

## QUARTERLY REPORT

On the consolidated results for the second quarter ended 31 December 2017

The Directors are pleased to announce the following:

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

	Note	Quarter ended 31 December		% +/(–)	Half-year ended 31 December		% +/(–)
		2017	2016 Restated		2017	2016 Restated	
<b>Continuing operations</b>							
Revenue	A7	8,815	8,086	9.0	16,959	15,020	12.9
Other operating income		49	62		287	145	
Operating expenses		(8,751)	(7,981)		(16,784)	(14,784)	
Other gains		16	43		19	81	
Operating profit	B5	129	210	(38.6)	481	462	4.1
Share of results of joint ventures		14	13		26	24	
Share of results of associates		(4)	(3)		(12)	(3)	
<b>Profit before interest and tax</b>	A7	139	220	(36.8)	495	483	2.5
Finance income		30	127		80	249	
Finance costs		(31)	(60)		(61)	(133)	
<b>Profit before tax</b>		138	287	(51.9)	514	599	(14.2)
Taxation	B6	(53)	(72)		(154)	(124)	
<b>Profit from continuing operations</b>		85	215	(60.5)	360	475	(24.2)
<b>Discontinued operations</b>							
Profit from discontinued operations		259	494		1,378	813	
<b>Profit for the period</b>		344	709	(51.5)	1,738	1,288	34.9
<b>Attributable to owners of:</b>							
- the Company							
- from continuing operations		72	176	(59.1)	320	392	(18.4)
- from discontinued operations		233	477	(51.2)	1,301	783	66.2
		305	653	(53.3)	1,621	1,175	38.0
- perpetual sukuk							
- from continuing operations		–	32		–	63	
- from discontinued operations		21	–		52	–	
- non-controlling interests							
- from continuing operations		13	7		40	20	
- from discontinued operations		5	17		25	30	
<b>Profit for the period</b>		344	709	(51.5)	1,738	1,288	34.9
Basic/Diluted earnings per share attributable to owners of the Company							
	B13	Sen	Sen		Sen	Sen	
- from continuing operations		1.1	2.6	(57.7)	4.7	6.0	(21.7)
- from discontinued operations		3.4	7.2	(52.8)	19.1	12.1	57.9
<b>Total</b>		4.5	9.8	(54.1)	23.8	18.1	31.5

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

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

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

	Quarter ended		%	Half-year ended		%
	31 December	2016	+ / (-)	31 December	2016	+ / (-)
	2017	Restated		2017	Restated	
<b>Profit for the period</b>	<b>344</b>	<b>709</b>	<b>(51.5)</b>	<b>1,738</b>	<b>1,288</b>	<b>34.9</b>
<b>Other comprehensive income/(loss)</b>						
<b><u>Continuing operations</u></b>						
<b>Items that will be reclassified subsequently to profit or loss:</b>						
Currency translation differences	(372)	114		(367)	359	
Net changes in fair value of cash flow hedges	5	44		(3)	24	
Share of other comprehensive (loss)/income of joint ventures and associates	(26)	37		(24)	29	
Tax (expense)/credit	(2)	(12)		1	(4)	
	<b>(395)</b>	<b>183</b>		<b>(393)</b>	<b>408</b>	
Reclassified to profit or loss currency translation differences on repayment of net investment	7	3		(24)	17	
Reclassified changes in fair value of cash flow hedges to:						
- profit or loss	1	(35)		8	(5)	
- inventories	(1)	(9)		10	(5)	
Tax expense	(1)	13		(6)	4	
	<b>(389)</b>	<b>155</b>	<b>(351.0)</b>	<b>(405)</b>	<b>419</b>	<b>(196.7)</b>
Other comprehensive (loss)/income from discontinued operations	(114)	651	(117.5)	(228)	857	(126.6)
Total other comprehensive (loss)/income	<b>(503)</b>	<b>806</b>	<b>(162.4)</b>	<b>(633)</b>	<b>1,276</b>	<b>(149.6)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(159)</b>	<b>1,515</b>	<b>(110.5)</b>	<b>1,105</b>	<b>2,564</b>	<b>(56.9)</b>
<b>Attributable to owners of:</b>						
- the Company						
- from continuing operations	(312)	311	(200.3)	(80)	794	(110.1)
- from discontinued operations	125	1,132	(89.0)	1,088	1,643	(33.8)
	<b>(187)</b>	<b>1,443</b>	<b>(113.0)</b>	<b>1,008</b>	<b>2,437</b>	<b>(58.6)</b>
- perpetual sukuk						
- from continuing operations	-	32		-	63	
- from discontinued operations	21	-		52	-	
- non-controlling interests						
- from continuing operations	8	27		35	37	
- from discontinued operations	(1)	13		10	27	
<b>Total comprehensive (loss)/income for the period</b>	<b>(159)</b>	<b>1,515</b>	<b>(110.5)</b>	<b>1,105</b>	<b>2,564</b>	<b>(56.9)</b>

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

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

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

	Note	Unaudited As at 31 December 2017	Audited As at 30 June 2017
<b><u>Non-current assets</u></b>			
Property, plant and equipment		5,902	5,624
Prepaid lease rentals		344	359
Investment properties		292	317
Joint ventures and associates		1,783	1,783
Investments		120	100
Intangible assets		1,529	1,684
Deferred tax assets		545	611
Tax recoverable		153	160
Derivatives	B10(a)	–	44
Receivables and pension assets		216	171
		<b>10,884</b>	<b>10,853</b>
<b><u>Current assets</u></b>			
Inventories		6,745	7,103
Tax recoverable		70	67
Derivatives	B10(a)	80	97
Receivables and contract assets		4,695	3,886
Prepayments		640	466
Bank balances, deposits and cash		1,505	2,072
		<b>13,735</b>	<b>13,691</b>
<b>Assets held for sale</b>		<b>142</b>	<b>43,136</b>
<b>Total assets</b>		<b>24,761</b>	<b>67,680</b>
<b><u>Equity</u></b>			
Share capital		9,299	9,299
Reserves		5,271	28,044
<b>Attributable to owners of the Company</b>		<b>14,570</b>	<b>37,343</b>
Perpetual sukuk <sup>1</sup>		–	2,230
Non-controlling interests		417	976
<b>Total equity</b>	A7	<b>14,987</b>	<b>40,549</b>
<b><u>Non-current liabilities</u></b>			
Borrowings and finance lease obligations	B9	284	1,251
Contract liabilities and deferred income		293	291
Provisions		30	37
Deferred tax liabilities		274	338
Derivatives	B10(a)	1	–
		<b>882</b>	<b>1,917</b>
<b><u>Current liabilities</u></b>			
Payables		5,090	4,348
Contract liabilities		1,076	1,319
Borrowings and finance lease obligations	B9	2,423	1,954
Provisions		194	170
Tax payable		96	122
Derivatives	B10(a)	13	11
		<b>8,892</b>	<b>7,924</b>
<b>Liabilities associated with assets held for sale</b>		<b>–</b>	<b>17,290</b>
<b>Total liabilities</b>		<b>9,774</b>	<b>27,131</b>
<b>Total equity and liabilities</b>		<b>24,761</b>	<b>67,680</b>
Net assets per share attributable to owners of the Company (RM)		<b>2.14</b>	<b>5.49</b>

<sup>1</sup> The perpetual sukuk has been derecognised upon the deconsolidation of Sime Darby Plantation Berhad (SD Plantation) and Sime Darby Property Berhad (SD Property) following the distribution-in-specie of the Group's entire equity interest in SD Plantation and SD Property to the shareholders of Sime Darby Berhad.

