

QUARTERLY REPORT

On the consolidated results for the third quarter ended 31 March 2018

The Directors are pleased to announce the following:

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

		Quarter ended			Three quarters ended		
	Note	2018	2017	%	2018	2017	%
			Restated	+/(-)		Restated	+/(-)
Continuing operations							
Revenue	A7	8,294	7,867	5.4	25,253	22,887	10.3
Other operating income		25	164		312	309	
Operating expenses		(8,129)	(7,849)		(24,913)	(22,633)	
Other gains		2	36		21	117	
Operating profit	B5	192	218	(11.9)	673	680	(1.0)
Share of results of joint ventures		18	10		44	34	
Share of results of associates		15	5		3	2	
Profit before interest and tax	A7	225	233	(3.4)	720	716	0.6
Finance income		11	135		91	384	
Finance costs		(26)	(58)		(87)	(191)	
Profit before tax		210	310	(32.3)	724	909	(20.4)
Taxation	B6	(62)	(74)		(216)	(198)	
Profit from continuing operations		148	236	(37.3)	508	711	(28.6)
Discontinued operations							
Profit from discontinued operations		–	532		1,378	1,345	
Profit for the period		148	768	(80.7)	1,886	2,056	(8.3)
Attributable to owners of:							
- the Company							
- from continuing operations		135	189	(28.6)	455	581	(21.7)
- from discontinued operations		–	503	(100.0)	1,301	1,286	1.2
		135	692	(80.5)	1,756	1,867	(5.9)
- perpetual sukuk							
- from continuing operations		–	30		–	93	
- from discontinued operations		–	–		52	–	
- non-controlling interests							
- from continuing operations		13	17		53	37	
- from discontinued operations		–	29		25	59	
Profit for the period		148	768	(80.7)	1,886	2,056	(8.3)
Basic/Diluted earnings per share attributable to owners of the Company							
	B13	Sen	Sen		Sen	Sen	
- from continuing operations		2.0	2.8	(28.6)	6.7	8.8	(23.9)
- from discontinued operations		–	7.4	(100.0)	19.1	19.5	(2.1)
Total		2.0	10.2	(80.4)	25.8	28.3	(8.8)

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		% +/(-)	Three quarters ended		% +/(-)
	31 March 2018	2017 Restated		31 March 2018	2017 Restated	
Profit for the period	148	768	(80.7)	1,886	2,056	(8.3)
Other comprehensive (loss)/income						
<u>Continuing operations</u>						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences	(424)	62		(791)	421	
Net changes in fair value of cash flow hedges	4	(24)		1	-	
Share of other comprehensive (loss)/income of joint ventures and associates	(19)	7		(43)	36	
Tax (expense)/credit	(1)	4		-	-	
	(440)	49		(833)	457	
Reclassified to profit or loss currency translation differences on repayment of net investment	1	23		(23)	40	
Reclassified changes in fair value of cash flow hedges to:						
- profit or loss	(6)	32		2	27	
- inventories	-	9		10	4	
Tax expense	2	(13)		(4)	(9)	
	(443)	100	(543.0)	(848)	519	(263.4)
<u>Discontinued operations</u>						
Other comprehensive (loss)/income from discontinued operations	-	(19)	(100.0)	(228)	838	(127.2)
Total other comprehensive (loss)/income	(443)	81	(646.9)	(1,076)	1,357	(179.3)
Total comprehensive (loss)/income for the period	(295)	849	(134.7)	810	3,413	(76.3)
Attributable to owners of:						
- the Company						
- from continuing operations	(303)	292	(203.8)	(383)	1,086	(135.3)
- from discontinued operations	-	400	(100.0)	1,088	2,043	(46.7)
	(303)	692	(143.8)	705	3,129	(77.5)
- perpetual sukuk						
- from continuing operations	-	30		-	93	
- from discontinued operations	-	-		52	-	
- non-controlling interests						
- from continuing operations	8	14		43	51	
- from discontinued operations	-	113		10	140	
Total comprehensive (loss)/income for the period	(295)	849	(134.7)	810	3,413	(76.3)

