

## QUARTERLY REPORT

On the consolidated results for the first quarter ended 30 September 2017

The Directors are pleased to announce the following:

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

		Quarter ended 30 September			
	Note	2017	2016 (restated)	% + / (-)	2016 (as previously stated)
<b><u>Continuing operations</u></b>					
Revenue	A7	8,144	6,934	17.5	6,874
Other operating income		238	83		143
Operating expenses		(8,033)	(6,803)		(6,803)
Other gains		3	38		38
Operating profit	B5	352	252	39.7	252
Share of results of joint ventures		12	11		11
Share of results of associates		(8)	-		-
<b>Profit before interest and tax</b>	A7	<b>356</b>	<b>263</b>	<b>35.4</b>	<b>263</b>
Finance income		50	122		122
Finance costs	B5	(30)	(73)		(73)
<b>Profit before tax</b>		<b>376</b>	<b>312</b>	<b>20.5</b>	<b>312</b>
Tax expense	B6	(101)	(52)		(52)
<b>Profit from continuing operations</b>		<b>275</b>	<b>260</b>	<b>5.8</b>	<b>260</b>
<b><u>Discontinuing operations</u></b>					
Profit from discontinuing operations		1,119	319		238
<b>Profit for the period</b>		<b>1,394</b>	<b>579</b>	<b>140.8</b>	<b>498</b>
<b>Attributable to owners of:</b>					
- the Company					
- from continuing operations		248	216	14.8	216
- from discontinuing operations		1,068	306	249.0	227
		1,316	522	152.1	443
- perpetual sukuk		31	31		31
- non-controlling interests		47	26		24
<b>Profit for the period</b>		<b>1,394</b>	<b>579</b>	<b>140.8</b>	<b>498</b>
		<b>Sen</b>	<b>Sen</b>		<b>Sen</b>
<b>Basic earnings per share attributable to owners of the Company</b>					
- from continuing operations	B13	3.6	3.4	5.9	3.4
- from discontinuing operations		15.7	4.8	227.1	3.6
<b>Total</b>		<b>19.3</b>	<b>8.2</b>	<b>135.4</b>	<b>7.0</b>

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

**SIME DARBY BERHAD**  
(Company No: 752404-U)

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

	2017	Quarter ended 30 September		2016 (as previously stated)
		2016 (restated)	% + / (-)	
<b>Profit for the period</b>	<u>1,394</u>	<u>579</u>		<u>498</u>
<b>Other comprehensive (loss)/income</b>				
<b>Continuing operations</b>				
<b>Items that will be reclassified subsequently to profit or loss:</b>				
Currency translation differences	5	245		245
Net changes in fair value of cash flow hedges	(8)	(20)		(20)
Share of other comprehensive income of joint ventures and associates	2	(8)		(8)
Tax credit	3	8		8
	<u>2</u>	<u>225</u>		<u>225</u>
Reclassified to profit or loss currency translation differences on repayment of net investment	(31)	14		14
Reclassified changes in fair value of cash flow hedges to:				
- profit or loss	7	30		30
- inventories	11	4		4
Tax expense	(5)	(9)		(9)
	<u>(16)</u>	<u>264</u>	(106.1)	<u>264</u>
Other comprehensive (loss)/income from discontinuing operations	<u>(114)</u>	<u>206</u>		<u>204</u>
<b>Total other comprehensive (loss)/income</b>	<u>(130)</u>	<u>470</u>		<u>468</u>
<b>Total comprehensive income for the period</b>	<u>1,264</u>	<u>1,049</u>	20.5	<u>966</u>
<b>Attributable to owners of:</b>				
- the Company				
- from continuing operations	269	598	(55.0)	603
- from discontinuing operations	926	396	133.8	310
	<u>1,195</u>	<u>994</u>	20.2	<u>913</u>
- perpetual sukuk	31	31		31
- non-controlling interests	38	24		22
<b>Total comprehensive income for the period</b>	<u>1,264</u>	<u>1,049</u>	20.5	<u>966</u>

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

**SIME DARBY BERHAD**  
**(Company No: 752404-U)**

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

	<b>Unaudited As at 30 September 2017</b>	<b>Audited As at 30 June 2017</b>
Net assets per share attributable to owners of the Company (RM)	<u>5.67</u>	<u>5.49</u>

The disposal groups are in respect of the assets and liabilities of Sime Darby Plantation Berhad and Sime Darby Property Berhad which are held for distribution to shareholders of the Company (see Note B7).