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

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

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

		Share capital	Capital reserve	Legal reserve	Hedging reserve	Available-for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total equity
<b>Half-year ended 31 December 2017</b>												
At 1 July 2017		9,299	207	74	(39)	48	1,058	26,696	37,343	2,230	976	40,549
Total comprehensive income/(loss) for the period		-	-	-	22	(45)	(590)	1,621	1,008	52	45	1,105
Transfer between reserves <sup>1</sup>		-	-	14	-	-	-	(14)	-	-	-	-
Dividends paid		-	-	-	-	-	-	(1,156)	(1,156)	-	(61)	(1,217)
Distribution paid		-	-	-	-	-	-	-	-	(63)	-	(63)
Distribution-in-specie <sup>2</sup>	A11	-	-	-	-	-	-	(22,625)	(22,625)	-	-	(22,625)
Reclassification upon deconsolidation of subsidiaries <sup>3</sup>		-	(14)	(25)	-	-	-	39	-	-	-	-
Derecognition arising from deconsolidation of subsidiaries <sup>4</sup>	A11	-	-	-	-	-	-	-	-	(2,219)	(543)	(2,762)
At 31 December 2017		9,299	193	63	(17)	3	468	4,561	14,570	-	417	14,987

<sup>1</sup> Relates to the requirement by certain subsidiaries in China to set aside a portion of the retained profits in a separate reserve.

<sup>2</sup> The distribution-in-specie relates to the distribution of the Group's entire equity interest in SD Plantation and SD Property to the shareholders of Sime Darby Berhad.

<sup>3</sup> Reclassification of the capital and legal reserves of the SD Plantation group to retained profits following the deconsolidation of SD Plantation and SD Property.

<sup>4</sup> The perpetual sukuk and non-controlling interests of SD Plantation and SD Property are derecognised upon the deconsolidation of SD Plantation and SD Property.

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

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

	Share capital	Share premium	Capital reserve	Legal reserve	Hedging reserve	Available-for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total equity
<b>Half-year ended 31 December 2016 Restated</b>												
At 1 July 2016	3,164	2,602	212	69	(68)	54	356	26,006	32,395	2,230	965	35,590
Total comprehensive income/(loss) for the period	–	–	–	–	48	(17)	1,231	1,175	2,437	63	64	2,564
Transfer between reserves	–	–	(64)	1	–	–	–	63	–	–	–	–
Share placement	158	2,199	–	–	–	–	–	–	2,357	–	–	2,357
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	7	7
Put option revaluation	–	–	(3)	–	–	–	–	–	(3)	–	–	(3)
Dividends paid by way of:												
- issuance of shares pursuant to the Dividend Reinvestment Plan	78	1,110	–	–	–	–	–	(1,188)	–	–	–	–
- cash	–	–	–	–	–	–	–	(207)	(207)	–	(26)	(233)
Share issue expenses	–	(12)	–	–	–	–	–	–	(12)	–	–	(12)
Distribution paid	–	–	–	–	–	–	–	–	–	(64)	–	(64)
At 31 December 2016	3,400	5,899	145	70	(20)	37	1,587	25,849	36,967	2,229	1,010	40,206

Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

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

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

	Half-year ended 31 December	
	2017	2016 Restated
<b>Cash flow from operating activities</b>		
Profit from continuing operations	360	475
Adjustments for:		
Share of results of joint ventures and associates	(14)	(21)
Finance income	(80)	(249)
Finance costs	61	133
Tax expense	154	124
Net gain on disposal of assets and investments	(166)	(66)
Depreciation and amortisation	318	273
Other non-cash items	244	69
	<u>877</u>	<u>738</u>
<b>Changes in working capital:</b>		
Inventories and rental assets	(186)	12
Trade, other receivables and prepayments	(849)	84
Trade, other payables and provisions	589	43
	<u>431</u>	<u>877</u>
<b>Cash generated from operations</b>		
Tax paid	(149)	(174)
Dividends received	9	8
Income received from investment	-	4
	<u>291</u>	<u>715</u>
Operating cash flow from continuing operations	291	715
Operating cash flow from discontinued operations	596	206
	<u>887</u>	<u>921</u>
<b>Net cash from operating activities</b>		
<b>Cash flow from investing activities</b>		
Finance income received	80	249
Purchase of property, plant and equipment, investment properties, intangible assets and prepaid lease rentals	(200)	(407)
Purchase/subscription of shares in a joint venture and investments	(48)	(70)
Proceeds from sale of a subsidiary	-	90
Proceeds from sale of an associate	-	308
Proceeds from sale of an investment	-	15
Proceeds from sale of property, plant and equipment and investment property	406	58
Reclassification to assets held for sale	(59)	-
Repayment from/(advances to) discontinued operations	735	(1,013)
Net (loan made to)/repayment of loans by joint ventures and associates	(32)	51
	<u>882</u>	<u>(719)</u>
Investing cash flow from/(used in) continuing operations	882	(719)
Investing cash flow used in discontinued operations	(1,474) <sup>1</sup>	(729)
	<u>(592)</u>	<u>(1,448)</u>
<b>Net cash used in investing activities</b>		

<sup>1</sup> Includes cash balances of discontinued operations deconsolidated of RM1.8 billion.

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

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

	Note	Half-year ended 31 December	
		2017	2016 Restated
<b>Cash flow from financing activities</b>			
Proceeds from issuance of shares		-	2,357
Share issuance expenses		-	(12)
Proceeds from shares issued to non-controlling interest		-	7
Finance costs paid		(70)	(160)
Net borrowings repaid		(419)	(1,683)
Distribution to perpetual sukuk holders		-	(64)
Dividends paid to shareholders		(1,156)	(207)
Dividends paid to non-controlling interests <sup>2</sup>		(12)	(26)
Financing cash flow (used in)/from continuing operations		(1,657)	212
Financing cash flow (used in)/from discontinued operations		(936)	482
<b>Net cash (used in)/from financing activities</b>		<b>(2,593)</b>	<b>694</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,298)</b>	<b>167</b>
Foreign exchange differences		(70)	144
Cash and cash equivalents at beginning of the period		3,842	3,496
<b>Cash and cash equivalents at end of the period</b>		<b>1,474</b>	<b>3,807</b>
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		1,505	1,973
Less:			
Bank overdrafts	B9	(31)	(6)
<b>Cash and cash equivalents from continuing operations</b>		<b>1,474</b>	<b>1,967</b>
<b>Cash and cash equivalents from discontinued operations</b>		<b>-</b>	<b>1,840</b>
		<b>1,474</b>	<b>3,807</b>

<sup>2</sup> Dividends paid to other shareholders of non-wholly owned subsidiaries.

