

QUARTERLY REPORT

On the consolidated results for the fourth quarter ended 31 December 2019

The Directors are pleased to announce the following:

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

| | Note | Quarter ended 31 December | | % | Twelve (12) months ended 31 December | | % |
|--|------|------------------------------|-----------|-------|---|-------------|---------|
| | | 2019 | 2018 | +/(-) | 2019 | 2018 | +/(-) |
| Revenue | A8 | 888,932 | 788,808 | 12.7 | 3,179,994 | 2,446,012 | 30.0 |
| Cost of sales | | (680,904) | (701,891) | | (2,387,730) | (2,013,307) | |
| Gross profit | | 208,028 | 86,917 | 139.3 | 792,264 | 432,705 | 83.1 |
| Other income | | 645 | 1,790 | | 9,700 | 20,416 | |
| Selling and marketing expenses | | (38,593) | (28,137) | | (119,763) | (104,300) | |
| Administrative expenses | | (72,662) | (86,762) | | (256,568) | (240,241) | |
| Operating profit/(loss) | | 97,418 | (26,192) | | 425,633 | 108,580 | |
| Share of results of joint ventures | | 3,619 | (43,471) | | (29,901) | (70,375) | |
| Share of results of associates | | 858 | 58 | | 53 | 927 | |
| Other gains/(losses) | | 18,737 | (21,169) | | 171,554 | (8,251) | |
| Profit/(Loss) before interest and tax | A7 | 120,632 | (90,774) | 232.9 | 567,339 | 30,881 | 1,737.2 |
| Finance income | | 30,683 | 35,687 | | 121,242 | 130,524 | |
| Finance costs | | (7,681) | (36,057) | | (22,911) | (82,744) | |
| Profit/(Loss) before tax | | 143,634 | (91,144) | 257.6 | 665,670 | 78,661 | 746.3 |
| Tax expense | B6 | (34,479) | (255,925) | | (74,789) | (269,562) | |
| Profit/(Loss) for the period | | 109,155 | (347,069) | 131.5 | 590,881 | (190,901) | 409.5 |
| Attributable to: | | | | | | | |
| - owners of the Company | | 102,955 | (347,499) | 129.6 | 598,531 | (238,461) | 351.0 |
| - non-controlling interests | | 6,200 | 430 | | (7,650) | 47,560 | |
| Profit/(Loss) for the period | | 109,155 | (347,069) | 131.5 | 590,881 | (190,901) | 409.5 |
| Basic earnings/(loss) per share attributable to owners of the Company (sen) | B11 | 1.5 | (5.1) | 129.6 | 8.8 | (3.5) | 351.0 |

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

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

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

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

| | Quarter ended | | | Twelve (12) months | | |
|--|----------------|------------------|---------|--------------------|------------------|---------|
| | 31 December | | % | ended 31 December | | % |
| | 2019 | 2018 | + / (-) | 2019 | 2018 | + / (-) |
| Profit/(Loss) for the period | <u>109,155</u> | <u>(347,069)</u> | 131.5 | <u>590,881</u> | <u>(190,901)</u> | 409.5 |
| Other comprehensive income/(loss) | | | | | | |
| Items which will subsequently be reclassified to profit or loss (net of tax): | | | | | | |
| Currency translation differences | 121,038 | (78,077) | | 49,513 | (92,005) | |
| Net changes in fair value of investments | - | 6,040 | | (420) | 19,023 | |
| Share of other comprehensive income of an associate | <u>(710)</u> | <u>(176)</u> | | <u>(351)</u> | <u>3,005</u> | |
| Other comprehensive income/(loss) for the period | <u>120,328</u> | <u>(72,213)</u> | | <u>48,742</u> | <u>(69,977)</u> | |
| Total comprehensive income/(loss) for the period | <u>229,483</u> | <u>(419,282)</u> | 154.7 | <u>639,623</u> | <u>(260,878)</u> | 345.2 |
| Attributable to: | | | | | | |
| - owners of the Company | 222,694 | (418,615) | 153.2 | 648,208 | (304,733) | 312.7 |
| - non-controlling interest | <u>6,789</u> | <u>(667)</u> | | <u>(8,585)</u> | <u>43,855</u> | |
| Total comprehensive income/(loss) for the period | <u>229,483</u> | <u>(419,282)</u> | 154.7 | <u>639,623</u> | <u>(260,878)</u> | 345.2 |