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

**SIME DARBY BERHAD**  
(Company No: 752404-U)

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

	Quarter ended 30 September	
	2017	2016 (restated)
<b>Cash flow from operating activities</b>		
Profit for the financial year	275	260
Adjustments for:		
Share of results of joint ventures and associates	(4)	(11)
Finance income	(50)	(122)
Finance costs	30	73
Tax expense	101	52
Net gain on disposal of assets and investments	(166)	(66)
Depreciation and amortisation	157	135
Other non-cash items	55	38
	<u>398</u>	<u>359</u>
<b>Changes in working capital:</b>		
Inventories and rental assets	86	(64)
Trade, other receivables and prepayments	(353)	(371)
Trade, other payables and provisions	113	72
<b>Cash generated from/(used in) operations</b>	<u>244</u>	<u>(4)</u>
Tax paid	(110)	(73)
Dividends received	7	6
Operating cash from/(used in) continuing operations	<u>141</u>	<u>(71)</u>
Operating cash from discontinuing operations	263	444
<b>Net cash from operating activities</b>	<u>404</u>	<u>373</u>
<b>Investing activities</b>		
Finance income received	50	122
Purchase of property, plant and equipment, investment properties, intangible assets and prepaid lease rentals	(114)	(193)
Purchase/subscription of shares in a joint venture and investments	(39)	(31)
Proceeds from sale of subsidiaries	-	90
Proceeds from sale of property, plant and equipment, investment property and prepaid lease rentals	378	60
Advances to discontinuing operations	(143)	(5)
Net (loans made to)/repayment of loans by joint ventures and associates	(9)	56
Investing cash from continuing operations	<u>123</u>	<u>99</u>
Investing cash from/(used in) discontinuing operations	337	(244)
<b>Net cash from/(used in) investing activities</b>	<u>460</u>	<u>(145)</u>



## **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 complies with the requirements of the Malaysian Financial Reporting Standard (MFRS) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (MASB). The interim financial report is unaudited and should be read in conjunction with the Group's audited annual financial statements for the financial year ended 30 June 2017.

### **A. EXPLANATORY NOTES PURSUANT TO FRS 134**

#### **A1. Basis of Preparation**

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 30 June 2017, except as below.

##### **a) New accounting pronouncements**

i) Accounting pronouncements adopted for this interim financial report are set out below:

- Amendments to MFRS 12 (Annual Improvements to MFRSs 2014-2016 Cycle)
- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The adoption of the new accounting standard and amendments to the standards do not have any significant impact to the Group.

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

- MFRS 9 – Financial Instruments
- MFRS 16 – Leases
- MFRS 17 – Insurance Contracts
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Applying MFRS 9 – Financial Instruments with MFRS 4 – Insurance Contracts (Amendments to MFRS 4)
- Amendments to MFRS 128 (Annual Improvements to MFRSs 2014 – 2016 Cycle)
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 – Foreign Currency Translations and Advance Consideration
- IC Interpretation 23 – Uncertainty over Income Tax Treatments

iii) Accounting pronouncement where the effective date has been deferred to a date to be determined by the Malaysian Accounting Standards Board (MASB) is set out below:

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

#### **A2. Seasonal or Cyclical Factors**

The Group's operations are not materially affected by seasonal or cyclical factors except for the fresh fruit bunch production in the Plantation division (discontinuing operations) which may be affected by the vagaries of weather and cropping patterns.

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

Except as disclosed in Note B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

**SIME DARBY BERHAD**  
(Company No: 752404-U)

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

**A7. Segment Information**

Following the proposed creation of three standalone listed entities which will be pure plays in the plantation, property and trading and logistics sectors on the Main Market of Bursa Malaysia Securities Berhad (see Note B7), the results of the plantation and property businesses for the current and previous financial years are now classified as discontinuing operations and their assets/(liabilities) are now classified as assets/(liabilities) held for sale.