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

## **EXPLANATORY NOTES**

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard (MFRS) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (MASB). The interim financial report is unaudited and should be read in conjunction with the Group's audited annual financial statements for the financial year ended 30 June 2017.

### **A. EXPLANATORY NOTES PURSUANT TO 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 annual financial statements for the financial year ended 30 June 2017, except as below.

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

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

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

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

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

- MFRS 9 – Financial Instruments
- MFRS 16 – Leases
- MFRS 17 – Insurance Contracts
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Applying MFRS 9 – Financial Instruments with MFRS 4 – Insurance Contracts (Amendments to MFRS 4)
- Amendments to MFRS 128 (Annual Improvements to MFRSs 2014 – 2016 Cycle)
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration
- IC Interpretation 23 – Uncertainty over Income Tax Treatments
- Long-term Interest in Associates and Joint Ventures (Amendments to MFRS 128)
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Amendments to MFRS 3 (Annual Improvements to MFRS Standards 2015–2017 Cycle)
- Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015–2017 Cycle)
- Amendments to MFRS 112 (Annual Improvements to MFRS Standards 2015–2017 Cycle)
- Amendments to MFRS 123 (Annual Improvements to MFRS Standards 2015–2017 Cycle)

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

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

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

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



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

Explanatory Notes on the Quarterly Report – 31 December 2017  
Amounts in RM million unless otherwise stated

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

Except as disclosed in the financial statements on pages 1 to 7 and Note B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

**A4. Material Changes in Estimates**

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

**A5. Debt and Equity Securities**

On 23 August 2017, the Company completed the early redemption of the RM700 million outstanding Islamic Medium Term Notes (IMTN) following the consent obtained at the Extraordinary General Meeting of the noteholders held on 14 August 2017. On 29 September 2017, the Company novated the IMTN/Islamic Commercial Paper Programme to SD Property.

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

**A6. Dividends Paid to Shareholders**

The final single tier dividend of 17.0 sen per share for the financial year ended 30 June 2017 amounting to RM1,156 million was paid by way of cash on 20 December 2017.

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

Explanatory Notes on the Quarterly Report – 31 December 2017  
Amounts in RM million unless otherwise stated

**A7. Segment Information**

Following the deconsolidation of SD Plantation and SD Property, the results of SD Plantation and SD Property for the current and previous financial years have been classified as discontinued operations. Healthcare is now shown separately from Others, consistent with internal management reports.

Half-year ended 31 December 2017	Continuing operations							Discontinued operations	
	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Elimination	Total	Total	
<b>Segment revenue:</b>									
External	6,197	10,559	173	–	30	–	16,959	6,980	23,939
Inter-segment	34	10	–	–	35	(79)	–	–	–
	<u>6,231</u>	<u>10,569</u>	<u>173</u>	<u>–</u>	<u>65</u>	<u>(79)</u>	<u>16,959</u>	<u>6,980</u>	<u>23,939</u>
<b>Profit/(loss) before interest and tax</b>	<u>393</u>	<u>135</u>	<u>43</u>	<u>25</u>	<u>10</u>	<u>(111)</u>	<u>495</u>	<u>1,700</u>	<u>2,195</u>
Net finance income/(costs)							19	(61)	(42)
Taxation							(154)	(261)	(415)
<b>Profit for the period</b>							<u>360</u>	<u>1,378</u>	<u>1,738</u>
<b>Half-year ended 31 December 2016</b>									
<b>Restated Segment revenue:</b>									
External	4,518	10,326	145	–	31	–	15,020	7,536	22,556
Inter-segment	33	12	–	–	64	(109)	–	–	–
	<u>4,551</u>	<u>10,338</u>	<u>145</u>	<u>–</u>	<u>95</u>	<u>(109)</u>	<u>15,020</u>	<u>7,536</u>	<u>22,556</u>
<b>Profit before interest and tax</b>	<u>106</u>	<u>266</u>	<u>23</u>	<u>19</u>	<u>15</u>	<u>54</u>	<u>483</u>	<u>1,232</u>	<u>1,715</u>
Net finance income/(costs)							116	(166)	(50)
Taxation							(124)	(253)	(377)
<b>Profit for the period</b>							<u>475</u>	<u>813</u>	<u>1,288</u>

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

Explanatory Notes on the Quarterly Report – 31 December 2017  
Amounts in RM million unless otherwise stated

**A7. Segment Information (continued)**

	Continuing operations						Total	Discontinued operations	Total
	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Elimination			
<b>As at 31 December 2017</b>									
Segment assets	10,305	9,115	2,714	702	562	595	23,993	-	23,993
Segment liabilities	(2,385)	(3,557)	(353)	-	(390)	(12)	(6,697)	-	(6,697)
Segment invested capital	7,920	5,558	2,361	702	172	583	17,296	-	17,296
Net tax assets							398	-	398
Borrowings and finance lease obligations							(2,707)	-	(2,707)
<b>Total Equity</b>							<b>14,987</b>	<b>-</b>	<b>14,987</b>
<b>As at 30 June 2017</b>									
Segment assets	10,411	8,923	2,626	682	484	1,247	24,373	40,400	64,773
Segment liabilities	(2,322)	(3,097)	(332)	-	(347)	(78)	(6,176)	(4,316)	(10,492)
Segment invested capital	8,089	5,826	2,294	682	137	1,169	18,197	36,084	54,281
Net tax assets/(liabilities)							378	(992)	(614)
Borrowings and finance lease obligations							(3,205)	(9,913)	(13,118)
<b>Total Equity</b>							<b>15,370</b>	<b>25,179</b>	<b>40,549</b>

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**A7. Segment information (continued)**

Disaggregation of the Group's revenue from continuing operations is as follows:

<b>Half-year ended 31 December 2017</b>	<b>Industrial</b>	<b>Motors</b>	<b>Logistics</b>	<b>Others</b>	<b>Total</b>
<b>Major goods and services</b>					
Sale of equipment and vehicles	2,848	8,884	–	–	11,732
Sale of parts, assembly charges and provision of after-sales services	2,959	1,432	–	–	4,391
Engineering services	158	–	–	–	158
Port and related charges	–	–	140	–	140
Sale of water	–	–	33	–	33
Rental income	232	105	–	4	341
Commission, handling fees and others	–	138	–	26	164
	<b>6,197</b>	<b>10,559</b>	<b>173</b>	<b>30</b>	<b>16,959</b>
<b>Geographical location</b>					
Malaysia	592	1,805	–	25	2,422
Other countries in South East Asia	340	2,825	–	4	3,169
China	1,732	4,465	173	1	6,371
Australasia	3,533	1,464	–	–	4,997
	<b>6,197</b>	<b>10,559</b>	<b>173</b>	<b>30</b>	<b>16,959</b>