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

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

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

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

| | Note | As at 31 December 2019 | As at 31 December 2018 (Restated) | As at 1 July 2018 (Restated) |
|--|------|------------------------------|--|---------------------------------------|
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | | 636,284 | 640,445 | 735,159 |
| Investment properties | | 745,115 | 644,206 | 605,961 |
| Inventories (note 1) | | 4,543,599 | 4,178,104 | 4,144,058 |
| Joint ventures | | 2,781,416 | 2,574,020 | 2,223,949 |
| Associates | | 139,137 | 140,492 | 140,575 |
| Investments | | 58,788 | 59,239 | 39,451 |
| Intangible assets | | 4,143 | 3,454 | 3,964 |
| Deferred tax assets | | 579,376 | 487,225 | 460,284 |
| Receivables | | 74,375 | 88,000 | 73,000 |
| Contract assets | | 1,318,352 | 1,409,083 | 1,413,417 |
| | | 10,880,585 | 10,224,268 | 9,839,818 |
| <u>Current assets</u> | | | | |
| Inventories (note 1) | | 1,989,843 | 2,574,517 | 2,635,405 |
| Receivables | | 628,711 | 736,579 | 754,871 |
| Contract assets | | 1,198,933 | 773,602 | 687,869 |
| Prepayment | | 17,549 | 18,556 | 26,696 |
| Tax recoverable | | 23,334 | 60,226 | 55,924 |
| Cash held under Housing Development Accounts | | 456,706 | 343,518 | 492,969 |
| Bank balances, deposits and cash | | 286,632 | 305,572 | 256,426 |
| | | 4,601,708 | 4,812,570 | 4,910,160 |
| Assets held for sale (note 2) | | – | 79,519 | – |
| Total assets | A7 | 15,482,293 | 15,116,357 | 14,749,978 |
| <u>Equity</u> | | | | |
| Share capital | | 6,800,839 | 6,800,839 | 6,800,839 |
| Fair value reserve | | 36,375 | 38,063 | 15,876 |
| Exchange reserve | | (11,679) | (63,044) | (51,781) |
| Retained profits | | 2,896,175 | 2,433,661 | 2,969,653 |
| Attributable to owners of the Company | | 9,721,710 | 9,209,519 | 9,734,587 |
| Non-controlling interests | | 228,296 | 236,881 | 230,837 |
| Total equity | | 9,950,006 | 9,446,400 | 9,965,424 |
| <u>Non-current liabilities</u> | | | | |
| Borrowings | B8 | 2,408,140 | 1,925,221 | 2,046,521 |
| Provisions | | – | – | 29,609 |
| Contract liabilities | | 251,623 | 256,231 | 255,552 |
| Deferred tax liabilities | | 163,713 | 170,175 | 144,429 |
| Lease liabilities | | 76,956 | – | – |
| | | 2,900,432 | 2,351,627 | 2,476,111 |
| <u>Current liabilities</u> | | | | |
| Payables | | 1,385,402 | 1,390,175 | 1,430,627 |
| Borrowings | B8 | 796,147 | 1,347,816 | 495,831 |
| Provisions | | 175,901 | 108,823 | 45,894 |
| Lease liabilities | | 14,756 | – | – |
| Contract liabilities | | 100,902 | 210,532 | 297,930 |
| Tax provision | | 158,747 | 260,984 | 38,161 |
| | | 2,631,855 | 3,318,330 | 2,308,443 |
| Total liabilities | | 5,532,287 | 5,669,957 | 4,784,554 |
| Total equity and liabilities | | 15,482,293 | 15,116,357 | 14,749,978 |

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

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

| | As at 31 December 2019 | As at 31 December 2018 (Restated) | As at 1 July 2018 (Restated) |
|---|------------------------------|--|---------------------------------------|
| Net assets per share attributable to owners of the Company (RM) | <u>1.43</u> | <u>1.35</u> | <u>1.43</u> |

Note:

1. Inventories

| | | | |
|-----------------------------------|------------------|------------------|------------------|
| Completed development units | 513,578 | 871,281 | 835,491 |
| Ongoing development | 1,474,543 | 1,701,673 | 1,798,444 |
| Others | <u>1,722</u> | <u>1,563</u> | <u>1,470</u> |
| | 1,989,843 | 2,574,517 | 2,635,405 |
| Not within normal operating cycle | <u>4,543,599</u> | <u>4,178,104</u> | <u>4,144,058</u> |
| | 6,533,442 | 6,752,621 | 6,779,463 |

2. Assets held for sale

| | | | |
|-------------------------------|----------|---------------|----------|
| Property, plant and equipment | <u>-</u> | <u>79,519</u> | <u>-</u> |
|-------------------------------|----------|---------------|----------|

The property, plant and equipment classified as assets held for sale as at 31 December 2018 were in regards to Darby Park Executive Suites in Singapore and two bungalows in Penang.

The sale and purchase agreement for Darby Park Executive Suites was signed on 1 November 2018 and completed on 31 January 2019 for a consideration of SGD93.0 million. The Group registered a gain on disposal of SGD67.3 million (equivalent to RM203.4 million).

The sale and purchase agreement for the two bungalows in Penang was signed on 19 December 2018 and completed on 9 October 2019 for a consideration of RM33.5 million. The Group registered a gain on disposal of RM31.1 million.

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

SIME DARBY PROPERTY BERHAD
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 |
|---|------------------|--------------------|------------------|------------------|---------------------------------------|---------------------------|------------------|
| Twelve (12) months 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 period | – | (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 |
| Twelve (12) months ended 31 December 2018 (Restated) | | | | | | | |
| At 1 January 2018 | 6,800,839 | 16,035 | 25,256 | 3,025,431 | 9,867,561 | 220,902 | 10,088,463 |
| Effect of the adoption of MFRS 9 on 1 July 2018 | – | – | – | (13,267) | (13,267) | (760) | (14,027) |
| Total comprehensive income/(loss) for the period | – | 22,028 | (88,300) | (238,461) | (304,733) | 43,855 | (260,878) |
| Transaction with owners: | | | | | | | |
| - dividends paid | – | – | – | (340,042) | (340,042) | (27,116) | (367,158) |
| At 31 December 2018 | 6,800,839 | 38,063 | (63,044) | 2,433,661 | 9,209,519 | 236,881 | 9,446,400 |

