from events and functions following the third wave of Covid-19 pandemic outbreak and temporary closure of businesses in the current quarter.

B3. Prospects

The Group navigated through a challenging 2020, recording a commendable sales achievement of approximately RM2.0 billion which represents an increase of 43% against our revised sales target of RM1.4 billion. The Group's financial performance was impacted by the COVID-19 pandemic that triggered movement restrictions and disrupting all business operations.

The recent resurgence of the virus and increased in number of positive cases in January 2021 placed almost the entire nation under the Movement Control Order (MCO) again. Although the MCO's impact is expected to be less severe than the last, it may, to a certain extent, give pressure to the economy and property markets, which were previously heading towards a recovery.

Amidst the subdued sentiment, the Group is cautiously optimistic of the prospects for landed residential and industrial property markets in 2021. Residential products offered at the right price in our prime townships will attract buyers. The industrial market outlook is expected to be more promising, driven by the increase in logistics and warehouse demand in the booming e-commerce sector. The Government's concerted efforts coupled with the historic-low interest rate environment continue to provide the impetus for growth for the property market.

We view 2021 as the year of consolidation to further strengthen our foothold in the property market and to ensure the Group is well-positioned to harness opportunities in this challenging environment. The Group will accelerate growth through key initiatives which include digital transformation, diversification of income into new revenue streams, increased placemaking and catalytic components at our townships and sustainability initiatives. For 2021, the Group is ready with an agile launch plan which has a healthy mix of products, largely comprising residential landed products in flagship townships such as City of Elmina, Bandar Bukit Raja and Serenia City as well as residential high-rise products in KLGCC. We will also continue leveraging on digital solutions to invigorate online marketing & sales campaigns to replicate 2020's sales success.

The Group's Industrial & Logistics Development business as the new growth engine, is synergistic to our Property Development business. The latest industrial project launched was Elmina Business Park in the City of Elmina, a holistic central hub for logistics and production. Phase 1 of the project, worth a Gross Development Value of RM1.26 billion, consists of various industrial products that will be launched in stages.

The Group remains committed to deploying effective financial management including a periodical review & disposal of non-core assets and inventories management to enhance cash flow position.

The Group's resilience is also underpinned by RM1.58 billion of unbilled sales at 31 December 2020 and low net gearing of 0.28 times.

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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 31 December		Year ended 31 December	
	2020	2019	2020	2019
Included in operating profit/(loss) are:				
Depreciation and amortisation	(18,057)	(13,193)	(62,097)	(53,125)
Write-down of inventories	(25,337)	(16,923)	(131,293)	(43,318)
Impairment of receivables	2,629	(6,832)	(13,254)	(9,381)
Write-off of:				
- property development expenditure	4,113	–	(73,111)	(9,723)
- property, plant and equipment	25	–	(237)	(109)
Bad debts (write-off)/recovered	–	(728)	67	4,288
Included in other (losses)/gains are:				
Adjustment to variable consideration in respect of property disposal in prior year	(31,098)	–	(31,098)	–
Gain on disposal of property, plant and equipment:				
- land and buildings	–	36,737	–	245,512
- others	–	695	15	720
Surplus from liquidation of an associate	–	–	950	–
Reversal of impairment/(impairment) of:				
- amount due from a joint venture	–	(1,296)	1,296	(14,921)
- property, plant and equipment	(5,965)	–	(5,965)	–
- investment properties	(22,034)	(9,811)	(22,034)	(9,811)
Provision on obligation for an investment property disposed	(13,067)	(10,023)	(19,678)	(65,801)
Changes in fair value of quoted investments	889	92	(214)	(31)
Net foreign exchange gain/(loss)	2,157	1,047	(11,294)	965

B6. Tax Expense

	Quarter ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
In respect of the current period:				
- current tax	32,046	64,062	88,533	173,664
- deferred tax	4,673	(32,275)	(6,526)	(18,088)
	36,719	31,787	82,007	155,576
In respect of prior years:				
- current tax	(6,748)	1,189	(13,549)	(550)
- deferred tax	(5,250)	1,503	2,515	(80,237)
	24,721	34,479	70,973	74,789

Tax expenses was recognised for the current quarter and for the year ended 31 December 2020 mainly due to certain expenses are disallowed for tax deduction and no deferred tax asset is recognised for 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 18 February 2021.

B8. Group Borrowings

The breakdown of the borrowings as at 31 December 2020 is as follows:

	Secured	Unsecured	Total
<u>Long-term borrowings</u>			
Term loans	455,703	–	455,703
Islamic financing	950,942	–	950,942
Syndicated Islamic financing	613,349	–	613,349
Islamic medium term notes	–	798,935	798,935
Amounts due to non-controlling interests	–	214,998	214,998
	<u>2,019,994</u>	<u>1,013,933</u>	<u>3,033,927</u>
<u>Short-term borrowings</u>			
Term loans due within one year	21,324	–	21,324
Islamic financing due within one year	184,298	–	184,298
Syndicated Islamic financing	84,833	–	84,833
Islamic medium term notes	–	2,087	2,087
	<u>290,455</u>	<u>2,087</u>	<u>292,542</u>
Total borrowings	<u>2,310,449</u>	<u>1,016,020</u>	<u>3,326,469</u>

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

	Secured	Unsecured	Total
Borrowings			
- principal	2,302,580	1,013,933	3,316,513
- interest	7,869	2,087	9,956
Total borrowings	<u>2,310,449</u>	<u>1,016,020</u>	<u>3,326,469</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 18 February 2021 are as follows:

a) Claim against Sime Darby Property (Ara Damansara) Sdn Bhd (“SDPAD”)

A civil suit was 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 from March till July 2021. In January 2020, the Plaintiffs filed an application to court to summarily dispose with some of the issues to be tried by exchange of affidavits, i.e., without a full trial (“Encl. 142”). The Plaintiffs filed another application in March 2020 to court to amend their Amended Statement of Claim (“Amendment Application”). On 10 August 2020 the court allowed the Amendment Application and the Encl. 142 application was dismissed on 15 December 2020 with costs for both applications 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 (“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 19 June 2020, the Claimant filed its Amended Statement of Claim where it had, amongst others, amended its claim for specific damages to approximately RM41.9million. On 26 June 2020, the Respondent had also made consequential amendments and filed its Re-Amended Statement of Defence and Counterclaim.

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 23 days on various dates between June 2020 and January 2021. Further hearing dates have been fixed from 23 to 26 February 2021 and 26 to 30 July 2021.

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. Earnings Per Share

	Quarter ended		Year ended	
	31 December	2019	31 December	2019
	2020		2020	
Basic (loss)/earnings per share attributable to owners of the Company are computed as follows:				
(Loss)/Profit for the period	<u>(55,928)</u>	<u>102,955</u>	<u>(478,802)</u>	<u>598,531</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>(0.8)</u>	<u>1.5</u>	<u>(7.0)</u>	<u>8.8</u>

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

Selangor Darul Ehsan
25 February 2021

By Order of the Board
Moriami binti Mohd
Group Secretary