



Sime Darby Property Berhad
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QUARTERLY REPORT

On the consolidated results for the first quarter ended 31 March 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 March | | % +/(-) |
|---|------|---------------------------|-----------|------------|
| | | 2019 | 2018 | |
| Revenue | A8 | 575,132 | 559,502 | 2.8 |
| Cost of sales | | (440,121) | (465,469) | |
| Gross profit | | 135,011 | 94,033 | 43.6 |
| Other income | | 1,864 | 11,122 | |
| Selling and marketing expenses | | (17,421) | (21,084) | |
| Administrative expenses | | (49,334) | (41,325) | |
| Operating profit | | 70,120 | 42,746 | |
| Other gains | | 204,404 | 11,537 | |
| Share of results of joint ventures | | 3,840 | (17,868) | |
| Share of results of associates | | (374) | 772 | |
| Profit before interest and tax | A7 | 277,990 | 37,187 | 647.5 |
| Finance income | | 30,224 | 25,600 | |
| Finance costs | | (6,734) | (19,789) | |
| Profit before tax | | 301,480 | 42,998 | 601.1 |
| Tax expense | B6 | (27,158) | (14,282) | |
| Profit for the period | | 274,322 | 28,716 | 855.3 |
| Attributable to: | | | | |
| - owners of the Company | | 265,075 | 33,669 | 687.3 |
| - non-controlling interests | | 9,247 | (4,953) | |
| Profit for the period | | 274,322 | 28,716 | 855.3 |
| Basic earnings per share attributable to owners of the Company (sen) | B11 | 3.9 | 0.5 | 687.3 |

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

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

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

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

| | Quarter ended 31 March | | % |
|--|---------------------------|-----------------|---------|
| | 2019 | 2018 | + / (-) |
| Profit for the period | <u>274,322</u> | <u>28,716</u> | 855.3 |
| Other comprehensive income/(loss) | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Currency translation differences | 43,429 | (19,524) | |
| Net changes in fair value of investments | - | (3,368) | |
| Share of other comprehensive gain of an associate | - | 789 | |
| Other comprehensive income/(loss) for the period | <u>43,429</u> | <u>(22,103)</u> | 296.5 |
| Total comprehensive income for the period | <u>317,751</u> | <u>6,613</u> | 4,704.9 |
| Attributable to: | | | |
| - owners of the Company | 309,181 | 14,750 | 1,996.1 |
| - non-controlling interest | <u>8,570</u> | <u>(8,137)</u> | |
| Total comprehensive income for the period | <u>317,751</u> | <u>6,613</u> | 4,704.9 |

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

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

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

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

| | Note | Unaudited As at 31 March 2019 | Audited As at 31 December 2018 |
|--|------|-------------------------------------|--------------------------------------|
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | | 660,145 | 640,445 |
| Investment properties | | 712,823 | 644,206 |
| Inventories (note 1) | | 2,124,477 | 2,127,594 |
| Joint ventures | | 2,805,783 | 2,574,020 |
| Associates | | 140,861 | 140,492 |
| Investments | | 59,484 | 59,239 |
| Intangible assets | | 3,478 | 3,454 |
| Deferred tax assets | | 497,068 | 487,225 |
| Receivables | | 88,000 | 88,000 |
| Contract assets | | 1,378,079 | 1,409,083 |
| | | 8,470,198 | 8,173,758 |
| <u>Current assets</u> | | | |
| Inventories (note 1) | | 4,467,046 | 4,625,027 |
| Receivables | | 710,779 | 736,579 |
| Contract assets | | 817,592 | 773,602 |
| Prepayment | | 23,469 | 18,556 |
| Tax recoverable | | 54,741 | 60,226 |
| Cash held under Housing Development Accounts | | 362,746 | 343,518 |
| Bank balances, deposits and cash | | 358,531 | 305,572 |
| | | 6,794,904 | 6,863,080 |
| Assets held for sale (note 2) | | 1,950 | 79,519 |
| Total assets | A7 | 15,267,052 | 15,116,357 |
| <u>Equity</u> | | | |
| Share capital | | 6,800,839 | 6,800,839 |
| Fair value reserve | | 38,063 | 38,063 |
| Exchange reserve | | (18,938) | (63,044) |
| Retained profits | | 2,630,728 | 2,433,661 |
| Attributable to owners of the Company | | 9,450,692 | 9,209,519 |
| Non-controlling interests | | 245,451 | 236,881 |
| Total equity | | 9,696,143 | 9,446,400 |
| <u>Non-current liabilities</u> | | | |
| Borrowings | B8 | 1,858,150 | 1,925,221 |
| Contract liabilities | | 254,250 | 256,231 |
| Deferred tax liabilities | | 170,584 | 170,175 |
| Lease liabilities | | 87,116 | – |
| | | 2,370,100 | 2,351,627 |
| <u>Current liabilities</u> | | | |
| Payables | | 1,150,062 | 1,390,175 |
| Borrowings | B8 | 1,341,970 | 1,347,816 |
| Provisions | | 100,575 | 108,823 |
| Lease liabilities | | 17,092 | – |
| Contract liabilities | | 284,552 | 210,532 |
| Tax provision | | 238,550 | 260,984 |
| Dividend payable | | 68,008 | – |
| | | 3,200,809 | 3,318,330 |
| Total liabilities | | 5,570,909 | 5,669,957 |
| Total equity and liabilities | | 15,267,052 | 15,116,357 |