<b>Half-year ended 31 December 2016 Restated</b>	<b>Industrial</b>	<b>Motors</b>	<b>Logistics</b>	<b>Others</b>	<b>Total</b>
<b>Major goods and services</b>					
Sale of equipment and vehicles	1,903	8,742	–	–	10,645
Sale of parts, assembly charges and provision of after-sales services	2,215	1,342	–	–	3,557
Engineering services	188	–	–	–	188
Port and related charges	–	–	114	–	114
Sale of water	–	–	31	–	31
Rental income	212	92	–	4	308
Commission, handling fees and others	–	150	–	27	177
	<b>4,518</b>	<b>10,326</b>	<b>145</b>	<b>31</b>	<b>15,020</b>
<b>Geographical location</b>					
Malaysia	553	1,628	–	24	2,205
Other countries in South East Asia	344	2,548	–	5	2,897
China	1,127	4,464	145	2	5,738
Australasia	2,494	1,686	–	–	4,180
	<b>4,518</b>	<b>10,326</b>	<b>145</b>	<b>31</b>	<b>15,020</b>

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**A8. Capital Commitments**

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

	As at 31 December 2017	As at 30 June 2017		
	Total	Continuing operations	Discontinued operations	Total
Property, plant and equipment				
- contracted	92	229	295	524
- not contracted	744	837	975	1,812
	<b>836</b>	1,066	1,270	2,336
Other capital expenditure				
- contracted	71	42	291	333
- not contracted	76	39	–	39
	<b>983</b>	1,147	1,561	2,708

**A9. Significant Related Party Transactions**

Significant related party transactions conducted during the half-year ended 31 December are as follows:

	Half-year ended 31 December	
	2017	2016
<b>a. Transactions with joint ventures</b>		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	19	16
Disposal of Sime Darby Property (Alexandra) Private Limited to Aster Investment Holding Pte Ltd, a subsidiary of Sime Darby Real Estate Investment Trust 1	–	249
	<b>19</b>	265
<b>b. Transactions with associates</b>		
Sales of products and services to Tesco Stores (Malaysia) Sdn Bhd	5	10
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	5	–
	<b>10</b>	10
<b>c. Transactions between subsidiaries and their owners of non-controlling interests</b>		
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	46	164
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	18	10
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	4	2
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	36	26
Project management services rendered by Tunas Selatan Construction Sdn Bhd, the holding company of Tunas Selatan Pagoh Sdn Bhd to Sime Darby Property Selatan Sdn Bhd	–	3
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	11	39
	<b>114</b>	244

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**A9. Significant Related Party Transactions (continued)**

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

	<b>Half-year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>d. Transactions with key management personnel and their close family members</b>		
Sales of properties and cars by the Group	<u>-1</u>	<u>1</u>

<sup>1</sup> less than RM1 million

**e. Transactions with shareholders and Government**

Permodalan Nasional Berhad (PNB) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (ASNB), together owns 50.9% as at 31 December 2017 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 influence 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.

On 31 July 2017, SD Property entered into a Share Sale Agreement with PNB Development Sdn Bhd for the disposal of its entire 40% equity interest in Seriemas Development Sdn Bhd (Seriemas) for a total cash consideration of RM625 million. The disposal was completed on 29 September 2017.

On 27 October 2017, Kumpulan Jelei Sdn Bhd, a wholly-owned subsidiary of SD Plantation, had entered into an agreement with PNB for the sale of zero coupon redeemable loan stock (RLS) of Prolintas Expressway Sdn Bhd (Prolintas) (formerly known as Guthrie Corridor Expressway Sdn Bhd) for a total purchase consideration of RM333 million. Kumpulan Jelei Sdn Bhd ceased to be a subsidiary of the Group following the completion of the distribution of SD Plantation and SD Property shares to shareholders of Sime Darby Berhad.

On 29 November 2017, the Group completed the distribution of SD Plantation and SD Property shares to shareholders of Sime Darby Berhad. Transactions between the Group and SD Plantation or SD Property are classified as related party transactions as YPB is the common major shareholding of the 3 groups. Related party transactions with the former subsidiaries are as follows:

	<b>Half-year ended 31 December 2017</b>
Provision of shared services	<b>6</b>
Sales, servicing and leasing of equipments and vehicles	<b>5</b>
Rental charges	<u><b>2</b></u>

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**A10. Material Events Subsequent to the End of the Financial Period**

There were no material event subsequent to the end of the current quarter under review to 15 February 2018, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

1. Establishment of new companies

- a) On 4 July 2017, Kunming Bow Chuang Motor Sales and Services Co. Ltd. (KMBC) was incorporated as a limited company in the People's Republic of China (PRC), with its entire registered capital of RMB20 million held by Yunnan Bow Yue Vehicle Trading Co., Ltd., an indirect 65%-owned subsidiary of the Group. The principal activities of KMBC are retail of motor vehicles and spare parts, and provision of after-sales services.
- b) On 1 November 2017, Tractors Singapore (Maldives) Private Limited (TSMPL) was incorporated in the Republic of Maldives, with its entire registered capital of MVR2,000 held by Tractors Singapore Limited (99%) and Sime Darby Eastern Limited (1%). The principal activities of TSMPL are sale and rental of engines, power systems, assembly and product support for industrial machinery and parts in Republic of Maldives.

2. Acquisition of a subsidiary

- a) On 24 November 2017, Mulligan International B.V. (MIB) acquired 90% interest in PT Tamiyang Sumber Rezeki (PTTSR) for a total cash consideration of IDR78 billion (equivalent to RM24 million). PTTSR has been granted with the Hak Izin Lokasi and the Izin Usaha Perkebunan on 20,000 hectares of greenfield land in Kabupaten Barito Timur, Kalimantan Tengah, Indonesia.