	Continuing operations						Discontinuing operations		Total	
	Industrial	Motors	Logistics	Others	Corporate/ Elimination	Total	Plantation	Property		Elimination
<b>Quarter ended 30 September 2017</b>										
Segment revenue:										
External	2,948	5,106	83	7	-	8,144	3,540	480	-	12,164
Inter-segment	16	5	-	33	-	54	1	7	(62)	-
	<u>2,964</u>	<u>5,111</u>	<u>83</u>	<u>40</u>	<u>-</u>	<u>8,198</u>	<u>3,541</u>	<u>487</u>	<u>(62)</u>	<u>12,164</u>
<b>Profit/(loss) before interest and tax</b>	<u>247</u>	<u>112</u>	<u>18</u>	<u>12</u>	<u>(33)</u>	<u>356</u>	<u>509</u>	<u>471</u>	<u>-</u>	<u>1,336</u>
Reversal of depreciation and amortisation of discontinuing operations										269
										<u>1,605</u>
<b>Quarter ended 30 September 2016</b>										
Segment revenue:										
External	2,164	4,689	70	11	-	6,934	2,791	430	-	10,155
Inter-segment	15	6	-	32	-	53	-	28	(81)	-
	<u>2,179</u>	<u>4,695</u>	<u>70</u>	<u>43</u>	<u>-</u>	<u>6,987</u>	<u>2,791</u>	<u>458</u>	<u>(81)</u>	<u>10,155</u>
<b>Profit before interest and tax</b>	<u>51</u>	<u>130</u>	<u>12</u>	<u>40</u>	<u>30</u>	<u>263</u>	<u>333</u>	<u>184</u>	<u>-</u>	<u>780</u>

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**A8. Capital Commitments**

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

<b>As at 30 September 2017</b>	<b>Continuing operations</b>	<b>Discontinuing operations</b>	<b>Total</b>
Property, plant and equipment			
- contracted	137	229	366
- not contracted	786	839	1,625
	<u>923</u>	<u>1,068</u>	<u>1,991</u>
Other capital expenditure			
- contracted	46	285	331
- not contracted	70	–	70
	<u>1,039</u>	<u>1,353</u>	<u>2,392</u>
<b>As at 30 June 2017</b>			
Property, plant and equipment			
- contracted	229	295	524
- not contracted	837	975	1,812
	<u>1,066</u>	<u>1,270</u>	<u>2,336</u>
Other capital expenditure			
- contracted	42	291	333
- not contracted	39	–	39
	<u>1,147</u>	<u>1,561</u>	<u>2,708</u>

**A9. Significant Related Party Transactions**

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

	<b>Quarter ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
<b>a. Transactions with joint ventures</b>		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	13	9
Disposal of Sime Darby Property (Alexandra) Private Limited to Aster Investment Holding Pte Ltd, a subsidiary of Sime Darby Real Estate Investment Trust 1	–	249
	<u>–</u>	<u>249</u>
<b>b. Transactions with associates</b>		
Sales of products and services to Tesco Stores (Malaysia) Sdn Bhd	3	4
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	3	–
	<u>3</u>	<u>–</u>



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

1. Establishment of new companies

On 4 July 2017, Kunming Bow Chuang Motor Sales and Services Co. Ltd. (KMBC) was incorporated as a limited company in the People's Republic of China (PRC), with its entire registered capital of RMB20 million held by Yunnan Bow Yue Vehicle Trading Co., Ltd., an indirect 65%-owned subsidiary of the Group. The principal activities of KMBC are retail of motor vehicles and spare parts, and provision of after-sales services.

2. Disposal of subsidiaries and interest in an associate

- a) On 19 September 2017 Sime Darby Property Berhad completed the disposal of its entire equity interest in Malaysia Land Development Company Berhad (MLDC) to Dato' Sri Tong Seech Wi for a total cash consideration of RM1. Simultaneously an agreed sum of RM60 million shall be paid to Sime Darby Property as the full and final settlement of the existing outstanding shareholder's loan granted to MLDC.