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

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

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

| | Twelve (12) months ended 31 December | |
|--|---|------------------|
| | 2019 | 2018 |
| Cash flow from operating activities | | |
| Profit/(Loss) for the period | 590,881 | (190,901) |
| Adjustments for: | | |
| Share of results of joint ventures and associates | 29,848 | 69,448 |
| Depreciation and amortisation | 53,125 | 46,914 |
| Net write-down of inventories | 43,318 | 72,057 |
| Write-off of property development expenditure | 9,723 | 99,766 |
| Impairment | 34,113 | 20,629 |
| Bad debts (recovered)/write-off | (4,288) | 802 |
| Write-offs of: | | |
| - property, plant and equipment | 109 | 2,385 |
| - intangible assets | - | 50 |
| Gain on disposal | (246,232) | (18,757) |
| Changes in fair value/impairment of quoted investments | 31 | 3,062 |
| Provisions | 88,656 | 33,826 |
| Finance income | (121,242) | (130,524) |
| Finance costs | 22,911 | 82,744 |
| Tax expense | 74,789 | 269,562 |
| Other items | - | 46 |
| | <u>575,742</u> | <u>361,109</u> |
| Changes in working capital: | | |
| - inventories | 320,518 | (428,248) |
| - trade, other receivables and prepayments | 65,019 | 76,142 |
| - contract assets and contract liabilities | (336,196) | 5,107 |
| - trade, other payables and provisions | (7,012) | (63,299) |
| Cash from/(used in) operations | <u>618,071</u> | <u>(49,189)</u> |
| Tax paid | (209,087) | (143,622) |
| Dividends received from a joint venture/an associate | 9,759 | 4,412 |
| Net cash from/(used in) operating activities | <u>418,743</u> | <u>(188,399)</u> |
| Cash flow from investing activities | | |
| Finance income received | 16,085 | 23,971 |
| Proceeds from sale of: | | |
| - property, plant and equipment | 333,971 | 6,258 |
| - investment properties | - | 73,042 |
| Purchase/addition of: | | |
| - property, plant and equipment | (11,811) | (19,254) |
| - investment properties | (75,269) | (146,248) |
| - intangible assets | (2,247) | (658) |
| Subscription of shares in joint ventures | (187,212) | (642,189) |
| Advances to joint ventures | (3,500) | (45,878) |
| Net cash from/(used in) investing activities | <u>70,017</u> | <u>(750,956)</u> |
| Cash flow from financing activities | | |
| Finance costs paid | (169,728) | (138,531) |
| Borrowings raised | 717,498 | 655,168 |
| Repayments of long-term borrowings | (407,498) | (318,534) |
| Revolving credits (net) | (380,000) | 727,750 |
| Repayments of lease liabilities | (18,484) | - |
| Dividends paid on ordinary shares | (136,017) | (340,042) |
| Dividends paid to non-controlling interests | - | (27,116) |
| Net cash (used in)/from financing activities | <u>(394,229)</u> | <u>558,695</u> |

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

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

| | Twelve (12) months ended | |
|--|---------------------------------|-----------------------|
| | 31 December | |
| | 2019 | 2018 |
| Net changes in cash and cash equivalents | 94,531 | (380,660) |
| Foreign exchange differences | (283) | (6,180) |
| Cash and cash equivalents at beginning of the period | 649,090 | 1,035,930 |
| Cash and cash equivalents at end of the period | <u>743,338</u> | <u>649,090</u> |
| For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following: | | |
| Cash held under Housing Development Accounts | 456,706 | 343,518 |
| Bank balances, deposits and cash | 286,632 | 305,572 |
| | <u>743,338</u> | <u>649,090</u> |

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

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial period ended 31 December 2018.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

EXPLANATORY NOTES

This interim financial report is prepared in accordance with the requirements of Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complied with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (“MASB”).

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

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

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial period ended 31 December 2018 except as described below.

a. New accounting pronouncements

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

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

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

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

| | |
|--|--------------------------------|
| MFRS 17 | Insurance Contracts |
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |
| Amendments to MFRS 7, MFRS 9 and MFRS 139 | Interest Rate Benchmark Reform |
| Amendments to References to the Conceptual Framework in MFRS Standards | |

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

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

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

A1. Basis of Preparation (continued)

a. New accounting pronouncements (continued)

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

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

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

b. Adoption of MFRS 16 – Leases

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

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

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

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

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

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

A1. Basis of Preparation (continued)

b. Adoption of MFRS 16 – Leases (continued)

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

| | Audited as at 31 December 2018 (Restated) | Effects of MFRS 16 | Restated as at 1 January 2019 |
|--------------------------------------|--|-------------------------------|--|
| Non-current assets | | | |
| Property, plant and equipment | 640,445 | 23,096 | 663,541 |
| Other non-current assets | 9,583,823 | – | 9,583,823 |
| | <u>10,224,268</u> | <u>23,096</u> | <u>10,247,364</u> |
| Current assets | <u>4,812,570</u> | <u>–</u> | <u>4,812,570</u> |
| Assets held for sale | <u>79,519</u> | <u>–</u> | <u>79,519</u> |
| Total assets | <u>15,116,357</u> | <u>23,096</u> | <u>15,139,453</u> |
| Total equity | <u>9,446,400</u> | <u>–</u> | <u>9,446,400</u> |
| Lease liabilities | – | 22,945 | 22,945 |
| Other non-current liabilities | 2,351,627 | – | 2,351,627 |
| Total non-current liabilities | <u>2,351,627</u> | <u>22,945</u> | <u>2,374,572</u> |
| Lease liabilities | – | 151 | 151 |
| Other current liabilities | 3,318,330 | – | 3,318,330 |
| Total current liabilities | <u>3,318,330</u> | <u>151</u> | <u>3,318,481</u> |
| Total liabilities | <u>5,669,957</u> | <u>23,096</u> | <u>5,693,053</u> |
| Total equity and liabilities | <u>15,116,357</u> | <u>23,096</u> | <u>15,139,453</u> |