SIME DARBY PROPERTY BERHAD**(Company No: 15631-P)****Unaudited Condensed Consolidated Statement of Financial Position (continued)****Amounts in RM thousand unless otherwise stated**

| | Unaudited As at 31 March 2019 | Audited As at 31 December 2018 |
|---|--|---|
| Net assets per share attributable to owners of the Company (RM) | <u>1.39</u> | <u>1.35</u> |

Note:**1. Inventories**

| | | |
|-----------------------------------|-------------------------|------------------|
| Completed development units | 813,411 | 871,281 |
| On-going development | | |
| Launched | 1,218,887 | 1,248,047 |
| Not yet launched | 2,433,250 | 2,504,136 |
| Others | 1,498 | 1,563 |
| | <u>4,467,046</u> | <u>4,625,027</u> |
| Not within normal operating cycle | 2,124,477 | 2,127,594 |
| | <u>6,591,523</u> | <u>6,752,621</u> |

2. Assets held for sale

| | | |
|-------------------------------|---------------------|---------------|
| Property, plant and equipment | <u>1,950</u> | <u>79,519</u> |
|-------------------------------|---------------------|---------------|

The property, plant and equipment classified as non-current assets held for sale as at 31 March 2019 were in relation to two bungalows in Penang.

The sale and purchase agreement for Darby Park Executive Suites in Singapore 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 RM204.3 million).

The sale and purchase agreement for the two bungalows was signed on 19 December 2018. The completion is subjected to the fulfilment of conditions precedent.

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

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

Unaudited Condensed Consolidated Statement of Changes in Equity
Amounts in RM thousand unless otherwise stated

| | Share capital | Fair value reserve | Exchange reserve | Retained profits | Attributable to owners of the Company | Non-controlling interests | Total equity |
|--|------------------|--------------------|------------------|------------------|---------------------------------------|---------------------------|------------------|
| Quarter ended 31 March 2019 | | | | | | | |
| At 1 January 2019 | 6,800,839 | 38,063 | (63,044) | 2,433,661 | 9,209,519 | 236,881 | 9,446,400 |
| Total comprehensive income for the period | – | – | 44,106 | 265,075 | 309,181 | 8,570 | 317,751 |
| Transaction with owners | | | | | | | |
| - dividend payable | – | – | – | (68,008) | (68,008) | – | (68,008) |
| At 31 March 2019 | 6,800,839 | 38,063 | (18,938) | 2,630,728 | 9,450,692 | 245,451 | 9,696,143 |
| Quarter ended 31 March 2018 | | | | | | | |
| At 1 January 2018 | 6,800,839 | 16,035 | 25,256 | 3,025,431 | 9,867,561 | 220,902 | 10,088,463 |
| Total comprehensive (loss)/income for the period | – | (2,579) | (16,340) | 33,669 | 14,750 | (8,137) | 6,613 |
| Transaction with owners | | | | | | | |
| - dividend payable/paid | – | – | – | (136,017) | (136,017) | (26,516) | (162,533) |
| At 31 March 2018 | 6,800,839 | 13,456 | 8,916 | 2,923,083 | 9,746,294 | 186,249 | 9,932,543 |