Details of net assets and net cash inflow arising from the disposal of MLDC are as follows:

	<b>Quarter ended 30 September 2017</b>
Property, plant and equipment	<b>18</b>
Inventories	<b>1</b>
Net current assets	<b>(1)</b>
Non-controlling interest	<b>1</b>
Net assets disposed	<b>19</b>
Gain on disposal	<b>41</b>
Proceeds from disposal, net of transaction costs	<b>60</b>
Less: Cash and cash equivalents in MLDC	<b>(1)</b>
Net cash inflow from disposal of MLDC	<b>59</b>

- b) On 29 September 2017, Sime Darby Property completed the disposal of its entire 40% equity interest in Seriemas Development Sdn Berhad (Seriemas) to PNB Development Sdn Bhd for a total cash consideration of RM625 million. The disposal resulted in a gain of RM307 million, net of transaction costs. Following the disposal, Seriemas and its 70%-owned subsidiary, Seriemas Resort Sdn Berhad, ceased to be associate companies of Sime Darby Property.



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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**

	Quarter ended 30 September		% +/(–)
	2017	2016 (restated)	
<u>Continuing operations</u>			
Revenue	<u>8,144</u>	<u>6,934</u>	17.5
Segment results:			
Industrial	247	51	384.3
Motors	112	130	(13.8)
Logistics	18	12	50.0
Others	12	40	(70.0)
	<u>389</u>	<u>233</u>	67.0
Exchange gain	27	27	
Corporate expense and elimination	(60)	3	
Profit before interest and tax	<u>356</u>	<u>263</u>	35.4
Finance income	50	122	
Finance costs	(30)	(73)	
<b>Profit before tax</b>	<u>376</u>	<u>312</u>	20.5
Tax expense	(101)	(52)	
Profit from continuing operations	<u>275</u>	<u>260</u>	5.8
<u>Discontinuing operations</u>			
Profit from discontinuing operations	<u>1,119</u>	<u>319</u>	250.8
Profit after tax	<u>1,394</u>	<u>579</u>	140.8
Perpetual sukuk	(31)	(31)	
Non-controlling interests	(47)	(26)	
<b>Profit attributable to owners of the Company</b>	<u>1,316</u>	<u>522</u>	152.1
Profit from discontinuing operations include:			
Profit before interest and tax :			
Plantation	509	333	52.9
Property	471	184	156.0
Reversal of depreciation and amortisation	269	–	

Net earnings of the Group from both continuing and discontinuing operations were higher at RM1,316 million as compared to RM522 million a year ago mainly due to higher earnings from the Plantation and Property divisions.

An analysis of the results is as follows:

**a) Industrial**

Industrial division's profit increased by 384.3% mainly due to the gain on disposal of properties in Australia of RM156 million. Excluding this gain, the division's profit increased by 78.4% driven by higher equipment deliveries and product support sales to the construction and mining sectors in Australia and China.

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Explanatory Notes on the Quarterly Report – 30 September 2017  
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**B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter**

	Quarter ended		
	30 September 2017	30 June 2017	% +/(–)
<u>Continuing operations</u>			
Revenue	<u>8,144</u>	<u>8,200</u>	(0.7)
Segment results:			
Industrial	247	(192)	228.6
Motors	112	241	(53.5)
Logistics	18	28	(35.7)
Others	<u>12</u>	<u>19</u>	(36.8)
	389	96	305.2
Exchange gain	27	24	
Corporate expense and elimination	<u>(60)</u>	<u>(52)</u>	
Profit before interest and tax	356	68	423.5
Finance income	50	128	
Finance costs	<u>(30)</u>	<u>(98)</u>	
<b>Profit before tax</b>	<b>376</b>	<b>98</b>	<b>283.7</b>
Tax expense	<u>(101)</u>	<u>(14)</u>	
Profit from continuing operations	<u>275</u>	<u>84</u>	227.4
<u>Discontinuing operations</u>			
Profit from discontinuing operations	<u>1,119</u>	<u>541</u>	
Profit after tax	<u>1,394</u>	<u>625</u>	123.0
Perpetual sukuk	<u>(31)</u>	<u>(31)</u>	
Non-controlling interests	<u>(47)</u>	<u>(23)</u>	
<b>Profit attributable to owners of the Company</b>	<b><u>1,316</u></b>	<b><u>571</u></b>	<b>130.5</b>
Profit from discontinuing operations include:			
Profit before interest and tax :			
Plantation	509	352	44.6
Property	471	413	14.0
Reversal of depreciation and amortisation	<u>269</u>	<u>–</u>	