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

The Annual Improvement to MFRS 123 requires borrowings obtained specifically for the construction of a qualifying asset to be designated as general borrowings when the qualifying asset is ready for its intended use or sale. Hence, instead of charging to profit and loss, such borrowing costs are capitalised as part of other qualifying assets. This has resulted in the capitalisation of additional finance costs of RM56.3 million into property development expenditure.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
 Amounts in RM thousand unless otherwise stated

A1. Basis of Preparation (continued)

d. Reclassification between non-current inventories (land held for property development) and current inventories (property development costs)

With effect from the beginning of the current financial period, the Group has reclassified land and common costs incurred in future development phases which have yet to commence its operating cycle as non-current inventories under land held for property development. Both land and common costs attributable to a particular phase will be transferred from non-current inventories to current inventories upon the launch of that particular phase or once the site possession of the phase is handed over to the contractor for the commencement of building construction works, whichever is earlier. With this, the current inventories will be more reflective of the level of ongoing active development activities.

The effect of the reclassification of property development costs and land held for property development on the comparative periods are as follows:

| | As at 31 December 2018 | | | As at 1 July 2018 | | |
|----------------------------------|------------------------|------------------|-------------|----------------------|------------------|-------------|
| | As previously stated | Reclassification | As restated | As previously stated | Reclassification | As restated |
| <u>Non-current assets</u> | | | | | | |
| Inventories | 2,127,594 | 2,050,510 | 4,178,104 | 1,865,841 | 2,278,217 | 4,144,058 |
| <u>Current assets</u> | | | | | | |
| Inventories | 4,625,027 | (2,050,510) | 2,574,517 | 4,913,622 | (2,278,217) | 2,635,405 |

A2. Seasonal or Cyclical Factors

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

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

There were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial 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 quarter under review.

A5. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year under review.

The Company has 6,800,839,377 ordinary shares in issue as at 31 December 2019.

A6. Dividend Paid

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

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

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

A7. Segment Information

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

a. Segment results

| | Property Development | Property Investment | Leisure and Hospitality | Elimination | Total |
|--|-------------------------|------------------------|----------------------------|-----------------|------------------|
| Twelve (12) months 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) | – |
| | 3,001,341 | 98,354 | 94,308 | (14,009) | 3,179,994 |
| 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 | (181,460) | (24,622) | (58,346) | 7,860 | (256,568) |
| Operating profit/(loss) | 448,294 | 3,482 | (26,143) | – | 425,633 |
| Share of results of joint ventures and associates | (31,383) | 1,535 | – | – | (29,848) |
| Segment results | 416,911 | 5,017 | (26,143) | – | 395,785 |
| Other gains/(losses) | 932 | (34,693) | 205,315 | – | 171,554 |
| Profit/(Loss) before interest and tax | 417,843 | (29,676) | 179,172 | – | 567,339 |
| Included in other gains/(losses) are: | | | | | |
| Gain on disposal of property, plant and equipment | 2 | 31,108 | 215,122 | – | 246,232 |
| Provision on obligation for an investment property disposed | – | (65,801) | – | – | (65,801) |
| Impairment of investment properties | – | – | (9,811) | – | (9,811) |
| Changes in fair value of quoted investments | (31) | – | – | – | (31) |

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

a. Segment results (continued)

| | Property Development | Property Investment | Leisure and Hospitality | Elimination | Total |
|--|-------------------------|------------------------|----------------------------|-----------------|------------------|
| Twelve (12) months ended 31 December 2018 | | | | | |
| Revenue: | | | | | |
| External | 2,190,889 | 159,136 | 95,987 | – | 2,446,012 |
| Inter-segment | 351 | 10,161 | 215 | (10,727) | – |
| | <u>2,191,240</u> | <u>169,297</u> | <u>96,202</u> | <u>(10,727)</u> | <u>2,446,012</u> |
| Cost of sales | (1,845,445) | (104,184) | (64,499) | 821 | (2,013,307) |
| Gross profit | 345,795 | 65,113 | 31,703 | (9,906) | 432,705 |
| Other income | 17,810 | 1,973 | 679 | (46) | 20,416 |
| Selling and marketing expenses | (102,282) | (223) | (1,795) | – | (104,300) |
| Administrative expenses | (174,738) | (16,427) | (59,028) | 9,952 | (240,241) |
| Operating profit/(loss) | 86,585 | 50,436 | (28,441) | – | 108,580 |
| Share of results of joint ventures and associates | (26,823) | 3,989 | – | (46,614) | (69,448) |
| Segment results | 59,762 | 54,425 | (28,441) | (46,614) | 39,132 |
| Other (losses)/gains | (3,962) | (9,016) | 4,727 | – | (8,251) |
| Profit/(Loss) before interest and tax | 55,800 | 45,409 | (23,714) | (46,614) | 30,881 |
| Included in other gains/(losses) are: | | | | | |
| Gain on disposal of: | | | | | |
| - property, plant and equipment | 18 | 14 | 3,143 | – | 3,175 |
| - investment properties | 536 | 15,046 | – | – | 15,582 |
| Provision on obligation for an investment property disposed | – | (24,142) | – | – | (24,142) |
| Reversal of impairment/ (impairment) of: | | | | | |
| - property, plant and equipment | – | – | 1,570 | – | 1,570 |
| - investment properties | (1,223) | – | – | – | (1,223) |
| - investments | (1,439) | – | – | – | (1,439) |
| Changes in fair value of quoted investments | (1,623) | – | – | – | (1,623) |