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

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

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

| | Quarter ended 31 March | |
|---|---------------------------|------------------|
| | 2019 | 2018 |
| Cash flow from operating activities | | |
| Profit for the period | 274,322 | 28,716 |
| Adjustments for: | | |
| Share of results of joint ventures and associates | (3,466) | 17,096 |
| Depreciation and amortisation | 13,917 | 12,031 |
| Write-down of inventories | - | 756 |
| Reversal of impairments | (147) | (7,082) |
| Write-offs of fixed assets | 109 | 108 |
| Gain on disposal | (203,392) | (9,949) |
| Changes in fair value of quoted investments | 245 | - |
| Finance income | (30,224) | (25,600) |
| Finance costs | 6,734 | 19,789 |
| Tax expense | 27,158 | 14,282 |
| | 85,256 | 50,147 |
| Changes in working capital: | | |
| - inventories | 195,187 | (51,688) |
| - trade, other receivables and prepayments | 7,655 | 46,315 |
| - contract assets and contract liabilities | 59,054 | (138,959) |
| - trade, other payables and provisions | (205,888) | (89,083) |
| Cash from/(used in) operations | 141,264 | (183,268) |
| Tax paid | (53,857) | (13,434) |
| Net cash from/(used in) operating activities | 87,407 | (196,702) |
| Cash flow from investing activities | | |
| Finance income received | 3,139 | 6,076 |
| Proceeds from sale of: | | |
| - property, plant and equipment | 280,507 | 236 |
| - investment properties | - | 56,717 |
| Purchase of: | | |
| - property, plant and equipment | (806) | (8,271) |
| - investment properties | - | (30,099) |
| - intangible assets | (462) | (228) |
| Subscription of shares in joint ventures | (182,026) | (106,776) |
| Advances to an associate | (744) | - |
| Net cash from/(used in) investing activities | 99,608 | (82,345) |
| Cash flow from financing activities | | |
| Finance costs paid | (38,695) | (29,424) |
| Borrowings raised | 2,944 | 507,978 |
| Repayments of long-term borrowings | (118,699) | (190,057) |
| Revolving credits (net) | 40,000 | (166,750) |
| Dividend paid to non-controlling interests | - | (26,516) |
| Net cash (used in)/from financing activities | (114,450) | 95,231 |

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

| | Quarter ended | |
|--|-----------------------|-----------------------|
| | 31 March | |
| | 2019 | 2018 |
| Net changes in cash and cash equivalents | 72,565 | (183,816) |
| Foreign exchange differences | (378) | (5,700) |
| Cash and cash equivalents at beginning of the period | <u>649,090</u> | <u>1,035,931</u> |
| Cash and cash equivalents at end of the period | <u>721,277</u> | <u>846,415</u> |
| For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following: | | |
| Cash held under Housing Development Accounts | 362,746 | 506,241 |
| Bank balances, deposits and cash | <u>358,531</u> | <u>340,174</u> |
| | <u>721,277</u> | <u>846,415</u> |

The Group has changed its financial year-end from 30 June to 31 December. 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
(Company No: 15631-P)

Explanatory Notes on the Quarterly Report – 31 March 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. 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 – Leases and Annual Improvements to MFRS 123. The impact of adoption is shown in Note A1(b) and Note A1(c).

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

| | |
|--|--------------------------|
| MFRS 17 | Insurance Contracts |
| Amendments to MFRS 3 | Definition of a Business |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material |
| Amendments to References to the Conceptual Framework in MFRS Standards | |

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

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

SIME DARBY PROPERTY BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 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 results 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 simplified transition 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 permitted by the standard:

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

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

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

A1. Basis of Preparation (continued)

c. Adoption of MFRS 16 – Leases (continued)

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

| | Audited as at 31 December 2018 | Effects of MFRS 16 | Restated as at 1 January 2019 |
|--------------------------------------|---|-------------------------------|--|
| Non-current assets | | | |
| Property, plant and equipment | 640,445 | 23,096 | 663,541 |
| Other non-current assets | 7,533,313 | – | 7,533,313 |
| | <u>8,173,758</u> | <u>23,096</u> | <u>8,196,854</u> |
| Current assets | <u>6,863,080</u> | <u>–</u> | <u>6,863,080</u> |
| Assets held for sale | <u>79,519</u> | <u>–</u> | <u>79,519</u> |
| Total assets | <u>15,116,357</u> | <u>23,096</u> | <u>15,139,453</u> |
| Total equity | <u>9,446,400</u> | <u>–</u> | <u>9,446,400</u> |
| Lease liabilities | – | 22,945 | 22,945 |
| Other non-current liabilities | 2,351,627 | – | 2,351,627 |
| Total non-current liabilities | <u>2,351,627</u> | <u>22,945</u> | <u>2,374,572</u> |
| Lease liabilities | – | 151 | 151 |
| Other current liabilities | 3,318,330 | – | 3,318,330 |
| Total current liabilities | <u>3,318,330</u> | <u>151</u> | <u>3,318,481</u> |
| Total liabilities | <u>5,669,957</u> | <u>23,096</u> | <u>5,693,053</u> |
| Total equity and liabilities | <u>15,116,357</u> | <u>23,096</u> | <u>15,139,453</u> |