Net earnings of the Group for both continuing and discontinuing operations increased by 130.5% mainly due to the higher profit from Plantation and Industrial divisions and the reversal of depreciation and amortisation of discontinuing operations.

The reduction in finance income and finance costs is as explained in Note B1.

An analysis of the results is as follows:

**a) Industrial**

Industrial division reported an increase in profit in the current quarter which included the gain on disposal of properties in Australia of RM156 million, whilst the preceding quarter included an impairment of the Bucyrus distribution rights and the provision for onerous contracts for the leasing of Bucyrus equipment totaling RM257 million. Excluding these items, Industrial division's profit increased by 40% to RM91 million from RM65 million mainly due to higher equipment deliveries and product support sales in Australia.

**SIME DARBY BERHAD**  
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Explanatory Notes on the Quarterly Report – 30 September 2017  
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**B3. Prospects**

On 27 February 2017, the Company announced the proposed distribution and the subsequent listings of the Company's entire shareholdings in Sime Darby Plantation Berhad and Sime Darby Property Berhad on the Main Market of Bursa Malaysia Securities Berhad ("the Proposal"). Upon completion of the Proposal, the Group's main businesses would be Industrial, Motors and Logistics, with its focus being principally in the Asia Pacific Region.

The global economy has gradually shown improved performance in recent months. Despite subdued growth in the world's major economies, strong growth is seen in the Asian economies, driven by domestic and external demand. However, expected interest rate hikes may lead to continued volatility in foreign exchange rates and commodity prices.

The Group's Motors operations continue to be impacted by strong competition and cautious consumer sentiment. The continued growth and higher generation of sales in the near term is expected with launches of new car models in the forthcoming quarters and the on-going measures to expand the Motors operations. The Group would be exiting the current distributorship and dealership business in Vietnam.

The Industrial operations in Australia have seen improvements in recent months in the product support business along with an increase in the order book. The China operations have remained strong with increased demand from the construction industry. The Malaysian operations continue to be well supported by the growth in the construction and infrastructure segments.

The Port operations in Weifang continue to be affected by the slower economic growth and competitive market. However, the expected completion of new berths and the liquid terminal in this financial year will further support the development of Weifang Port in the longer term.

Against the backdrop of a challenging operating environment, the Board expects the Group's performance for the financial year ending 30 June 2018 to be satisfactory.

**B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee**

Not applicable as there was no profit forecast or profit guarantee issued.



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**B7. Status of Corporate Proposals**

The corporate proposals announced but not completed as at 8 November 2017 are as follows:

- a) On 27 February 2017, the Board of Directors of the Company have announced an internal restructuring to pursue a pure-play strategy involving the creation of standalone listed entities in the plantation, property and trading & logistics sectors on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities).

On 26 October 2017, the Securities Commission granted its approval for the proposed internal restructuring. On 10 November 2017, Bursa Securities approved the applications for the admission of Sime Darby Plantation and Sime Darby Property to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued share capital of Sime Darby Plantation and Sime Darby Property on the "Plantation" and "Properties" sectors of the Main Market of Bursa Securities, respectively.

The completion of the proposal is subject to the approval of the shareholders of the Company at the forthcoming Extraordinary General Meeting to be held on 20 November 2017.

- b) On 29 June 2017, the Company announced that Sime Darby Builders Sdn Bhd, a wholly-owned subsidiary of Sime Darby Property, has on 29 June 2017 entered into a sales and purchase agreement with PNB Development Sdn Berhad for the disposal of approximately 297.51 acres of land for a cash consideration of RM86 million. The disposal is expected to be completed by end of 2017.