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

Explanatory Notes on the Quarterly Report – 31 December 2019
 Amounts in RM thousand unless otherwise stated

A7. Segment Information (continued)

b. Segment assets

| | Property Development | Property Investment | Leisure and Hospitality | Elimination | Total |
|----------------------------------|-------------------------|------------------------|----------------------------|------------------|-------------------|
| As at 31 December 2019 | | | | | |
| Operating assets | 9,356,737 | 2,570,431 | 590,648 | (558,786) | 11,959,030 |
| Joint ventures and associates | 2,722,437 | 244,730 | – | (46,614) | 2,920,553 |
| | <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> |
| As at 31 December 2018 | | | | | |
| Operating assets | 9,267,748 | 2,661,718 | 594,169 | (748,760) | 11,774,875 |
| Joint ventures and associates | 2,526,873 | 234,253 | – | (46,614) | 2,714,512 |
| Non-current assets held for sale | – | 1,950 | 77,569 | – | 79,519 |
| | <u>11,794,621</u> | <u>2,897,921</u> | <u>671,738</u> | <u>(795,374)</u> | <u>14,568,906</u> |
| Tax assets | | | | | 547,451 |
| Total assets | | | | | <u>15,116,357</u> |

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

A8. Revenue

| | Twelve (12) months ended 31 December | |
|--|---|-------------------------|
| | 2019 | 2018 |
| Revenue comprise the following: | | |
| Revenue from contracts with customers | 3,129,928 | 2,399,230 |
| Revenue from rental income | 50,066 | 46,782 |
| | <u>3,179,994</u> | <u>2,446,012</u> |
| Disaggregation of the Group's revenue from contracts with customers: | | |
| Geographical market | | |
| - Malaysia | 3,119,669 | 2,344,532 |
| - Australia | 9,334 | 48,436 |
| - Vietnam | 880 | 4,908 |
| - Singapore | 45 | 1,354 |
| | <u>3,129,928</u> | <u>2,399,230</u> |
| Timing of revenue recognition | | |
| - at point in time | 855,470 | 657,957 |
| - over time | 2,274,458 | 1,741,273 |
| | <u>3,129,928</u> | <u>2,399,230</u> |

A9. Capital Commitments

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

| | As at 31 December 2019 | As at 31 December 2018 |
|---------------------------------|---------------------------------------|---------------------------------------|
| Contracted | | |
| - property, plant and equipment | 10,524 | 17 |
| - investment properties | 37,016 | 122,773 |
| - intangible assets | 938 | - |
| | <u>48,478</u> | <u>122,790</u> |
| Not contracted | | |
| - property, plant and equipment | 34,338 | 19,377 |
| - investment properties | 105,960 | - |
| - intangible assets | 1,203 | - |
| | <u>189,979</u> | <u>142,167</u> |

In addition, pursuant to the Subscription and Shareholders' Agreement, which is reiterated through Letters of Undertaking issued by the shareholders of Battersea Project Holding Company Limited ("Battersea") to Battersea, the shareholders are committed to subscribe for shares in Battersea in proportion to their respective shareholdings when a capital call is made for the purpose of ensuring Battersea and its subsidiaries are able to meet their respective funding obligations. The Group's portion of the commitment as at 31 December 2019 is estimated up to GBP140.0 million (equivalent to RM754.3 million) (31 December 2018: GBP143.9 million, equivalent to RM759.1 million).

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

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

A10. Significant Related Party Transactions

Significant related party transactions during the twelve (12) months ended 31 December 2019 are as follows:

| | Twelve (12) months ended 31 December | |
|---|---|-------------------------|
| | 2019 | 2018 |
| a. Transactions between subsidiaries and their owners of non-controlling interests | | |
| Turnkey works rendered by Brunfield Engineering Sdn Bhd to Sime Darby Brunfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders | <u>(77,906)</u> | <u>(129,863)</u> |
| b. Transactions with shareholders and Government | | |
| Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad ("ASNB"), together own 56.8% as at 31 December 2019 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group considers that, for the purpose of MFRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant control over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government-related entities) are related parties of the Group and the Company. | | |
| Transactions entered by the Group and the Company with shareholders and related parties include purchase of raw materials, placement of bank deposits and use of public utilities and amenities. All the transactions entered by the Group and the Company with the related parties are conducted in the ordinary course of the Group's and the Company's businesses on negotiated terms or terms comparable to those with other entities that are not related. The significant transactions with related parties are as follows: | | |
| | Twelve (12) months ended 31 December | |
| | 2019 | 2018 |
| <u>Yayasan Sime Darby</u> | | |
| Contribution paid to Yayasan Sime Darby | (20,000) | (20,000) |
| <u>Sime Darby Berhad group</u> | | |
| Annual branding royalty fee | (2,000) | (2,000) |
| <u>Sime Darby Plantation Berhad group</u> | | |
| Rental income | 5,988 | 8,473 |
| c. Transactions with a joint venture | | |
| - Sale of land to Sime Darby MIT Development Sdn Bhd | - | 154,086 |
| d. Transactions with Directors and their family member and key management personnel | | |
| Sale of properties to: | | |
| - Directors and their close family members | 1,729 | 2,261 |
| - key management personnel | <u>2,733</u> | <u>771</u> |

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

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 February 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 year ended 31 December 2019.