d. 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 RM14.1 million into property development expenditure.

SIME DARBY PROPERTY BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 2019
Amounts in RM thousand unless otherwise stated

A2. Seasonal or Cyclical Factors

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

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

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

A4. Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the prior interim period of the previous financial period/years that have a material effect on the results for the current quarter under review.

A5. Debt and Equity Securities

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

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

A6. Dividend Paid

The interim single tier dividend in respect of the financial period ended 31 December 2018 of 1.0 sen per ordinary share, amounting to RM 68.0 million was paid on 26 April 2019.

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Explanatory Notes on the Quarterly Report – 31 March 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:

| | Property Development | Property Investment | Leisure and Hospitality | Elimination | Total |
|---|-------------------------|------------------------|----------------------------|-------------|-----------|
| Quarter ended 31 March 2019 | | | | | |
| Revenue: | | | | | |
| External | 534,786 | 18,342 | 22,004 | – | 575,132 |
| Inter-segment | 61 | 2,504 | 79 | (2,644) | – |
| | 534,847 | 20,846 | 22,083 | (2,644) | 575,132 |
| Cost of sales | (412,146) | (13,157) | (14,881) | 63 | (440,121) |
| Gross profit | 122,701 | 7,689 | 7,202 | (2,581) | 135,011 |
| Other income | 1,532 | 108 | 224 | – | 1,864 |
| Selling and marketing expenses | (17,299) | – | (122) | – | (17,421) |
| Administrative expenses | (37,003) | (2,837) | (12,075) | 2,581 | (49,334) |
| Operating profit/(loss) | 69,931 | 4,960 | (4,771) | – | 70,120 |
| Share of results of joint ventures and associates | 1,834 | 1,632 | – | – | 3,466 |
| Segment results | 71,765 | 6,592 | (4,771) | – | 73,586 |
| Other gains | 1,014 | – | 203,390 | – | 204,404 |
| Profit before interest and tax | 72,779 | 6,592 | 198,619 | – | 277,990 |
| Included in other gains are: | | | | | |
| Gain on disposal of property, plant and equipment | 5 | – | 203,387 | – | 203,392 |
| Changes in fair value of quoted investments | 245 | – | – | – | 245 |

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

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

A7. Segment Information (continued)

| | Property Development | Property Investment | Leisure and Hospitality | Elimination | Total |
|---|---------------------------------|--------------------------------|------------------------------------|--------------------|--------------|
| Quarter ended 31 March 2018 | | | | | |
| Revenue: | | | | | |
| External | 522,017 | 13,176 | 24,309 | – | 559,502 |
| Inter-segment | 195 | 2,918 | 78 | (3,191) | – |
| | 522,212 | 16,094 | 24,387 | (3,191) | 559,502 |
| Cost of sales | (432,080) | (17,802) | (16,020) | 433 | (465,469) |
| Gross profit | 90,132 | (1,708) | 8,367 | (2,758) | 94,033 |
| Other income | 10,101 | 538 | 519 | (36) | 11,122 |
| Selling and marketing expenses | (20,918) | – | (166) | – | (21,084) |
| Administrative expenses | (26,258) | (3,862) | (13,999) | 2,794 | (41,325) |
| Operating profit/(loss) | 53,057 | (5,032) | (5,279) | – | 42,746 |
| Share of results of joint ventures and associates | (18,974) | 1,878 | – | – | (17,096) |
| Segment results | 34,083 | (3,154) | (5,279) | – | 25,650 |
| Other gains | 539 | 9,662 | 1,336 | – | 11,537 |
| Profit/(loss) before interest and tax | 34,622 | 6,508 | (3,943) | – | 37,187 |
| Included in other gains are: | | | | | |
| Gain on disposal of: | | | | | |
| - property, plant and equipment | – | 7 | – | – | 7 |
| - investment properties | 536 | 9,406 | – | – | 9,942 |
| Reversal of impairment of property, plant and equipment | – | – | 1,326 | – | 1,326 |