3. Disposal of subsidiaries and interest in associates

- a) On 19 September 2017, SD Property completed the disposal of its entire equity interest in Malaysia Land Development Company Berhad (MLDC) to Dato' Sri Tong Seech Wi for a total cash consideration of RM1. Simultaneously an agreed sum of RM60 million shall be paid to SD Property as the full and final settlement of the existing outstanding shareholder's loan granted to MLDC. The disposal resulted in a gain of RM40 million with net cash inflow from disposal of RM59 million.
- b) On 29 September 2017, SD Property completed the disposal of its entire 40% equity interest in Seriemas to PNB Development Sdn Bhd for a total cash consideration of RM625 million. The disposal resulted in a gain of RM307 million, net of transaction costs. Following the disposal, Seriemas and its 70% owned subsidiary, Seriemas Resort Sdn Bhd, ceased to be associate companies of SD Property.
- c) On 15 December 2017, Hastings Deerings completed the disposal of its entire 39% equity interest in Nova Power Pty Ltd to Pacific Energy Ltd for a total cash consideration of AUD2 million (equivalent to RM6 million). The disposal resulted in a gain of RM5 million, net of transaction costs. Following the disposal, Nova Power ceased to be an associate company of the Group.

4. Subscription of shares in an associate

- a) On 9 November 2017, Sime Darby Netherlands B.V. (SD Netherlands) subscribed to 340,092,449 Series 5 Convertible Preferred Stock in Verdezyne, Inc. (Verdezyne). Following the subscription, the equity interest held by SD Netherlands in Verdezyne has increased to 43.37%.

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**A11. Effect of Significant Changes in the Composition of the Group (continued)**

5. Distribution of shares in SD Plantation and SD Property to shareholders of the Company

- a) On 29 November 2017, the Group completed the distribution of its entire equity interest in SD Plantation and SD Property to its shareholders via a distribution-in-specie. Following the distribution, SD Plantation and SD Property have ceased to be subsidiaries of the Company.

The distribution-in-specie is recorded based on the book value of net assets deconsolidated, summarised as follows:

Assets of disposal groups	42,536
Liabilities of disposal groups	<u>(17,149)</u>
	25,387
Perpetual sukuk	(2,219)
Non-controlling interests	<u>(543)</u>
Distribution-in-specie	<u><u>22,625</u></u>

**A12. Contingent Liabilities – unsecured**

- a) Guarantees

In the ordinary course of business, the Group issues surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. A liability from the performance guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The performance guarantees and financial guarantees are as follows:

	As at 15 February 2018	As at 30 June 2017
Performance guarantees and advance payment guarantees to customers of the Group	2,265	2,362
Guarantees in respect of credit facilities granted to certain associates and a joint venture	153	176
Outstanding guarantees for discontinued operations	<u>–</u>	<u>96</u>
	<u><u>2,418</u></u>	<u><u>2,634</u></u>

In addition, the Group guarantees the payment from its customers under a risk sharing arrangement with a third party leasing company in connection with the sale of its equipment up to a pre-determined amount. As at 15 February 2018, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM268 million (30 June 2017: RM226 million).

- b) Claims

	As at 15 February 2018	As at 30 June 2017
Continuing operations	3	14
Discontinued operations	<u>–</u>	<u>16</u>
	<u><u>3</u></u>	<u><u>30</u></u>

The claims include disputed amounts for the supply of goods and services.



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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 December			Half-year ended 31 December		
	2017	2016 Restated	% +/(-)	2017	2016 Restated	% +/(-)
<b><u>Continuing operations</u></b>						
Revenue	<b>8,815</b>	8,086	9.0	<b>16,959</b>	15,020	12.9
Segment results:						
Industrial	<b>146</b>	55	165.5	<b>393</b>	106	270.8
Motors	<b>23</b>	136	(83.1)	<b>135</b>	266	(49.3)
Logistics	<b>25</b>	11	127.3	<b>43</b>	23	87.0
Healthcare	<b>13</b>	9	44.4	<b>25</b>	19	31.6
Others	<b>10</b>	(15)	166.7	<b>10</b>	15	(33.3)
	<b>217</b>	196	10.7	<b>606</b>	429	41.3
Corporate exchange (loss)/gain	<b>(3)</b>	45		<b>24</b>	72	
Corporate expense and elimination	<b>(10)</b>	(10)		<b>(50)</b>	(9)	
Yayasan Sime Darby	<b>(65)</b>	(11)		<b>(85)</b>	(9)	
<b>Profit before interest and tax</b>	<b>139</b>	220	(36.8)	<b>495</b>	483	2.5
Finance income	<b>19</b>	16		<b>32</b>	24	
Finance income from discontinued operations	<b>11</b>	111		<b>48</b>	225	
Finance costs	<b>(31)</b>	(60)		<b>(61)</b>	(133)	
<b>Profit before tax</b>	<b>138</b>	287	(51.9)	<b>514</b>	599	(14.2)
Taxation	<b>(53)</b>	(72)		<b>(154)</b>	(124)	
<b>Profit from continuing operations</b>	<b>85</b>	215	(60.5)	<b>360</b>	475	(24.2)
Perpetual sukuk	<b>-</b>	(32)		<b>-</b>	(63)	
Non-controlling interests	<b>(13)</b>	(7)		<b>(40)</b>	(20)	
<b>Profit from continuing operations attributable to owners of the Company</b>	<b>72</b>	176	(59.1)	<b>320</b>	392	(18.4)
<b><u>Discontinued operations</u></b>						
Profit from discontinued operations attributable to owners of the Company	<b>233</b>	477	(51.2)	<b>1,301</b>	783	66.2
<b>Profit attributable to owners of the Company</b>	<b>305</b>	653	(53.3)	<b>1,621</b>	1,175	38.0

**B1. Review of Group Performance (continued)**

An analysis of the results for the Quarter ended 31 December 2017 against the Quarter ended 31 December 2016 is as follows:

**a) Industrial**

Profit increased by 165.5% mainly due to higher equipment deliveries and product support sales to the construction and mining sectors in Australia and China.

**b) Motors**

The division recorded a decline in profit by 83.1% mainly due to losses incurred in Vietnam of RM109 million as compared to profit of RM5 million in the previous corresponding quarter. Excluding the Vietnam operations, profit for the quarter was 0.8% higher than the previous corresponding quarter. The higher profit from the China and Hong Kong operations were offset by the lower profit from the Malaysia and Singapore operations.

**c) Logistics**

The division registered a 127.3% increase in profit mainly due to higher throughput at Weifang Port and an exchange gain of RM3 million compared to an exchange loss of RM3 million in the previous corresponding quarter.

**d) Healthcare**

The higher share of profit from the Ramsay Sime Darby Healthcare joint venture was mainly attributable to higher revenue from the Malaysian operations.

**e) Others**

The results include an exchange gain from the legacy oil & gas operations of RM6 million compared to an exchange loss of RM10 million in the previous corresponding quarter.

**f) Yayasan Sime Darby**

Yayasan Sime Darby (YSD) has been reclassified as assets held for sale as it would no longer be consolidated by Sime Darby Berhad upon changes to the membership and Governing Council of YSD in January 2018 as part of the YSD Donation Agreement. As such, the net assets of YSD have been written down to its recoverable amount of nil, resulting in a writedown of RM61 million.