A13. Contingent Liabilities – unsecured

| | As at 31 December 2019 | As at 31 December 2018 |
|----------------------------------|---------------------------------------|---------------------------------------|
| Claims pending against the Group | <u>79,842</u> | <u>79,842</u> |

A14. Financial Instruments

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

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

| | As at 31 December 2019 | As at 31 December 2018 |
|-------------------|---------------------------------------|---------------------------------------|
| Investments: | | |
| - quoted shares | 2,297 | 2,328 |
| - unquoted shares | <u>56,491</u> | <u>56,911</u> |
| | <u>58,788</u> | <u>59,239</u> |

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

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

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

B1. Review of Group Performance

| | Twelve (12) months ended | | |
|---|---------------------------------|------------------|----------------|
| | 31 December | | % |
| | 2019 | 2018 | + / (-) |
| Revenue | 3,179,994 | 2,446,012 | 30.0 |
| Segment results: | | | |
| Property development | 416,911 | 59,762 | 597.6 |
| Property investment | 5,017 | 54,425 | (90.8) |
| Leisure and hospitality | (26,143) | (28,441) | 8.1 |
| Elimination | – | (46,614) | 100.0 |
| | 395,785 | 39,132 | 911.4 |
| Other gains/(losses) | 171,554 | (8,251) | |
| Profit before interest and tax | 567,339 | 30,881 | 1,737.2 |
| Finance income | 121,242 | 130,524 | |
| Finance costs | (22,911) | (82,744) | |
| Profit before tax (“PBT”) | 665,670 | 78,661 | 746.3 |
| Tax expense | (74,789) | (269,562) | |
| Profit/(loss) after tax | 590,881 | (190,901) | 409.5 |
| Non-controlling interests | 7,650 | (47,560) | |
| Profit/(loss) attributable to owners of the Company (“PATAMI”) | 598,531 | (238,461) | 351.0 |

Revenue for the financial year ended 31 December 2019 rose 30.0% to RM3.2 billion compared with RM2.4 billion in the same period a year ago. The PBT surged by 746.3% to RM665.7 million whilst the PATAMI improved from a loss of RM238.5 million to a profit of RM598.5 million as compared to the corresponding period of the previous year. The improvement in performance was mainly boosted by higher contribution from the property development segment and one-off gains. The previous year’s loss was impacted by high impairment and tax provision.

The one-off gains in the current financial year were mainly derived from disposal of properties in the leisure and hospitality segment amounting to RM245.5 million, which offset against disposal obligations of RM65.8 million in relation to a property disposed in financial year 2017.

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

a) Property development

The property development segment continued to be the major contributor. This segment registered a significant improvement in performance with a 597.6% or RM357.1 million increased in contribution as compared to the corresponding period of the previous year. Current year’s results were further enhanced with gains on compulsory acquisition and non-strategic land sales totalling RM138.2 million. However, improved results were offset by provision and impairment totalling RM86.6 million.

Excluding these one-offs, the 33.2% increase in current year performance was contributed mainly by higher sales and development activities in Denai Alam, Bukit Jelutong, Nilai Utama, Bandar Bukit Raja, Serenia City and Putra Heights township, KLGCC Resort and Cantara Residences.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

B1. Review of Group Performance (continued)

a) Property development (continued)

The Group's share of losses from joint ventures and associates increased to RM31.4 million as compared to RM26.8 million in the corresponding period a year ago. This was due mainly to higher marketing expenses incurred by Battersea and lower share of profit from PJ Midtown. Losses in the previous year include share of RM12.0 million impairment losses in Sime Darby Sunrise joint venture.

b) Property investment

Property investment segment registered lower profit of RM5.0 million as compared to RM54.4 million in the corresponding period of the previous year. The strong performance in the previous year's corresponding period was due mainly to higher contribution from concession arrangement and commencement of tenancy of an investment property whilst the current year result was impacted by impairment of receivable of RM6.7 million.

The Group's share of result in Sime Darby CapitalLand (Melawati Mall) Sdn Bhd has improved to a profitable position from loss of RM1.2 million a year ago mainly due to higher occupancy rate of 86% compared to the previous year of 81%.

c) Leisure and hospitality

Leisure and hospitality segment recorded lower loss, an improvement of 8.1% as compared to the corresponding period of the previous year. The improvement was due mainly to higher revenue recorded by TPC, Kuala Lumpur, with the reopening of West Course which was closed for renovation works during the previous year. The lower losses were also due to the divestment of the loss making overseas hospitality assets in the previous year.

d) Elimination

The elimination in the previous year includes adjustment for unrealised profit of RM46.6 million from the sale of land to Sime Darby MIT Development Sdn Bhd, a 50% owned joint venture.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

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

| | Quarter ended | | % |
|--|---------------------|----------------------|---------|
| | 31 December 2019 | 30 September 2019 | +/(–) |
| Revenue | 888,932 | 850,033 | 4.6 |
| Segment results: | | | |
| Property development | 117,002 | 51,354 | 127.8 |
| Property investment | (3,853) | 512 | (852.5) |
| Leisure and hospitality | (11,254) | (6,282) | (79.1) |
| | 101,895 | 45,584 | 123.5 |
| Other gains/(losses) | 18,737 | (27,515) | |
| Profit before interest and tax | 120,632 | 18,069 | 567.6 |
| Finance income | 30,683 | 30,143 | |
| Finance costs | (7,681) | (7,114) | |
| Profit before tax (“PBT”) | 143,634 | 41,098 | 249.5 |
| Tax expense | (34,479) | (25,690) | |
| Profit after tax | 109,155 | 15,408 | 608.4 |
| Non-controlling interests | (6,200) | 9,834 | |
| Profit attributable to owners of the Company (“PATAMI”) | 102,955 | 25,242 | 307.9 |

The Group's revenue for the current quarter was 4.6% higher than the preceding quarter. PBT and PATAMI of the Group for the current quarter improved significantly by 249.5% and 307.9% respectively.