**B8. Status of Utilisation of Placement Proceeds**

The utilisation of the proceeds raised from the Shares Placement on 13 October 2016 as at 30 September 2017 is as follows:

Purpose	Proposed utilisation	Actual utilisation	Amount yet to be utilised	Revised utilisation of balance
Repayment of borrowings	1,200	1,200	–	–
Capital expenditure for:				
Industrial	–	–	–	69
Motors	300	185	115	115
Plantation	300	300	–	–
Property	350	281	69	–
	<u>950</u>	<u>766</u>	<u>184</u>	<u>184</u>
Working capital	195	195	–	–
Placement expenses	12	12	–	–
	<u>2,357</u>	<u>2,173</u>	<u>184</u>	<u>184</u>

On 30 October 2017, the Board approved the variation of the utilisation of the proceeds for capital expenditure. The remaining unutilised amount for the Property Division's capital expenditure of RM69 million as at 30 September 2017 will be reallocated to the Industrial Division while the unutilised amount of RM115 million ear-marked for capital expenditure of the Motors Division will continue to be utilised for the Motors Division but the utilisation has been expanded to include purchase of vehicles for the rental fleet in Malaysia and overseas as this also forms part of the Motors Division's capital expenditure.

The Board had also approved for the remaining proceeds for capital expenditure to be fully utilised by 30 June 2018.

**B10. Financial Instruments and Realised and Unrealised Profits or Losses**

a) Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts, cross currency swap contracts and commodity futures contracts to manage its exposure to various financial risks. The fair values of these derivatives as at 30 September 2017 are as follows:

	Classification in Statement of Financial Position				Net Fair Value
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	
Forward foreign exchange contracts	–	5	–	14	(9)
Interest rate swap contracts	1	2	–	–	3
Cross currency swap contract	34	74	–	–	108
	<b>35</b>	<b>81</b>	<b>–</b>	<b>14</b>	<b>102</b>

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 30 June 2017.

The description, notional amount and maturity profile of each derivative are shown below:

Forward foreign exchange contracts

Forward foreign exchange contracts were entered into by subsidiaries in currencies other than their functional currency in order to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in fair value of the forward foreign currency contracts are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 30 September 2017, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional Amount	Fair Value Assets/ (Liabilities)
- less than 1 year	1,710	(9)

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**B10. Financial Instruments and Realised and Unrealised Profits or Losses (continued)**

b) Fair Value Changes of Financial Liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

c) Realised and Unrealised Profits or Losses

The breakdown of realised and unrealised retained profits of the Group are as follows:

	As at 30 September 2017	As at 30 June 2017
Total retained profits of the Company and its subsidiaries		
- realised	33,240	31,663
- unrealised	5,326	5,305
	<u>38,566</u>	<u>36,968</u>
Total share of retained profits from joint ventures		
- realised	283	195
- unrealised	2	(1)
	<u>285</u>	<u>194</u>
Total share of retained profits from associates		
- realised	112	125
- unrealised	(9)	(14)
	<u>103</u>	<u>111</u>
Less: consolidation adjustments	(10,942)	(10,577)
Total retained profits of the Group	<u>28,012</u>	<u>26,696</u>

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



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**B11. Material Litigation (continued)**

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

**c) Emirates International Energy Services (EMAS)**

EMAS had on 13 January 2011, filed a civil suit in the Plenary Commercial Court in Abu Dhabi against Sime Darby Engineering Sdn Bhd (SDE) (First Suit) claiming payment of USD178 million comprising (a) a payment of USD128 million for commissions; and (b) a payment of USD50 million as "morale compensation".

SDE filed its Statement of Defence and Counter Claim for the sum of AED100 million (equivalent to approximately RM115 million) on 14 August 2011 with a request for the matter to be referred to arbitration. On 22 August 2011, the Court dismissed the First Suit.

i. Proceedings at the Judicial Department of Abu Dhabi

On 31 March 2012, EMAS filed the Second Suit against SDE at the Judicial Department of Abu Dhabi for USD178 million based on the same facts and grounds as the First Suit.

On 18 May 2014, the Court issued judgment for the sum of AED41 million (equivalent to approximately RM47 million) against SDE.