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 March 2018	Audited As at 30 June 2017
<u>Non-current assets</u>			
Property, plant and equipment		5,756	5,624
Prepaid lease rentals		338	359
Investment properties		289	317
Joint ventures and associates		1,792	1,783
Investments		113	100
Intangible assets		1,424	1,684
Deferred tax assets		534	611
Tax recoverable		144	160
Derivatives	B10(a)	1	44
Receivables and pension assets		162	171
		10,553	10,853
<u>Current assets</u>			
Inventories		6,649	7,103
Tax recoverable		67	67
Derivatives	B10(a)	84	97
Receivables and contract assets		4,673	3,886
Prepayments		667	466
Bank balances, deposits and cash		1,732	2,072
		13,872	13,691
Assets held for sale		115	43,136
Total assets		24,540	67,680
<u>Equity</u>			
Share capital		9,299	9,299
Reserves		4,829	28,044
Attributable to owners of the Company		14,128	37,343
Perpetual sukuk ¹		–	2,230
Non-controlling interests		412	976
Total equity	A7	14,540	40,549
<u>Non-current liabilities</u>			
Borrowings and finance lease obligations	B9	274	1,251
Contract liabilities and deferred income		318	291
Provisions		19	37
Deferred tax liabilities		266	338
		877	1,917
<u>Current liabilities</u>			
Payables		5,366	4,348
Contract liabilities		1,092	1,319
Borrowings and finance lease obligations	B9	2,373	1,954
Provisions		194	170
Tax payable		82	122
Derivatives	B10(a)	16	11
		9,123	7,924
Liabilities associated with assets held for sale		–	17,290
Total liabilities		10,000	27,131
Total equity and liabilities		24,540	67,680
Net assets per share attributable to owners of the Company (RM)		2.08	5.49

¹ 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	Reserves	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total equity
Three quarters ended 31 March 2018												
At 1 July 2017	9,299	207	74	(39)	48	1,058	26,696	28,044	37,343	2,230	976	40,549
Total comprehensive income/(loss) for the period	-	-	-	22	(45)	(1,028)	1,756	705	705	52	53	810
Transfer between reserves ¹	-	-	14	-	-	-	(14)	-	-	-	-	-
Dividend payable	-	-	-	-	-	-	(136)	(136)	(136)	-	-	(136)
Dividends paid	-	-	-	-	-	-	(1,156)	(1,156)	(1,156)	-	(74)	(1,230)
Distribution paid	-	-	-	-	-	-	-	-	-	(63)	-	(63)
Distribution-in-specie ²	-	-	-	-	-	-	(22,625)	(22,625)	(22,625)	-	-	(22,625)
Share of capital reserves	-	(3)	-	-	-	-	-	(3)	(3)	-	-	(3)
Reclassification upon deconsolidation of subsidiaries ³	-	(14)	(25)	-	-	-	39	-	-	-	-	-
Derecognition arising from deconsolidation of subsidiaries ⁴	-	-	-	-	-	-	-	-	-	(2,219)	(543)	(2,762)
At 31 March 2018	9,299	190	63	(17)	3	30	4,560	4,829	14,128	-	412	14,540

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

² 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.

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

⁴ The perpetual sukuk and non-controlling interests of SD Plantation and SD Property were 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	Reserves	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total equity
Three quarters ended 31 March 2017 Restated													
At 1 July 2016	3,164	2,602	212	69	(68)	54	356	26,006	29,231	32,395	2,230	965	35,590
Total comprehensive income/(loss) for the period	–	–	–	–	72	(16)	1,206	1,867	3,129	3,129	93	191	3,413
Transfer from share premium	5,899	(5,899)	–	–	–	–	–	–	(5,899)	–	–	–	–
Transfer between reserves	–	–	(60)	2	–	–	–	58	–	–	–	–	–
Share placement	158	2,199	–	–	–	–	–	–	2,199	2,357	–	–	2,357
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7	7
Put option revaluation	–	–	(4)	–	–	–	–	–	(4)	(4)	–	–	(4)
Dividends paid by way of:													
- issuance of shares pursuant to the Dividend Reinvestment Plan	78	1,110	–	–	–	–	–	(1,188)	(78)	–	–	–	–
- cash	–	–	–	–	–	–	–	(207)	(207)	(207)	–	(48)	(255)
Dividend payable	–	–	–	–	–	–	–	(408)	(408)	(408)	–	–	(408)
Share issue expenses	–	(12)	–	–	–	–	–	–	(12)	(12)	–	–	(12)
Distribution paid	–	–	–	–	–	–	–	–	–	–	(124)	–	(124)
At 31 March 2017	9,299	–	148	71	4	38	1,562	26,128	27,951	37,250	2,199	1,115	40,564