The significant improvement in the performance was mainly attributable to higher contribution from the property development segment and other gains, which include gain on the disposal of properties amounting to RM36.7 million. The results in the current and preceding quarters were both impacted by provision for disposal obligations in relation to a property disposed in financial year 2017 of RM10.0 million and RM27.3 million respectively.

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

a) Property development

Contribution from property development improved by 127.8% to RM117.0 million as compared to the preceding quarter of RM51.4 million.

The operational performance in the current quarter was attributed by higher sales and development activities in Serenia City, Bandar Ainsdale and Putra Heights townships, KL East and Cantara Residences as well as contribution from higher sales of completed stocks in Bukit Jelutong and KLGCC Resort.

The strong performance was also due to the lower provision and impairment of RM20.9 million and better results from Battersea as compared to the preceding quarter of RM39.8 million. The Group recorded a share of profit from Battersea of RM6.1 million in current quarter as compared to a loss of RM21.5 million in the preceding quarter. The losses incurred by Battersea in preceding quarter were due mainly to intensified marketing activities.

b) Property investment

Property investment segment registered a loss of RM3.9 million as compared to profit of RM0.5 million in the preceding quarter. This is mainly due to pre-commencement expenditure of KL East Mall which is scheduled to open in year 2020, coupled with higher impairment of receivables in the current quarter as compared to preceding quarter.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

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

c) Leisure and hospitality

Leisure and hospitality incurred a higher loss of RM11.3 million as compared to RM6.3 million in the preceding quarter mainly due to lower contribution from the Convention Centre with fewer number of events and functions.

B3. Prospects

The property market is expected to remain soft in 2020 due to the prevailing overhang situation and expiry of the Home Ownership Campaign at the end of last year. The market could weaken further due to the impact of the Covid-19 virus outbreak which may affect consumer sentiment. The government's plan to unveil a stimulus package to mitigate the adverse economic impact should contribute towards maintaining investor confidence and market sentiment.

The Group will focus on growing its core development business despite the challenges. It will continue to offer properties within the affordable and mid-range price points in strategic locations.

The Group will also continue to monetise low-yielding assets to unlock value and channel the capital into business opportunities with better returns. It will expand further into industrial and logistic developments to increase recurring income.

The Board of Directors of the Group expect the results for the financial year ending 31 December 2020 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.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

B5. Profit Before Interest and Tax

| | Quarter ended 31 December | | Twelve (12) months ended 31 December | |
|---|------------------------------|-----------|---|----------|
| | 2019 | 2018 | 2019 | 2018 |
| Included in operating profit are: | | | | |
| Depreciation and amortisation | (8,647) | (10,561) | (53,125) | (46,914) |
| Net write-down of inventories | (16,923) | (110,871) | (43,318) | (72,057) |
| Write-off of property development expenditure | – | (99,766) | (9,723) | (99,766) |
| Impairment of receivables | (8,128) | (26,079) | (24,302) | (20,976) |
| Bad debts (write-off)/recovered | (728) | (343) | 4,288 | (802) |
| Write-offs of: | | | | |
| - property, plant and equipment | – | (289) | (109) | (2,385) |
| - intangible assets | – | (22) | – | (50) |
| Included in other gains/(losses) are: | | | | |
| Gain on disposal of: | | | | |
| - property, plant and equipment: | | | | |
| - land and buildings | 36,737 | 3,160 | 245,512 | 3,160 |
| - others | 695 | 7 | 720 | 15 |
| - investment properties | – | 2,998 | – | 15,582 |
| (Impairment)/Reversal of impairment of: | | | | |
| - investment properties | (9,811) | (1,223) | (9,811) | (1,223) |
| - property, plant and equipment | – | – | – | 1,570 |
| - investments | – | – | – | (1,439) |
| Provision on obligation for an investment property disposed | (10,023) | (24,142) | (65,801) | (24,142) |
| Changes in fair value of quoted investments | 92 | (1,623) | (31) | (1,623) |
| Net foreign exchange gain/(loss) | 1,047 | (345) | 965 | (151) |

B6. Tax Expense

| | Quarter ended 31 December | | Twelve (12) months ended 31 December | |
|-----------------------------------|------------------------------|----------|---|---------|
| | 2019 | 2018 | 2019 | 2018 |
| In respect of the current period: | | | | |
| - current tax | 39,818 | 64,425 | 149,420 | 75,348 |
| - deferred tax | (8,031) | (28,407) | 6,156 | 395 |
| | 31,787 | 36,018 | 155,576 | 75,743 |
| In respect of prior years: | | | | |
| - current tax | 1,189 | 188,175 | (550) | 173,234 |
| - deferred tax | 1,503 | 31,732 | (80,237) | 20,585 |
| | 34,479 | 255,925 | 74,789 | 269,562 |