The judgment was subsequently reversed by the Court of Appeal on 2 July 2014 and by the Supreme Court on 25 December 2014. By virtue of the Supreme Court's decision, EMAS has effectively exhausted all its avenues in the Abu Dhabi courts in pursuing its claim against SDE.

ii. Proceedings at Dubai Chamber of Commerce and Industry (DIAC)

On 24 January 2016, EMAS submitted a Request for Arbitration against SDE to DIAC. The amount claimed by EMAS is AED41 million (equivalent to approximately RM47 million). The tribunal set the proceeding schedule and tentatively fixed the matter for hearing from 15 to 20 January 2018.

**d) Qatar Petroleum (QP) Statement of Claim**

On 15 August 2012, Sime Darby Engineering Sdn Bhd (SDE) filed a Statement of Claim at the Qatar Court against QP for the sum of QAR1 billion (equivalent to approximately RM1 billion). The claim seeks the repayment of a liquidated performance bond, payment of outstanding invoices, compensation and additional costs incurred in relation to an offshore engineering project in Qatar undertaken by SDE pursuant to a contract dated 27 September 2006.

On 21 July 2016, the Court delivered its judgment and ordered QP to pay QAR13 million (equivalent to approximately RM14 million) to SDE (Judgment).

On 24 August 2016, SDE filed enforcement proceedings against QP to enforce the Judgment. QP and SDE appealed to the Court of Appeal against the Judgment on 6 September 2016 and 25 September 2016, respectively. On 5 January 2017, the Court allowed QP's application for stay of the enforcement proceedings pending disposal of the parties' appeal.

On 30 October 2017, instead of issuing its decision on the parties' appeal, the Court referred the matter to the court experts to examine the appeal and fixed 25 March 2018 for the experts to submit their report.

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**B11. Material Litigation (continued)**

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

**g) Malaysia Marine and Heavy Engineering (MMHE) Notice of Arbitration (continued)**

Hearing was concluded on 24 March 2017. The parties submitted their respective written submissions on 26 May 2017 and oral submissions on 4 August 2017. The tribunal will fix a date for decision.

**h) Claim against PT Anzawara Satria**

On 11 May 2006, PT Sajang Heulang (PT SHE) filed legal action in the District Court of Kotabaru against PT Anzawara Satria (PT AS) claiming for the surrender of approximately 60 hectares of land forming part of Hak Guna Usaha (HGU) 35 belonging to PT SHE on which PT AS had allegedly carried out illegal coal mining activities.

The District Court of Kotabaru, the High Court of Kalimantan Selatan at Banjarmasin and subsequently the Supreme Court of Indonesia, on 10 March 2011, ruled in favour of PT AS and ordered PT SHE to surrender 2,000 hectares of land in Desa Bunati to PT AS (1st Judicial Review Decision).

Meanwhile, on 24 May 2006, PT AS claimed in the State Administration Court Banjarmasin for an order that the mining rights held by PT AS superseded the HGU 35 held by PT SHE and that the said HGU 35 measuring approximately 2,128 hectares was improperly issued to PT SHE. The State Administration Court Banjarmasin ruled in favour of PT SHE and dismissed PT AS's claim. PT AS appealed to the High Court of State Administration at Jakarta against the said decision. The High Court ruled in favour of PT AS and nullified PT SHE's HGU 35. PT SHE appealed to the Supreme Court and on 26 October 2010, the Supreme Court declared PT SHE as the lawful owner of HGU 35 (2nd Judicial Review Decision).

On 7 November 2011, PT SHE filed judicial review proceedings (3rd Judicial Review) before the Supreme Court seeking a decision on the conflicting decisions comprised by the 1st and the 2nd Judicial

Review Decisions but the application was dismissed by the Supreme Court on the ground that the application could not be determined by another judicial review decision.

On 27 March 2013, PT AS in carrying out execution proceedings of the 1st Judicial Review Decision, felled oil palm trees and destroyed buildings and infrastructure, resulting in damage to approximately 1,500 hectares of land. On 23 April 2014, PT SHE filed a claim at the District Court of Batu Licin against PT AS for the sum of IDR673 billion (approximately RM215 million).