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

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

A7. Segment Information (continued)

| | Property Development | Property Investment | Leisure and Hospitality | Elimination | Total |
|----------------------------------|-------------------------|------------------------|----------------------------|------------------|-------------------|
| As at 31 March 2019 | | | | | |
| Segment assets: | | | | | |
| Operating assets | 9,056,246 | 2,667,819 | 610,649 | (568,065) | 11,766,649 |
| Joint ventures and associates | 2,746,743 | 246,515 | – | (46,614) | 2,946,644 |
| Non-current assets held for sale | – | 1,950 | – | – | 1,950 |
| | <u>11,802,989</u> | <u>2,916,284</u> | <u>610,649</u> | <u>(614,679)</u> | <u>14,715,243</u> |
| Tax assets | | | | | 551,809 |
| Total assets | | | | | <u>15,267,052</u> |
| As at 31 December 2018 | | | | | |
| Segment assets: | | | | | |
| Operating assets | 9,267,748 | 2,661,718 | 594,169 | (748,760) | 11,774,875 |
| Joint ventures and associates | 2,526,873 | 234,253 | – | (46,614) | 2,714,512 |
| Non-current assets held for sale | – | 1,950 | 77,569 | – | 79,519 |
| | <u>11,794,621</u> | <u>2,897,921</u> | <u>671,738</u> | <u>(795,374)</u> | <u>14,568,906</u> |
| Tax assets | | | | | 547,451 |
| Total assets | | | | | <u>15,116,357</u> |

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A8. Revenue

| | Quarter ended 31 March | |
|--|---------------------------|----------------|
| | 2019 | 2018 |
| Revenue comprise the following: | | |
| Revenue from contracts with customers | 562,035 | 550,974 |
| Revenue from rental income | 13,097 | 8,528 |
| | <u>575,132</u> | <u>559,502</u> |
| Disaggregation of the Group's revenue from contracts with customers: | | |
| Geographical market | | |
| - Malaysia | 561,607 | 542,982 |
| - Australia | 206 | 5,485 |
| - Singapore | 176 | 504 |
| - Vietnam | 46 | 2,003 |
| | <u>562,035</u> | <u>550,974</u> |
| Timing of revenue recognition | | |
| - at point in time | 98,017 | 27,777 |
| - over time | 464,018 | 523,197 |
| | <u>562,035</u> | <u>550,974</u> |

A9. Capital Commitments

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

| | As at 31 March 2019 | As at 31 December 2018 |
|---------------------------------|------------------------|---------------------------|
| Contracted | | |
| - property, plant and equipment | - | 17 |
| - investment properties | 112,031 | 122,773 |
| | <u>112,031</u> | <u>122,790</u> |
| Not contracted | | |
| - property, plant and equipment | 22,289 | 19,377 |
| | <u>134,320</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 March 2019 is estimated up to GBP135.0 million (equivalent to RM724.9 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 March 2019, the limit of equity injection authorised is RM75.0 million (31 December 2018: RM86.7 million).

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A10. Significant Related Party Transactions

Significant related party transactions during the three months ended 31 March 2019 are as follows:

| | Quarter ended 31 March 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>(5,328)</u> | <u>(18,403)</u> |
| b. Transactions with shareholders and Government | | |
| Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad ("ASNB"), together own 57% as at 31 March 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 into 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: | | |
| | Quarter ended 31 March 2019 | 2018 |
| <u>Yayasan Sime Darby</u> | | |
| Contribution paid to Yayasan Sime Darby | (10,000) | – |
| <u>Sime Darby Berhad group</u> | | |
| Annual branding royalty fee | – | (2,000) |
| <u>Sime Darby Plantation Berhad group</u> | | |
| Rental income | 1,603 | 1,125 |
| c. Transactions with key management personnel | | |
| Sale of a property | <u>–</u> | <u>841</u> |

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A11. Material Events Subsequent to the End of the Financial Period

Save for the following, there was no material event subsequent to the end of the current quarter under review to 22 May 2019, being a date not earlier than 7 days from the date of issue of the quarterly report.

A12. Effect of Significant Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the financial period ended 31 March 2019.