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

	Three quarters ended 31 March	
	2018	2017 Restated
Cash flow from operating activities		
Profit from continuing operations	508	711
Adjustments for:		
Share of results of joint ventures and associates	(47)	(36)
Finance income	(91)	(384)
Finance costs	87	191
Taxation	216	198
Net gain on disposal of assets and investments	(176)	(65)
Depreciation and amortisation	471	414
Other non-cash items	324	199
	1,292	1,228
Changes in working capital:		
Inventories and rental assets	(421)	(10)
Trade, other receivables and prepayments	(1,019)	(637)
Trade, other payables and provisions	935	(31)
Cash generated from operations	787	550
Tax paid	(209)	(245)
Dividends received	10	9
Income received from investment	-	4
Operating cash flow from continuing operations	588	318
Operating cash flow from discontinued operations	596	1,721
Net cash from operating activities	1,184	2,039
Cash flow from investing activities		
Finance income received	91	385
Purchase of property, plant and equipment, intangible assets and prepaid lease rentals	(276)	(465)
Purchase/subscription of shares in a joint venture and investments	(56)	(88)
Proceeds from sale of a subsidiary	-	90
Proceeds from sale of associates	6	308
Proceeds from sale of investment	-	15
Proceeds from sale of property, plant and equipment and investment property	423	66
Deconsolidation of Yayasan Sime Darby	(59)	-
Repayment from/(advances to) discontinued operations	735	(538)
Net (loan made to)/repayment of loans by joint ventures and associates	(3)	25
Investing cash flow from continuing operations	861	(202)
Investing cash flow used in discontinued operations	(1,474) ¹	(1,324)
Net cash used in investing activities	(613)	(1,526)

¹ 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	Three quarters ended 31 March	
		2018	2017 Restated
Cash flow from financing activities			
Proceeds from issuance of shares		-	2,357
Share issuance expenses		-	(12)
Proceeds from shares issued to non-controlling interest		-	7
Finance costs paid		(100)	(253)
Net borrowings repaid		(405)	(1,729)
Distribution to perpetual sukuk holders		-	(124)
Dividends paid to shareholders		(1,156)	(207)
Dividends paid to non-controlling interests ²		(25)	(18)
Financing cash flow (used in)/from continuing operations		(1,686)	21
Financing cash flow used in discontinued operations		(936)	(252)
Net cash used in financing activities		(2,622)	(231)
Net (decrease)/increase in cash and cash equivalents		(2,051)	282
Foreign exchange differences		(109)	141
Cash and cash equivalents at beginning of the period		3,842	3,496
Cash and cash equivalents at end of the period		1,682	3,919
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		1,732	2,229
Less:			
Bank overdrafts	B9	(50)	(65)
Cash and cash equivalents from continuing operations		1,682	2,164
Cash and cash equivalents from discontinued operations		-	1,755
		1,682	3,919

² 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 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:

Effective for annual reporting periods beginning on or after 1 January 2018

- MFRS 9 – Financial Instruments
- 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

Effective for annual reporting periods beginning on or after 1 January 2019

- MFRS 16 – Leases
- 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)
- Annual Improvements to MFRS Standards 2015–2017 Cycle (Amendments to MFRS 3, MFRS 11, MFRS 112 and MFRS 123)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

Effective for annual reporting periods beginning on or after 1 January 2020

- Conceptual Framework for Financial Reporting : The Reporting Entity and corresponding amendments to references in the relevant standards

Effective for annual reporting periods beginning on or after 1 January 2021

- MFRS 17 – Insurance Contracts

The Group is assessing the impact of adoption of the above accounting pronouncements focusing on those applicable for the financial year ending 30 June 2019, especially MFRS 9.

SIME DARBY BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 2018
Amounts in RM million unless otherwise stated

A1. Basis of Preparation (continued)

a) New accounting pronouncements (continued)

- 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.

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 Notes 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") (included in borrowings in the Statement of Financial Position) 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.

An interim single tier dividend of 2.0 sen per share for the financial year ending 30 June 2018 amounting to RM136 million was paid on 4 May 2018.

SIME DARBY BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 2018
Amounts in RM million unless otherwise stated

A7. Segment Information

Following the deconsolidation of SD Plantation and SD Property, the results of the 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.

	Continuing operations							Discontinued operations	
	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Elimination	Total		Total
Three quarters ended 31 March 2018									
Segment revenue:									
External	9,514	15,420	250	–	69	–	25,253	6,980	32,233
Inter-segment	35	13	–	–	46	(94)	–	–	–
	<u>9,549</u>	<u>15,433</u>	<u>250</u>	<u>–</u>	<u>115</u>	<u>(94)</u>	<u>25,253</u>	<u>6,980</u>	<u>32,233</u>
Profit/(loss) before interest and tax	<u>470</u>	<u>268</u>	<u>61</u>	<u>43</u>	<u>(3)</u>	<u>(119)</u>	<u>720</u>	<u>1,700</u>	<u>2,420</u>
Net finance income/(costs)							4	(61)	(57)
Taxation							(216)	(261)	(477)
Profit for the period							<u>508</u>	<u>1,378</u>	<u>1,886</u>
Three quarters ended 31 March 2017									
Restated Segment revenue:									
External	7,245	15,379	222	–	41	–	22,887	12,182	35,069
Inter-segment	48	17	–	–	76	(141)	–	–	–
	<u>7,293</u>	<u>15,396</u>	<u>222</u>	<u>–</u>	<u>117</u>	<u>(141)</u>	<u>22,887</u>	<u>12,182</u>	<u>35,069</u>
Profit before interest and tax	<u>188</u>	<u>392</u>	<u>36</u>	<u>28</u>	<u>31</u>	<u>41</u>	<u>716</u>	<u>2,013</u>	<u>2,729</u>
Net finance income/(costs)							193	(258)	(65)
Taxation							(198)	(410)	(608)
Profit for the period							<u>711</u>	<u>1,345</u>	<u>2,056</u>