On 20 January 2015, the District Court of Batu Licin decided in favour of PT SHE and awarded damages in the sum of IDR70 billion (approximately RM22 million). On 29 January 2015, PT AS appealed to the High Court of Kalimantan Selatan, Banjarmasin against the District Court Batu Licin Decision.

On 10 February 2016, the High Court of Kalimantan Selatan, Banjarmasin ruled in favour of PT AS on the ground that the same subject matter (claim for execution/compensation) and the same object matter (being 60 hectares of land in Desa Bunati) had been deliberated and decided by the High Courts and Supreme Courts. Thus, PT SHE is not entitled to bring the same action before the District Court of Batu Licin (3rd High Court Decision).

On 22 February 2016, PT SHE appealed to the Supreme Court against the 3rd High Court Decision As at the date of this report, the Supreme Court has not made its decision.



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**B11. Material Litigation (continued)**

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

**k) Chantico Ship Management Ltd (Chantico) vs. Sime Darby Unimills B.V. (SD Unimills) and others**

Sime Darby Unimills B.V. ("SD Unimills") is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos).

The vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners and 2 Algerian cargo owners). One of the 9 cargo owners is SD Unimills. The percentage of SD Unimills' cargo on board was about 14.4%.

The voyage of this vessel was interrupted in Greece in July 2010, when the vessel owners declared themselves unable to continue the voyage to Bejaia, Barcelona, Lisbon and Rotterdam due to financial reasons, and the vessel was anchored in Psachna, Greece.

The cargo owners, including SD Unimills, disembarked and sold the cargo. In the meantime, the vessel was sold to Chantico Ship Management Ltd ("Chantico") by the vessel owners.

The disembarkment and sale of the cargo by the cargo owners resulted in various claims and litigation between Chantico (the new vessel owner) and the cargo owners before the Court of Piraeus in Greece.

The following 2 lawsuits are still pending:

- (a) proceedings before the Court of Piraeus, started in October 2014 ("Lawsuit 1"), which replaced the previous proceedings that commenced in 2012.

A writ was served on only 2 European cargo owners so far, and has yet to be served on SD Unimills.

The claims are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the total amount claimed from all 9 cargo owners (1 of which is SD Unimills), jointly and severally, is EUR11.3 million (equivalent to around RM55.5 million).

In addition, Chantico claimed a storage fee from each cargo owner based on Chantico's alleged management of cargo owner's assets, and the total amount claimed from SD Unimills is EUR8.4 million (equivalent to around RM41.3 million).

Upon request of the parties, the Court adjourned the hearing of 7 March 2017 with no appointed date for resumption. To revive the proceedings, Chantico has to serve a writ on all cargo owners.

The potential exposure of SD Unimills under Lawsuit 1 could be up to around EUR19.7 million (equivalent to around RM96.8 million), being the total of Chantico's claims under Lawsuit 1.



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**B12. Dividend**

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

The Board has recommended a final dividend of 17.0 sen per share in respect of the financial year ended 30 June 2017 (Final Dividend) which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967. The proposed Final Dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

**B13. Earnings Per Share**

	Quarter ended 30 September	
	2017	2016
Basic earnings per share attributable to owners of the Company are computed as follows:		
Profit for the period		
- continuing operations	248	216
- discontinuing operations	1,068	306
	<u>1,316</u>	<u>522</u>
Weighted average number of ordinary shares in issue (million)	<u>6,801</u>	<u>6,327</u>
Basic earnings per share (sen)		
- continuing operations	3.6	3.4
- discontinuing operations	15.7	4.8
	<u>19.3</u>	<u>8.2</u>

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

**B14. Comparatives**

The Group has fully transitioned from FRS to MFRS framework and early adopted MFRS 15 – Revenue from Contracts with Customers and the changes are applied retrospectively beginning 1 July 2015. Accordingly, the results, statement of changes in equity and cash flows for the quarter ended 30 September 2016 shown as comparatives to this interim financial report have been restated to comply with the new accounting policy.

Kuala Lumpur  
15 November 2017

By Order of the Board  
Norzilah Megawati Abdul Rahman  
Mazlina Mohd Zain  
Company Secretaries