The effective tax rate for the twelve (12) months ended 31 December 2019 of 10.8% is low due the gain on disposal of properties of RM214.4 million is not subject to tax and overprovision of deferred tax in prior years.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
Amounts in RM thousand unless otherwise stated

B7. Status of Corporate Proposal

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

B8. Group Borrowings

The breakdown of the borrowings as at 31 December 2019 is as follows:

| | Secured | Unsecured | Total |
|--|------------------|------------------|------------------|
| <u>Long-term borrowings</u> | | | |
| Term loans | 545,949 | – | 545,949 |
| Islamic financing | 968,589 | – | 968,589 |
| Syndicated Islamic financing | 693,935 | – | 693,935 |
| Amounts due to non-controlling interests | – | 199,667 | 199,667 |
| | <u>2,208,473</u> | <u>199,667</u> | <u>2,408,140</u> |
| <u>Short-term borrowings</u> | | | |
| Term loans due within one year | 15,010 | 49,155 | 64,165 |
| Islamic financing due within one year | 90,137 | – | 90,137 |
| Syndicated Islamic financing | 76,624 | – | 76,624 |
| Revolving credits | – | 560,745 | 560,745 |
| Amounts due to non-controlling interests | – | 4,476 | 4,476 |
| | <u>181,771</u> | <u>614,376</u> | <u>796,147</u> |
| Total borrowings | <u>2,390,244</u> | <u>814,043</u> | <u>3,204,287</u> |

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

| | Secured | Unsecured | Total |
|------------------|------------------|------------------|------------------|
| Borrowings | | | |
| - principal | 2,378,440 | 813,143 | 3,191,583 |
| - interest | 11,804 | 900 | 12,704 |
| Total borrowings | <u>2,390,244</u> | <u>814,043</u> | <u>3,204,287</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.

B9. Material Litigations

Changes in material litigations since the date of the last audited annual statement of financial position up to 19 February 2020 are as follows:

a) Claim against Sime Darby Ara Damansara Development Sdn Bhd (“SDAD”)

A civil suit has been commenced by 72 purchasers of Ara Hill (“Plaintiffs”) against SDAD, claiming, among other things, both general and specific damages of approximately RM39.8 million and specific performance arising from SDAD’s alleged breaches of the terms of the sale and purchase agreements and the provisions of various statutes including, the Uniform Building By-Laws 1984 and the Street, Drainage and Building Act 1974.

The Plaintiffs alleged that the breaches by SDAD have, amongst others, caused the delay in delivery of strata titles, which caused the Plaintiffs to suffer loss and damage, including indirect losses (which have not been proven by the Plaintiffs). The dispute was referred to mediation and the parties explored possible settlement proposals. However, the parties did not reach a global settlement.

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

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

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

On 23 October 2019, the new Judge vacated the November 2019 trial dates but maintained the February 2020 trial dates.

Upon the request by the Plaintiffs’ solicitors on 14 January 2020, the Judge vacated the February 2020 trial dates but maintained the rest of the trial dates.

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

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

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

Arbitration proceedings will be held in accordance with the rules of the Asian International Arbitration Centre before a single arbitrator. The hearing which was scheduled to commence on 13 January 2020 has been postponed to 2 March 2020.

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

Explanatory Notes on the Quarterly Report – 31 December 2019
 Amounts in RM thousand unless otherwise stated

B10. Dividend

The Board of Directors have declared a second interim single tier dividend of 2.0 sen per share in respect of the financial year ended 31 December 2019, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967, payable on 20 April 2020. The entitlement date for the dividend payment is 31 March 2020.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) shares deposited into the depositor's securities account before 12.30 p.m. on 27 March 2020 in respect of shares which are exempted from mandatory deposit;
- (ii) shares transferred into the depositor's securities account before 4.00 p.m. on 27 March 2020 in respect of transfers; and
- (iii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The total net dividends paid and payable for the financial year ended 31 December 2019 is as follows:

| | Net Per share (sen) | Total net dividend |
|-------------------------------------|--------------------------------|-------------------------------|
| First interim single tier dividend | 1.0 | 68,008 |
| Second interim single tier dividend | 2.0 | 136,017 |
| | 3.0 | 204,025 |

The Board of Directors does not recommend the payment of any final dividend for the financial year ended 31 December 2019.

In the corresponding period of the preceding year, a second interim single tier dividend of 3.0 sen per share in respect of the financial year ended 30 June 2018 and an interim single tier dividend of 1.0 sen per share in respect of the financial period ended 31 December 2018 were declared.

B11. Earnings Per Share

| | Quarter ended 31 December | | Twelve (12) months ended 31 December | |
|--|--------------------------------------|------------------|---|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Basic earnings/(loss) per share attributable to owners of the Company are computed as follows: | | | | |
| Profit/(Loss) for the period | <u>102,955</u> | <u>(347,499)</u> | <u>598,531</u> | <u>(238,461)</u> |
| Number of ordinary shares in issue (thousand) | <u>6,800,839</u> | <u>6,800,839</u> | <u>6,800,839</u> | <u>6,800,839</u> |
| Basic earnings/(loss) per share (sen) | <u>1.5</u> | <u>(5.1)</u> | <u>8.8</u> | <u>(3.5)</u> |

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

Selangor Darul Ehsan
 26 February 2020

By Order of the Board
 Moriami binti Mohd
 Group Secretary