A13. Contingent Liabilities – unsecured

| | As at 31 March 2019 | As at 31 December 2018 |
|----------------------------------|--------------------------------|-----------------------------------|
| Claims pending against the Group | <u>90,842</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 March 2019 | As at 31 December 2018 |
|-------------------|--------------------------------|-----------------------------------|
| Investments: | | |
| - quoted shares | 2,573 | 2,328 |
| - unquoted shares | <u>56,911</u> | <u>56,911</u> |
| | <u>59,484</u> | <u>59,239</u> |

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

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

B1. Review of Group Performance

| | Quarter ended 31 March | | % |
|---|---------------------------|----------------|-------|
| | 2019 | 2018 | +/(–) |
| Revenue | <u>575,132</u> | <u>559,502</u> | 2.8 |
| Segment results: | | | |
| Property development | 71,765 | 34,083 | 110.6 |
| Property investment | 6,592 | (3,154) | 309.0 |
| Leisure and hospitality | (4,771) | (5,279) | 9.6 |
| | <u>73,586</u> | <u>25,650</u> | 186.9 |
| Other gains | <u>204,404</u> | <u>11,537</u> | |
| Profit before interest and tax | 277,990 | 37,187 | 647.5 |
| Finance income | 30,224 | 25,600 | |
| Finance costs | (6,734) | (19,789) | |
| Profit before tax (“PBT”) | 301,480 | 42,998 | 601.1 |
| Tax expense | (27,168) | (14,282) | |
| Profit after tax | 274,322 | 28,716 | 855.3 |
| Non-controlling interests | (9,247) | 4,953 | |
| Profit attributable to owners of the Company (“PATAMI”) | <u>265,075</u> | <u>33,669</u> | 687.3 |

Revenue for the first quarter ended 31 March 2019 improved marginally by 2.8% whilst the PBT and PATAMI surged by 601.1% and 687.3% to RM301.5 million and RM265.1 million, respectively as compared to the corresponding period of the previous year.

The outstanding performance was attributable from all three (3) business segments and the disposal gain from Darby Park Executive Suites, Singapore of RM203.4 million (2018: gain on disposal of investment properties in the United Kingdom of RM9.4 million).

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

a) Property development

Property development performance improved significantly by 110.6% compared to the corresponding period of the previous year due mainly to higher contribution from Bandar Bukit Raja, Denai Alam, Nilai Impian/Utama townships and Cantara Residences in Ara Damansara, which was offsetted with lower contribution from Elmina and Bandar Universiti Pagoh townships.

Bandar Bukit Raja, Denai Alam, Nilai Impian/Utama township and Cantara Residences registered better results due mainly to higher sales and development activities as compared to the corresponding quarter of the previous year.

The Group’s share of results of joint ventures and associates have also improved from a loss of RM19.0 million to a profit of RM1.8 million. This is mainly attributable to the higher contribution from joint venture project, PJ Midtown and lower share of losses from Battersea and Sime Darby Sunrise joint ventures. In the corresponding quarter of the previous year, the Group’s results were impacted with share of RM12.0 million impairment losses in the 50% owned Sime Darby Sunrise joint venture.

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B1. Review of Group Performance (continued)

b) Property investment

Property investment segment registered a profit of RM6.6 million as compared to a loss of RM3.2 million in the corresponding quarter of the previous year. The improvement in the results were attributable mainly to the higher contribution from facility and asset management services, lower operating expenses resulting from cessation of non-core business units and higher occupancy rate achieved at Melawati Mall of 84% as compared to the corresponding quarter of the previous year of 78%.

c) Leisure and hospitality

Leisure and hospitality recorded lower loss of RM4.8 million as compared to RM5.3 million in the corresponding quarter of the previous year. The improvement was due mainly to higher revenue recorded by TPC, Kuala Lumpur.

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

| | Quarter ended | | % |
|--|------------------|---------------------|--------|
| | 31 March 2019 | 31 December 2018 | +/(–) |
| Revenue | <u>575,132</u> | <u>788,808</u> | (27.1) |
| Segment results: | | | |
| Property development | 71,765 | (25,269) | 384.0 |
| Property investment | 6,592 | 7,472 | (11.8) |
| Leisure and hospitality | (4,771) | (5,194) | 8.1 |
| Elimination | <u>–</u> | <u>(46,614)</u> | 100.0 |
| | 73,586 | (69,605) | 205.7 |
| Other gains/(losses) | 204,404 | (21,169) | |
| Profit before interest and tax | 277,990 | (90,774) | 406.2 |
| Finance income | 30,224 | 35,687 | |
| Finance costs | (6,734) | (36,057) | |
| Profit/(Loss) before tax (“PBT”) | 301,480 | (91,144) | 430.8 |
| Tax expense | (27,158) | (255,925) | |
| Profit/(Loss) after tax | 274,322 | (347,069) | 179.0 |
| Non-controlling interests | (9,247) | (430) | |
| Profit/(Loss) attributable to owners of the Company (“PATAMI”) | 265,075 | (347,499) | 176.3 |