**g) Finance costs**

The reduction in finance costs was mainly due to the repurchase and novation of the multi-currency sukuk of USD800 million in May 2017 and early redemption of the RM700 million IMTN in August 2017.

**h) Perpetual sukuk**

The perpetual sukuk was novated to the discontinued operations in June 2017 and is part of the discontinued operations in the current quarter.

**i) Discontinued operations**

The lower profit was mainly due to the inclusion of 2 months results from SD Plantation and SD Property during the current quarter (against 3 months in the previous corresponding quarter) and loss on reclassification of reserves to profit and loss, partly offset by the reversal of depreciation and amortisation of the discontinued operations in accordance with MFRS 5 – Non Current Assets Held for Sale and Discontinued Operations.

**B1. Review of Group Performance (continued)**

An analysis of the results for the half-year ended 31 December 2017 against the half-year ended 31 December 2016 is as follows:

**a) Industrial**

Profit increased by 270.8% mainly due to the gain on disposal of properties (RM156 million and RM9 million in Australia and Malaysia respectively) and higher equipment deliveries and product support sales to the construction and mining sectors in Australia and China.

**b) Motors**

The division recorded a decline in profit by 49.3% mainly due to losses incurred in Vietnam of RM184 million as compared to profit of RM10 million in the previous period. This was partly mitigated by the gain from land compensation in China of RM41 million and a branch compensation in Malaysia of RM9 million. The previous period's results included a gain on disposal of property in Hong Kong of RM30 million. Excluding these items, profit increased by 19.0% mainly due to the higher profit from the China and Hong Kong operations.

**c) Logistics**

The division registered an 87.0% increase in profit mainly due to higher throughput at Weifang Port and an exchange gain of RM6 million against an exchange loss of RM4 million in the previous year.

**d) Healthcare**

The higher share of profit from the Ramsay Sime Darby Healthcare joint venture was mainly attributable to higher revenue from the Malaysian operations.

**e) Others**

The results include an exchange gain from the legacy oil & gas operations of RM5 million compared to an exchange loss of RM9 million. Also included in the previous year is the gain on disposal of 10% equity interest and convertible warrants in Eastern & Oriental Berhad of RM35 million.

**f) Discontinued operations**

The higher profit from discontinued operations was mainly due to the gain on disposal of 40% equity interest in Seriemas of RM307 million and reversal of depreciation and amortisation of the discontinued operations in accordance with MFRS 5 – Non Current Assets Held for Sale and Discontinued Operations.

The variances for YSD, finance costs and perpetual sukuk is as explained in analysis (f), (g) and (h) of the results for the quarter ended 31 December 2017.

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

	Quarter ended		
	31 December 2017	30 September 2017	% +/(-)
<b><u>Continuing operations</u></b>			
Revenue	<u>8,815</u>	<u>8,144</u>	8.2
Segment results:			
Industrial	146	247	(40.9)
Motors	23	112	(79.5)
Logistics	25	18	38.9
Healthcare	13	12	8.3
Others	<u>10</u>	<u>–</u>	100.0
	217	389	(44.2)
Corporate exchange (loss)/gain	(3)	27	
Corporate expense and elimination	(10)	(40)	
Yayasan Sime Darby	<u>(65)</u>	<u>(20)</u>	
<b>Profit before interest and tax</b>	<b>139</b>	<b>356</b>	<b>(61.0)</b>
Finance income	19	13	
Finance income from discontinued operations	11	37	
Finance costs	<u>(31)</u>	<u>(30)</u>	
<b>Profit before tax</b>	<b>138</b>	<b>376</b>	<b>(63.3)</b>
Taxation	<u>(53)</u>	<u>(101)</u>	
<b>Profit from continuing operations</b>	<b>85</b>	<b>275</b>	<b>(69.1)</b>
Non-controlling interests	<u>(13)</u>	<u>(27)</u>	
<b>Profit from continuing operations attributable to owners of the Company</b>	<b>72</b>	<b>248</b>	<b>(71.0)</b>
<b><u>Discontinued operations</u></b>			
Profit from discontinued operations attributable to owners of the Company	<u>233</u>	<u>1,068</u>	<u>(78.2)</u>
<b>Profit attributable to owners of the Company</b>	<b>305</b>	<b>1,316</b>	<b>(76.8)</b>

An analysis of the results for the quarter ended 31 December 2017 against the quarter ended 30 September 2017 is as follows:

**a) Industrial**

Profit declined by 40.9% mainly due to the gain on disposal of properties (RM156 million and RM9 million in Australia and Malaysia respectively) in the preceding quarter. Excluding the gain, profit increased by 78.0% due to the higher equipment deliveries and product support sales to the construction and mining sectors in Australia and China.

**b) Motors**

Profit declined by 79.5% mainly due to higher losses in Vietnam of RM109 million against a loss of RM75 million in the preceding quarter, gain from land compensation in China of RM41 million and a branch compensation in Malaysia of RM9 million in the preceding quarter. Excluding these items, profit declined by 3.6% mainly due to share of loss of an associate in Singapore of RM10 million in the current quarter as compared to nil in the preceding quarter and lower profit from the Malaysian operations.

**c) Logistics**

The division registered a 38.9% increase in profit mainly due to higher port revenue.

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

**d) Others**

The results include an exchange gain from the legacy oil & gas operations of RM6 million against an exchange loss of RM1 million in the preceding quarter.

**e) Corporate expenses**

The lower expenses in the current quarter was mainly due to the pure-play restructuring costs being largely accrued in the preceding quarter.

**f) Discontinued operations**

The current quarter includes 2 months of SD Plantation and SD Property divisions' results compared against 3 months in the preceding quarter. In addition, the preceding quarter included the gain on disposal of its 40% equity interest in Seriemas of RM307 million while the current quarter includes a loss on reclassification of reserves to profit and loss.

The variance for YSD is as explained in B1.

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**B3. Prospects**

The global economy has gradually shown improvement in recent months. Despite subdued growth in major economies, strong growth is seen in the Asian economies, driven by the domestic and external demand. However, the expectation of higher inflation and further interest rate hikes has led to volatility in the equity, foreign exchange and commodity markets.

With the improvement in mining business, the Industrial operations in Australia have seen a pick-up in recent months in the product support business along with an increase in the order book. The China operations have remained strong with increased demand from the construction industry.

The Motors division's performance is expected to improve through higher sales expected from launches of new car models in the forthcoming quarters and the on-going measures to expand the Motors operations. However, the Motors operations continue to be impacted by strong competition and cautious consumer sentiment.

The Port operations continue to face competition from other ports and alternative modes of transportation. Nevertheless, the ability of higher tonnage berths to receive higher yielding cargo and the expected commencement of operations at the liquid terminal joint venture later this financial year would support the financial performance of the Weifang Port operations.

The Board expects the Group's core profits for the financial year ending 30 June 2018 to be higher than that of the previous financial year.