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Explanatory Notes on the Quarterly Report – 31 March 2018
Amounts in RM million unless otherwise stated

A7. Segment Information (continued)

	Continuing operations						Total	Discontinued operations	Total
	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Elimination			
As at 31 March 2018									
Segment assets	10,438	8,925	2,679	718	580	455	23,795	-	23,795
Segment liabilities	(2,794)	(3,282)	(381)	-	(406)	(142)	(7,005)	-	(7,005)
Segment invested capital	7,644	5,643	2,298	718	174	313	16,790	-	16,790
Net tax assets							397	-	397
Borrowings and finance lease obligations							(2,647)	-	(2,647)
Total Equity							14,540	-	14,540
As at 30 June 2017									
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)
Total Equity							15,370	25,179	40,549

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Explanatory Notes on the Quarterly Report – 31 March 2018
Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Group's revenue from continuing operations comprise the following:

	Three quarters ended	
	31 March	
	2018	2017
Revenue from contracts with customers	24,746	22,452
Rental income	507	435
	25,253	22,887

Disaggregation of the Group's revenue from contracts with customers is as follows:

Three quarters ended					
31 March 2018	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	4,438	12,882	–	–	17,320
Sale of parts, assembly charges and provision of after-sales services	4,504	2,164	–	–	6,668
Engineering services	234	–	–	–	234
Port and related charges	–	–	202	–	202
Sale of water	–	–	48	–	48
Commission, handling fees and others	–	211	–	63	274
	9,176	15,257	250	63	24,746
Geographical location					
Malaysia	848	2,596	–	55	3,499
Other countries in South East Asia	569	4,018	–	6	4,593
China	2,619	6,504	250	2	9,375
Australasia and Others	5,140	2,139	–	–	7,279
	9,176	15,257	250	63	24,746
Timing of revenue recognition					
At a point in time	8,292	13,177	48	–	21,517
Over time	884	2,080	202	63	3,229
	9,176	15,257	250	63	24,746

Three quarters ended					
31 March 2017					
Restated	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	3,083	12,952	–	–	16,035
Sale of parts, assembly charges and provision of after-sales services	3,589	2,068	–	–	5,657
Engineering services	286	–	–	–	286
Port and related charges	–	–	178	–	178
Sale of water	–	–	44	–	44
Commission, handling fees and others	–	217	–	35	252
	6,958	15,237	222	35	22,452

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A7. Segment information (continued)

Disaggregation of the Group's revenue from contracts with customers is as follows: (continued)

Three quarters ended 31 March 2017 Restated	Industrial	Motors	Logistics	Others	Total
Geographical location					
Malaysia	787	2,478	–	25	3,290
Other countries in South East Asia	545	3,801	–	8	4,354
China	1,799	6,457	222	2	8,480
Australasia	3,827	2,501	–	–	6,328
	<u>6,958</u>	<u>15,237</u>	<u>222</u>	<u>35</u>	<u>22,452</u>
Timing of revenue recognition					
At a point in time	6,053	13,169	44	–	19,266
Over time	905	2,068	178	35	3,186
	<u>6,958</u>	<u>15,237</u>	<u>222</u>	<u>35</u>	<u>22,452</u>

A8. Capital Commitments

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

	As at 31 March 2018	As at 30 June 2017		
	Total	Continuing operations	Discontinued operations	Total
Property, plant and equipment				
- contracted	140	229	295	524
- not contracted	678	837	975	1,812
	<u>818</u>	<u>1,066</u>	<u>1,270</u>	<u>2,336</u>
Other capital expenditure				
- contracted	70	42	291	333
- not contracted	–	39	–	39
	<u>888</u>	<u>1,147</u>	<u>1,561</u>	<u>2,708</u>

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A9. Significant Related Party Transactions

Significant related party transactions conducted during the three quarters ended 31 March are as follows:

	Three quarters ended 31 March	
	2018	2017
a. Transactions with joint ventures and associates		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	19	24
Disposal of SD Property (Alexandra) Private Limited to Aster Investment Holding Pte Ltd, a subsidiary of Sime Darby Real Estate Investment Trust 1	–	249
Sale of products and services to Tesco Stores (Malaysia) Sdn Bhd	5	12
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	5	–
Purchase of products and services from Sitech Construction Systems Pty Ltd	8	3
Channel usage fees charged by Weifang Port Services Co Ltd	6	–
Contribution paid to Yayasan Sime Darby	10	–
b. 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	46	210
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	58	22
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	6	6
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	69	43
Project management services rendered by Tunas Selatan Construction Sdn Bhd, the holding company of Tunas Selatan Pagoh Sdn Bhd to SD Property Selatan Sdn Bhd	–	4
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	19	49
c. Transactions with key management personnel and their close family members		
Sales of properties and cars by the Group	– ¹	1

¹ less than RM1 million

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A9. Significant Related Party Transactions (continued)

Significant related party transactions conducted during the three quarters ended 31 March are as follows:
(continued)

d. Transactions with shareholders

Permodalan Nasional Berhad (PNB) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (ASNB), together own 52% as at 31 March 2018 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 FRS 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 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. Significant related party transactions with the former subsidiaries are as follows:

	Three quarters ended 31 March 2018
Provision of shared services	33
Sales, servicing and leasing of equipment and vehicles	21
Royalty received	4
Rental charges	4
	<u>4</u>

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 18 May 2018, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

1. Establishment of new companies
 - a) Kunming Bow Chuang Motor Sales and Services Co. Ltd. was incorporated as a limited company in the People's Republic of China on 4 July 2017.
 - b) Tractors Singapore (Maldives) Private Limited was incorporated in the Republic of Maldives on 1 November 2017.
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. Deconsolidation, 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 was paid to SD Property as 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 Development Sdn Berhad (Seriemas) to PNB Development Sdn Bhd for a total cash consideration of RM625 million. The disposal resulted in a gain of RM307 million, net of transaction costs. Following the disposal, Seriemas and its 70% owned subsidiary, Seriemas Resort Sdn Berhad, ceased to be associate companies of 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.
 - d) On 15 January 2018, the membership of Yayasan Sime Darby ("YSD") was changed from Sime Darby Berhad and Sime Darby Holdings Berhad to Sime Darby Berhad, Sime Darby Plantation Berhad and Sime Darby Property Berhad. Following the change in membership, YSD ceased to be a subsidiary of the Group and became an associate company of the Group.
 - e) On 22 February 2018, Sime Darby Motor Holdings Limited completed the disposal of its entire 40% equity interest in Munich Automobiles Pte Ltd (Munich) to Prestige Cars Pte Ltd for a cash consideration of SGD1. Following the disposal, Munich 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 Verdyzyne, Inc. (Verdyzyne). Following the subscription, the equity interest held by SD Netherlands in Verdyzyne has increased to 43.47%.

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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 18 May 2018	As at 30 June 2017
Performance guarantees and advance payment guarantees to customers of the Group	1,944	2,362
Guarantees in respect of credit facilities granted to certain associates and a joint venture	139	176
Outstanding guarantees for discontinued operations	<u>–</u>	<u>96</u>
	<u><u>2,083</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 18 May 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 RM263 million (30 June 2017: RM226 million).

b) Claims

	As at 18 May 2018	As at 30 June 2017
Continuing operations	8	14
Discontinued operations	<u>–</u>	<u>16</u>
	<u><u>8</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 March			Three quarters ended 31 March		
	2018	2017 Restated	% +/(–)	2018	2017 Restated	% +/(–)
<u>Continuing operations</u>						
Revenue	8,294	7,867	5.4	25,253	22,887	10.3
Segment results:						
Industrial	77	82	(6.1)	470	188	150.0
Motors	133	126	5.6	268	392	(31.6)
Logistics	18	13	38.5	61	36	69.4
Healthcare	18	9	100.0	43	28	53.6
Others	(13)	16	(181.3)	(3)	31	(109.7)
	233	246	(5.3)	839	675	24.3
Corporate exchange (loss)/gain	(1)	24		23	96	
Corporate expense and elimination	(7)	(29)		(57)	(38)	
Yayasan Sime Darby	–	(8)		(85)	(17)	
Profit before interest and tax	225	233	(3.4)	720	716	0.6
Finance income	11	10		43	34	
Finance income from discontinued operations	–	125		48	350	
Finance costs	(26)	(58)		(87)	(191)	
Profit before tax	210	310	(32.3)	724	909	(20.4)
Taxation	(62)	(74)		(216)	(198)	
Profit from continuing operations	148	236	(37.3)	508	711	(28.6)
Perpetual sukuk	–	(30)		–	(93)	
Non-controlling interests	(13)	(17)		(53)	(37)	
Profit from continuing operations attributable to owners of the Company	135	189	(28.6)	455	581	(21.7)
<u>Discontinued operations</u>						
Profit from discontinued operations attributable to owners of the Company	–	503	(100.0)	1,301	1,286	1.2
Profit attributable to owners of the Company	135	692	(80.5)	1,756	1,867	(5.9)