Group revenue for the current quarter was 27.1% lower than the preceding quarter. However, the PBT and PATAMI of the Group for the current quarter improved significantly by 430.8% and 176.3% respectively. The significant improvement in the performance was mainly attributable to the disposal gain of Darby Park Executive Suites in Singapore of RM203.4 million.

The net earnings of the Group in the preceding quarter was adversely impacted by the impairment of inventories and receivables totalling RM236.6 million, provision for disposal obligation in relation to a property disposed in financial year 2017 of RM24.1 million and higher tax provision of RM177.5 million.

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

a) Property development

Contribution from property development improved significantly by 384.0% to RM71.8 million as compared to the preceding quarter.

The improvement was due mainly to higher sales achieved in Serenia City and Cantara Residences and higher development activities in Bandar Bukit Raja townships. Results in the preceding quarter was adversely impacted by the write-down of inventories and write-off of development expenditure of RM110.8 million and RM99.8 million respectively but partially mitigated by the profit from sale of land in Bandar Bukit Raja of RM122.7 million to Sime Darby MIT Development, for the development of Built-to-Suit managed industrial park.

For the quarter under review, the share of losses from Battersea was RM5.6 million as compared to a loss of RM2.0 million in the preceding quarter.

b) Property investment

Property investment segment registered a lower profit of RM6.6 million as compared to RM7.5 million in the preceding quarter, due largely to lower facility and asset management income.

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

c) Leisure and hospitality

Leisure and hospitality recorded a lower loss of RM4.8 million as compared to RM5.2 million in the preceding quarter. The improved results were attributable mainly to better contribution achieved by TPC, Kuala Lumpur.

d) Elimination

The elimination in the preceding quarter 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.

B3. Prospects for the Next Financial Year

The Malaysian economy grew at a pace of 4.5% year-on-year (“YoY”) for the first quarter of 2019 and is projected to expand between 4.3% and 4.8% in 2019, driven by private consumption as forecast by Bank Negara Malaysia.

The Government, through its initiatives such as the Home Ownership Campaign 2019 (“HOC”) and the introduction of stamp duty waivers, had provided an impetus for the property market amidst the broad market slowdown. In conjunction with the HOC, the Group had introduced its Primetime 8 Campaign, which featured 7 launches and 2 co-creation projects over 8 consecutive weeks throughout March and April. The Group had since launched a total of 474 units, with a combined gross development value of RM363 million for the first three months ended 31 March 2019 and an additional of 600 over units, worth more than RM550 million in April 2019.

The Group is confident of achieving its sales target following the success of the Group’s Primetime 8 campaign, which had seen an overwhelming take-up for its new launches, i.e. 100% take-up on launch day for Elsa (Bandar Bukit Raja), 90% take-up for Elmina Valley Five (Elmina West) and more than 70% for the Group’s high rise product, The Ridge (KL East). The Group will also be introducing its Raya 2019 campaign from 15 May to 30 June 2019 which will continue to help the Group to maintain its momentum of high sales and take-up of its products in the coming quarters. As at 31 March 2019, total unbilled sales stood at RM2.1 billion.

Following the completion of the disposal of the Battersea Power Station Phase 2 Commercial Assets on 14 March 2019, the Group does not expect further equity commitment for the commercial asset development for the current financial year. The Group had also successfully completed the disposal of 300 acres of land in Bukit Selarong, Kedah in May 2019, which would allow the Group to recognise its corresponding disposal gain in the second quarter of FY2019. The completion of these disposals would allow the Group to channel its additional cash resources towards the development activities of the Group and to expand its industrial and logistics portfolio, leveraging on the strategic location of its land bank.

Barring unforeseen circumstances, the Board of Directors of the Group expect the results for the financial year ending 31 December 2019 to be satisfactory.