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

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

**B5. Operating Profit**

	Quarter ended 31 December		Half-year ended 31 December	
	2017	2016 Restated	2017	2016 Restated
Included in operating profit are:				
Depreciation and amortisation	(161)	(138)	(318)	(273)
Impairment of property, plant and equipment, prepaid lease rentals, intangible assets and investments	(2)	(9)	(66)	(15)
(Impairment)/reversal of impairment of receivables	(4)	2	(9)	(1)
Write down of inventories (net)	(151)	(49)	(140)	(83)
(Loss)/gain on disposal of properties (net) <sup>1</sup>	(5)	–	161	31
Gain on disposal of associates and investment	5	–	5	35
Net foreign exchange gain	5	28	19	83
Gain/(loss) on derivatives	11	15	–	(2)
Gain/(loss) on derivatives included in finance costs	3	(6)	–	(11)

<sup>1</sup> Includes (loss)/gain on disposal of land and buildings and investment property.

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**B6. Taxation**

	Quarter ended 31 December		Half-year ended 31 December	
	2017	2016 Restated	2017	2016 Restated
<b>Continuing operations</b>				
In respect of the current year:				
- current tax	4	60	131	120
- deferred tax	46	(3)	26	(14)
	<u>50</u>	<u>57</u>	<u>157</u>	<u>106</u>
In respect of prior years:				
- current tax	3	8	(1)	8
- deferred tax	-	7	(2)	10
	<u>53</u>	<u>72</u>	<u>154</u>	<u>124</u>
<b>Discontinued operations</b>	<u>158</u>	<u>148</u>	<u>261</u>	<u>253</u>

The effective tax rates for continuing operations for the current quarter and half-year ended 31 December 2017 are 38% and 30% respectively. The effective tax rates were higher compared to the Malaysian income tax rate of 24% mainly due to deferred tax assets not recognised for tax losses in certain subsidiaries.

**B7. Status of Corporate Proposals**

There was no corporate proposal announced but not completed as at 15 February 2018.

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

The utilisation of the proceeds raised from the Shares Placement on 13 October 2016 as at 31 December 2017 is as follows:

Purpose	Original utilisation	Revised utilisation	Actual utilisation	Amount yet to be utilised
Repayment of borrowings	1,200	1,200	1,200	-
Capital expenditure for:				
Industrial	-	69	69	-
Motors	300	300	237	63
Plantation	300	300	300	-
Property	350	281	281	-
	<u>950</u>	<u>950</u>	<u>887</u>	<u>63</u>
Working capital	195	195	195	-
Placement expenses	12	12	12	-
	<u>2,357</u>	<u>2,357</u>	<u>2,294</u>	<u>63</u>

On 30 October 2017, the Board approved the variation of the utilisation of the proceeds for capital expenditure. The Board had also approved for the remaining proceeds for capital expenditure to be fully utilised by 30 June 2018.

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**B9. Group Borrowings and Finance lease obligations**

The breakdown of the borrowings and finance lease obligations as at 31 December 2017 is as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
<u>Long-term</u>			
Term loans	32	–	32
Islamic financing	–	249	249
Finance lease obligations	3	–	3
	<u>35</u>	<u>249</u>	<u>284</u>
<u>Short-term</u>			
Bank overdrafts	–	31	31
Term loans due within one year	12	441	453
Islamic financing	–	452	452
Revolving credits, trade facilities and other short-term borrowings	–	1,481	1,481
Finance lease obligations	6	–	6
	<u>18</u>	<u>2,405</u>	<u>2,423</u>
Total borrowings and finance lease obligations	<u>53</u>	<u>2,654</u>	<u>2,707</u>

The Group borrowings and finance lease obligations in RM equivalent analysed by currency is as follows:

	<b>Long-term borrowings</b>	<b>Short-term borrowings</b>	<b>Total</b>
Ringgit Malaysia	249	557	806
Australian dollar	–	570	570
Chinese renminbi	–	41	41
Hong Kong dollar	–	73	73
New Zealand dollar	–	69	69
Pacific franc	35	9	44
Singapore dollar	–	137	137
Taiwan dollar	–	37	37
Thailand baht	–	104	104
United States dollar	–	826	826
Total borrowings and finance lease obligations	<u>284</u>	<u>2,423</u>	<u>2,707</u>

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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**B10. Financial Instruments**

a) Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts and cross currency swap contracts to manage its exposure to various financial risks. The fair values of these derivatives as at 31 December 2017 are as follows:

	Classification in Statement of Financial Position			Net Fair Value
	Assets	Liabilities		
	Current	Non- current	Current	
Forward foreign exchange contracts	4	1	13	(10)
Interest rate swap contracts	2	-	-	2
Cross currency swap contract	74	-	-	74
	<b>80</b>	<b>1</b>	<b>13</b>	<b>66</b>

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

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

Forward foreign exchange contracts

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

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

As at 31 December 2017, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional Amount	Fair Value Assets/ (Liabilities)
- less than 1 year	1,644	(9)
- 1 year to less than 3 years	68	(1)
	<b>1,712</b>	<b>(10)</b>

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**B10. Financial Instruments (continued)**

a) Derivatives (continued)

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to mitigate the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments. The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

The outstanding interest rate swap contracts, all plain vanilla, as at 31 December 2017 are as follows:

<b>Effective period</b>	<b>Notional amount</b>	<b>All-in swap rate per annum</b>
12 December 2012 to 12 December 2018	USD66 million	1.822% to 1.885%
30 June 2015 to 17 December 2018	RM81 million	3.938%

As at 31 December 2017, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	<b>Notional Amount</b>	<b>Fair Value Assets/ (Liabilities)</b>
- less than 1 year	<u>351</u>	<u>2</u>

Cross currency swap contract

The Group has entered into a cross currency swap contract to exchange the principal payments of a foreign currency denominated loan into another currency to reduce the Group's exposure from adverse fluctuations in the foreign currency exchange rate. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 31 December 2017, the notional amount, fair value and maturity tenor of the cross currency swap contract are as follows:

	<b>Notional Amount</b>	<b>Fair Value Assets/ (Liabilities)</b>
- less than 1 year	<u>360</u>	<u>74</u>

b) Fair Value Changes of Financial Liabilities

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

**B11. Material Litigation**

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 February 2018 are as follows:

**a) Qatar Petroleum Project (QP Project), Maersk Oil Qatar Project (MOQ Project) and the Marine Project Civil Suits (O&G Suit)**

On 23 December 2010, Sime Darby Berhad and four subsidiaries (collectively, the Plaintiffs) filed a civil suit against Dato' Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato' Mohamad Shukri Baharom, Abdul Rahim Ismail, Abdul Kadir Alias and Mohd Zaki Othman (collectively, the Defendants) for damages arising from the Defendants' negligence and breaches of duty relating to the QP Project, the MOQ Project and the project relating to the construction of a derrick lay barge (Marine Project) for an aggregate amount of RM93 million and USD79 million (equivalent to RM310 million) together with general and aggravated damages and other relief.