B1. Review of Group Performance (continued)

An analysis of the results for the Quarter ended 31 March 2018 against the Quarter ended 31 March 2017 is as follows:

a) Industrial

Profit decreased by 6.1% despite a 21.6% increase in revenue mainly due to the charge-out of parts for service jobs which are no longer recoverable in Australia. Profit for China increased 48.1% due to higher equipment deliveries and product support sales to the construction sector.

b) Motors

Profit increased by 5.6% mainly due to higher revenue from the BMW operations in China and Hong Kong. Profit from Australia and New Zealand increased mainly due to the cessation of Peugeot and Citroen operations and turnaround of car rental business.

c) Logistics

The division registered a 38.5% increase in profit mainly due to an exchange gain of RM5 million in the current quarter.

d) Healthcare

The higher share of profit from the Ramsay Sime Darby Healthcare joint venture was mainly attributable to higher profit of the Malaysian operations and tax expense adjustments taken up in the current quarter.

e) Others

The results include an impairment of accrued billings of the legacy oil & gas operations of RM28 million.

f) Yayasan Sime Darby (“YSD”)

YSD is no longer consolidated following the change in its membership and Governing Council of YSD in January 2018 as part of the YSD Donation Agreement.

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 results from the discontinued operations are no longer consolidated after the completion of the distribution of shares in SD Plantation and SD Property to shareholders of the Company on 29 November 2017.

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B1. Review of Group Performance (continued)

An analysis of the results for the three quarters ended 31 March 2018 against the three quarters ended 31 March 2017 is as follows:

a) Industrial

Profit increased by 150.0% 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 31.6% mainly due to losses incurred in Vietnam of RM193 million as compared to profit of RM4 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 14.8% mainly due to the higher profit from the China and Hong Kong operations.

c) Logistics

The division registered an 69.4% increase in profit mainly due to higher throughput at Weifang Port and an exchange gain of RM11 million against an exchange loss of RM4 million in the previous period.

d) Others

The results include an impairment of accrued billings of the legacy oil & gas operations of RM28 million. Also included in the previous period is the gain on disposal of 10% equity interest and convertible warrants in Eastern & Oriental Berhad of RM35 million.

e) Yayasan Sime Darby

The current period results include the write down of YSD's net assets prior to deconsolidation of RM61 million.

f) Discontinued operations

The profit from discontinued operations was marginally higher despite the inclusion of 5 months results from SD Plantation and SD Property in the three quarters ended 31 March 2018 against 9 months results in the three quarters ended 31 March 2017. This 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 in the current period.

The variances for Healthcare, finance costs and perpetual sukuk are as explained in analysis (d), (g) and (h) of the results for the quarter ended 31 March 2018.

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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 March 2018	31 December 2017	% + / (-)
<u>Continuing operations</u>			
Revenue	<u>8,294</u>	<u>8,815</u>	(5.9)
Segment results:			
Industrial	77	146	(47.3)
Motors	133	23	478.3
Logistics	18	25	(28.0)
Healthcare	18	13	38.5
Others	<u>(13)</u>	<u>10</u>	(230.0)
	233	217	7.4
Corporate exchange loss	(1)	(3)	
Corporate expense and elimination	(7)	(10)	
Yayasan Sime Darby	<u>-</u>	<u>(65)</u>	
Profit before interest and tax	225	139	61.9
Finance income	11	19	
Finance income from discontinued operations	-	11	
Finance costs	<u>(26)</u>	<u>(31)</u>	
Profit before tax	210	138	52.2
Taxation	<u>(62)</u>	<u>(53)</u>	
Profit from continuing operations	148	85	74.1
Non-controlling interests	<u>(13)</u>	<u>(13)</u>	
Profit from continuing operations attributable to owners of the Company	135	72	87.5
<u>Discontinued operations</u>			
Profit from discontinued operations attributable to owners of the Company	<u>-</u>	<u>233</u>	
Profit attributable to owners of the Company	135	305	(55.7)

An analysis of the results for the quarter ended 31 March 2018 against the quarter ended 31 December 2017 is as follows:

a) Industrial

Profit declined by 47.3% despite a 2.0% increase in revenue mainly due to the charge-out of parts for service jobs which are no longer recoverable in Australia and RM5 million contribution to Yayasan Sime Darby in the current quarter.

b) Motors

Profit increased by 478.3% mainly due to the reduction in losses of the Vietnam operations from RM109 million in the previous quarter to RM9 million in the current quarter mainly due to the impairments and inventory writedowns in the previous quarter. Excluding Vietnam, profit increased by 7.6% mainly due to higher profit from the Australia and New Zealand operations.

c) Logistics

Profit decreased by 28.0% mainly due to lower revenue as a result of the Chinese New Year holidays and environmental controls undertaken by local authorities which reduced the operating time of the Jining ports in the current quarter.