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

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

B5. Profit Before Interest and Tax

| | Quarter ended 31 March | |
|---|---------------------------|-------------|
| | 2019 | 2018 |
| Included in operating profit are: | | |
| Depreciation and amortisation | (13,917) | (12,031) |
| Reversal of impairment of receivables | 147 | 5,756 |
| Write-down of inventories | - | (756) |
| Write-offs of: | | |
| - property, plant and equipment | (109) | (78) |
| - intangible assets | - | (30) |
| | <u>-</u> | <u>(30)</u> |
| Included in other gains are: | | |
| Gain on disposal of: | | |
| - property, plant and equipment | | |
| - land and buildings | 203,387 | - |
| - others | 5 | 7 |
| - investment properties | - | 9,942 |
| Reversal of impairment of property, plant and equipment | - | 1,326 |
| Changes in fair value of quoted investments | 245 | - |
| Net foreign exchange gain | 767 | 262 |
| | <u>767</u> | <u>262</u> |

B6. Tax Expense

| | Quarter ended 31 March | |
|-----------------------------------|---------------------------|---------------|
| | 2019 | 2018 |
| In respect of the current period: | | |
| - current tax | 30,387 | (9,790) |
| - deferred tax | (3,221) | 27,813 |
| | <u>27,166</u> | <u>18,023</u> |
| In respect of prior years: | | |
| - current tax | 6,237 | (3,773) |
| - deferred tax | (6,245) | 32 |
| | <u>27,158</u> | <u>14,282</u> |

The effective tax rate for the current quarter of 9.1% is low compared to the statutory tax rate of 24.0% mainly due to gain on disposal of Darby Park Executive Suites of RM203.4 million which is not subjected to Singapore tax.

B7. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 22 May 2019.

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B8. Group Borrowings

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

| | Secured | Unsecured | Total |
|--|------------------|------------------|------------------|
| <u>Long-term borrowings</u> | | | |
| Term loans | 182,435 | – | 182,435 |
| Islamic financing | 737,920 | – | 737,920 |
| Syndicated Islamic financing | 765,567 | – | 765,567 |
| Amounts due to non-controlling interests | – | 172,228 | 172,228 |
| | <u>1,685,922</u> | <u>172,228</u> | <u>1,858,150</u> |
| <u>Short-term borrowings</u> | | | |
| Term loans due within one year | 97,890 | 143,845 | 241,735 |
| Islamic financing due within one year | 53,628 | – | 53,628 |
| Syndicated Islamic financing | 63,098 | – | 63,098 |
| Revolving credits | – | 981,201 | 981,201 |
| Amounts due to non-controlling interests | – | 2,308 | 2,308 |
| | <u>214,616</u> | <u>1,127,354</u> | <u>1,341,970</u> |
| Total borrowings | <u>1,900,538</u> | <u>1,299,582</u> | <u>3,200,120</u> |

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

| | Secured | Unsecured | Total |
|------------------|------------------|------------------|------------------|
| Borrowings | | | |
| - principal | 1,888,772 | 1,298,035 | 3,186,807 |
| - interest | 11,766 | 1,547 | 13,313 |
| Total borrowings | <u>1,900,538</u> | <u>1,299,582</u> | <u>3,200,120</u> |

The Group borrowings are denominated in Ringgit Malaysia.

Certain borrowings are secured by fixed and floating charges over property, plant and equipment, investment property and other assets of certain subsidiaries.

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B9. Material Litigations

Changes in material litigations since the date of the last audited annual statement of financial position up to 22 May 2019 are as follows:

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

A civil suit has been commenced by 72 purchasers of Ara Hill (“Plaintiffs”) against SDAD, claiming, among other things, both general and specific damages of 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.

Trial will continue on 5 to 8 August 2019 and 26 to 30 August 2019.

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.

Arbitration proceedings will be held in accordance with the rules of the Asian International Arbitration Centre before a single arbitrator. The hearing will commence on 13 January 2020.

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B10. Dividend

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

B11. Earnings Per Share

| | Quarter ended | |
|---|----------------------|------------------|
| | 31 March | |
| | 2019 | 2018 |
| Basic earnings per share attributable to owners of the Company are computed as follows: | | |
| Profit for the period | <u>265,075</u> | <u>33,669</u> |
| Number of ordinary shares in issue (thousand) | <u>6,800,839</u> | <u>6,800,839</u> |
| Basic earnings per share (sen) | <u>3.9</u> | <u>0.5</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
29 May 2019

By Order of the Board
Moriama binti Mohd
Company Secretary