On 13 June 2014, all the Defendants consented to judgment being recorded on the Defendants' liability with damages to be assessed by the Court. In respect of the assessment for damages, the Registrar instructed for the O&G Suit to be heard first and fixed 26 February 2018 for case management for the Plaintiffs' to file points of claim identifying the issues to be determined during the assessment of damages.

**b) Bakun Hydroelectric Project (Bakun Project) and the Indemnity Agreement Civil Suits (Bakun Suit)**

On 24 December 2010, Sime Darby Berhad and three subsidiaries (collectively, the Plaintiffs) filed a civil suit against Dato' Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato' Mohamad Shukri Baharom (DMS) and Abdul Rahim Ismail (collectively, the Defendants) for damages in connection with the Defendants' negligence and breaches of duty relating to the Package CW2-Main Civil Works for the Bakun Project and in respect of the Receipt, Discharge and Indemnity Agreement dated 12 January 2010 given to DMS for an aggregate amount of RM91 million together with general and aggravated damages to be assessed and other relief.

On 13 June 2014, all the Defendants consented to judgment being recorded on the Defendants' liability with damages to be assessed by the Court. In respect of the assessment of damages, the Registrar instructed for the O&G Suit to be heard first before the hearing for the Bakun Suit.

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

On 13 January 2011, EMAS filed a civil suit in Abu Dhabi against Sime Darby Engineering Sdn Bhd (SDE) (First Suit) claiming payment of USD178 million, which was dismissed by the Court on 22 August 2011.

**i. Proceedings at the Judicial Department of Abu Dhabi**

On 31 March 2012, EMAS filed a second suit against SDE at the Judicial Department of Abu Dhabi for USD178 million based on the same facts and grounds as the First Suit. The Court issued judgment for the sum of AED41 million (equivalent to RM44 million) against SDE. The judgment was subsequently reversed by the Court of Appeal and the Supreme Court on 2 July 2014 and 25 December 2014, respectively. EMAS has exhausted all its avenues in the Abu Dhabi courts in pursuing its claim against SDE.

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

On 24 January 2016, EMAS submitted a Request for Arbitration against SDE to DIAC, claiming an amount of AED41 million (equivalent to RM44 million). Hearing took place from 15 to 20 January 2018. The tribunal is expected to issue its award in September 2018.

**B11. Material Litigation (continued)**

Changes in material litigation since the date of the last audited annual statement of financial position up to 15 February 2018 are as follows: (continued)

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

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

On 21 July 2016, the Court ordered QP to pay QAR13 million (equivalent to RM14 million) to SDE (Judgment) and both parties have appealed to the Court of Appeal against the Judgment. The Court referred the matter to court experts to examine the appeal and fixed 25 March 2018 for the experts to submit their report.

**e) Oil and Natural Gas Corporation Ltd (ONGC) (05WHP Project)**

The Consortium which comprises Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) was awarded the 05 Wellhead Platform Project by ONGC. Disputes have arisen between the Consortium and ONGC and the parties have subsequently referred the dispute to an Outside Expert Committee (OEC) where SDE's portion of the Consortium's claim is approximately USD33 million (equivalent to RM129 million).

On 29 March 2017, the Consortium accepted a settlement offer made by ONGC for the sum of USD10 million (equivalent to RM39 million), which is to be apportioned between SDE (USD7 million) (equivalent to RM27 million) and SOC (USD3 million) (equivalent to RM12 million). Subsequently the Consortium requested ONGC to enter into separate settlement agreements with SDE and SOC. The tribunal fixed 10 March 2018 for the parties to file settlement terms. If no settlement is reached, ONGC must file its Statement of Defence by 28 March 2018.

**f) Oil and Natural Gas Corporation Ltd (ONGC) (B-193 Process Platform)**

The Consortium which comprises Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) was awarded the B-193 Process Platform Project by ONGC. On 1 June 2016, the Consortium initiated arbitration proceedings against ONGC. SDE's portion of the Consortium's claim is circa USD76 million (equivalent to RM298 million).

Oral closing submissions were held on 2 January 2018 to 5 January 2018, and the tribunal is expected to deliver its award by end of March 2018.

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

MMHE and Sime Darby Engineering Sdn Bhd (SDE) entered into a Sale and Purchase Agreement dated 25 August 2011 (SPA) for the disposal of SDE's oil and gas business to MMHE for RM394 million and a Supplemental Agreement dated 30 March 2012 (SSPA) to vary certain terms and conditions of the SPA. The SSPA provides, inter alia, that the fabrication of KBB Topsides Contract No. KPOC/COC/2009/015 for the Keabangan Northern Hub Development (KPOC Project) be novated by SDE to MMHE with effect from 31 March 2012 for RM20 million.

On 16 March 2015, MMHE referred the disputes relating to the KPOC Project to arbitration before the Regional Centre for Arbitration Kuala Lumpur with the claim amount being RM49 million. Hearing was concluded on 24 March 2017 and oral closing submissions were held on 4 August 2017. The tribunal is expected to deliver its decision by February 2018.

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**B12. Dividend**

An interim single tier dividend of 2.0 sen per share in respect of the financial year ending 30 June 2018, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967 has been declared and will be paid on 4 May 2018. The entitlement date for the dividend payment is 19 April 2018.

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 17 April 2018 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 19 April 2018 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 interim single tier dividend declared for the previous corresponding period was 6.0 sen per share.

**B13. Earnings Per Share**

	<b>Quarter ended</b>		<b>Half-year ended</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Basic earnings per share attributable to owners of the Company are computed as follows:				
Profit attributable to owners of the Company from:				
- continuing operations	<b>72</b>	176	<b>320</b>	392
- discontinued operations	<b>233</b>	477	<b>1,301</b>	783
	<b>305</b>	653	<b>1,621</b>	1,175
Weighted average number of ordinary shares in issue (million)				
	<b>6,801</b>	6,631	<b>6,801</b>	6,479
Basic earnings per share (sen)				
- continuing operations	<b>1.1</b>	2.6	<b>4.7</b>	6.0
- discontinued operations	<b>3.4</b>	7.2	<b>19.1</b>	12.1
	<b>4.5</b>	9.8	<b>23.8</b>	18.1

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

**B14. Comparatives**

The Group has fully transitioned from FRS to MFRS framework and early adopted MFRS 15 – Revenue from Contracts with Customers and the changes are applied retrospectively beginning 1 July 2015. Accordingly, the results, statement of changes in equity and cash flows for the second quarter ended 31 December 2016 shown as comparatives to this interim financial report have been restated to comply with the new accounting policy.

Kuala Lumpur  
22 February 2018

By Order of the Board  
Noor Zita Hassan  
Group Secretary