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

An analysis of the results for the quarter ended 31 March 2018 against the quarter ended 31 December 2017 is as follows: (continued)

d) Others

The results include an impairment of accrued billings of the legacy oil & gas operations of RM28 million.

The variances for Healthcare, YSD and discontinued operations is as explained in B1.

B3. Prospects

There is increased uncertainty in the global economy in recent months on concerns of increased trade protectionism. But despite the subdued growth in major economies, strong growth continues to be seen in Asian countries, 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.

The Industrial division's product support operations in Australia continue to show growth as a result of the recovery of the mining business, whilst the China operations are benefiting from strong demand from the construction industry.

The Motors division's performance is expected to improve with higher sales from new model launches in the coming quarters. Nevertheless, the Motors operations continue to be impacted by strong competition and cautious consumer sentiment.

The Port operations continue to face competition from other ports as well as environmental controls implemented by local authorities limiting the operating time of the ports.

Against the backdrop of uncertainty in the global economy, the Board expects the Group's performance for the financial year ending 30 June 2018 to be satisfactory.

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

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

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B5. Operating Profit

	Quarter ended 31 March		Three quarters ended 31 March	
	2018	2017 Restated	2018	2017 Restated
Included in operating profit are:				
Depreciation and amortisation	(153)	(141)	(471)	(414)
Impairment of property, plant and equipment, prepaid lease rentals, intangible assets and investment	(2)	(10)	(68)	(25)
Impairment of contract assets and receivables	(50)	(2)	(59)	(3)
Write down of inventories (net)	(29)	(42)	(169)	(125)
Gain on disposal of properties ¹	–	–	165	30
Gain on disposal of associates and investment	–	–	5	35
Net foreign exchange gain	2	47	21	130
Loss on derivatives	–	(11)	–	(13)
	<u>–</u>	<u>(4)</u>	<u>–</u>	<u>(15)</u>
Loss on derivatives included in finance costs	–	(4)	–	(15)

¹ Includes gain on disposal of land and buildings and investment properties.

B6. Taxation

	Quarter ended 31 March		Three quarters ended 31 March	
	2018	2017 Restated	2018	2017 Restated
Continuing operations				
In respect of the current year:				
- current tax	77	68	208	188
- deferred tax	(14)	(4)	12	(18)
	<u>63</u>	<u>64</u>	<u>220</u>	<u>170</u>
In respect of prior years:				
- current tax	(2)	7	(3)	15
- deferred tax	1	3	(1)	13
	<u>62</u>	<u>74</u>	<u>216</u>	<u>198</u>
Discontinued operations	<u>–</u>	<u>157</u>	<u>261</u>	<u>410</u>

The effective tax rates for continuing operations for the current quarter and three quarters ended 31 March 2018 are both 30%. 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.

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B7. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at 18 May 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 March 2018 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	285	15
Plantation	300	300	300	–
Property	350	281	281	–
	<u>950</u>	<u>950</u>	<u>935</u>	<u>15</u>
Working capital	195	195	195	–
Placement expenses	12	12	12	–
	<u>2,357</u>	<u>2,357</u>	<u>2,342</u>	<u>15</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.

The amount yet to be utilised as at 31 March 2018 of RM15 million has been completely utilised by 30 April 2018.

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B9. Group Borrowings and Finance lease obligations

The breakdown of the borrowings and finance lease obligations as at 31 March 2018 is as follows:

	Secured	Unsecured	Total
<u>Long-term</u>			
Term loans	31	–	31
Islamic financing	–	242	242
Finance lease obligations	1	–	1
	<u>32</u>	<u>242</u>	<u>274</u>
<u>Short-term</u>			
Bank overdrafts	–	50	50
Term loans due within one year	12	424	436
Islamic financing	–	401	401
Revolving credits, trade facilities and other short-term borrowings	–	1,480	1,480
Finance lease obligations	6	–	6
	<u>18</u>	<u>2,355</u>	<u>2,373</u>
Total borrowings and finance lease obligations	<u>50</u>	<u>2,597</u>	<u>2,647</u>

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

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	242	534	776
Australian dollar	–	356	356
Chinese renminbi	–	214	214
Hong Kong dollar	–	82	82
New Zealand dollar	–	152	152
Pacific franc	32	9	41
Singapore dollar	–	72	72
Taiwan dollar	–	37	37
Thailand baht	–	97	97
United States dollar	–	820	820
Total borrowings and finance lease obligations	<u>274</u>	<u>2,373</u>	<u>2,647</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 March 2018 are as follows:

	Classification in Statement of Financial Position			Net Fair Value
	Assets		Liabilities	
	Non-current	Current	Current	
Forward foreign exchange contracts	1	8	(16)	(7)
Interest rate swap contracts	-	2	-	2
Cross currency swap contract	-	74	-	74
	<u>1</u>	<u>84</u>	<u>(16)</u>	<u>69</u>

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 March 2018, 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	1,972	(8)
- 1 year to less than 3 years	29	1
	<u>2,001</u>	<u>(7)</u>

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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 March 2018 are as follows:

Effective period	Notional amount	All-in swap rate per annum
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 March 2018, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Notional Amount	Fair Value Assets/ (Liabilities)
- less than 1 year	<u>338</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 March 2018, the notional amount, fair value and maturity tenor of the cross currency swap contract are as follows:

	Notional Amount	Fair Value Assets/ (Liabilities)
- less than 1 year	<u>342</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.

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B11. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 18 May 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 RM314 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. The Plaintiffs shall be permitted to enforce judgment upon recovering all claims from the projects and proceeds from the sale of the derrick lay barge, or after the expiry of 3 years from the date of final judgment, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages. On 9 November 2017, the Registrar directed that the Plaintiffs' Notice of Application for assessment of damages for the Oil & Gas Suit and the Bakun Suit be heard separately. On 16 November 2017, the Registrar decided that the Oil & Gas Suit will be heard first.

The Plaintiffs filed in their bundle of documents and points of claim on 2 May 2018. At the case management held on 3 May 2018, the Registrar instructed for any additional documents to be filed by 3 June 2018. The Registrar then fixed a further case management on 27 June 2018 for parties to update the status of documents and to fix the hearing date for 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. The Plaintiffs shall be permitted to enforce judgment upon the Malaysia-China Hydro Joint Venture receiving full settlement from Sarawak Hidro Sdn Bhd or the Ministry of Finance and/or an assignee or successor in title thereof in relation to the Bakun Project, or after the expiry of 3 years from the date of final judgment, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages.

On 9 November 2017, the Registrar directed that the Plaintiffs' Notice of Application for assessment of damages for the Oil & Gas Suit and the Bakun Suit be heard separately. On 16 November 2017, the Registrar decided that the Oil & Gas Suit will be heard first before the Bakun Suit.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 18 May 2018 are as follows: (continued)

c) Emirates International Energy Services (EMAS)

On 13 January 2011, EMAS filed a civil suit in the Plenary Commercial Court in Abu Dhabi against Sime Darby Engineering Sdn Bhd (SDE) (First Suit) claiming payment of USD178 million (approximately RM707 million) comprising (a) a payment of USD128 million (approximately RM508 million) for commissions; and (b) a payment of USD50 million (approximately RM198 million) as “morale compensation”, which was dismissed by the Court on 22 August 2011.

i. Proceedings at the Judicial Department of Abu Dhabi (Second Suit)

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.

On 18 May 2014, the Court issued judgment for the sum of AED41 million (approximately RM44 million) against SDE.

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

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

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

d) Claim against Qatar Petroleum (QP)

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 (approximately RM1.1 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 QAR12.9 million (approximately RM14 million) to SDE (Judgment) and both parties have appealed to the Court of Appeal against the Judgment. On 30 October 2017, the Court referred the matter to court experts to examine the appeal and fixed 3 June 2018 for the experts to submit their report.

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

Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) entered into a Consortium Agreement to govern their relationship as a consortium (the Consortium) in relation to the execution and performance of the 05 Wellhead Platform Project (05WHP Project) awarded by ONGC on 26 February 2010 for a total contract price of USD189 million (approximately RM750 million).

Disputes have arisen between the Consortium and ONGC and the parties have subsequently referred the dispute to an Outside Expert Committee (OEC). SDE’s portion of the Consortium’s claim is circa USD33 million (approximately RM131 million).

On 2 December 2014, the OEC recommended payment of USD12 million in full and final settlement in favour of the Consortium (OEC Recommendation), of which USD7 million (approximately RM28 million) was apportioned to SDE. On 20 March 2015, the Consortium sought a higher amount of compensation which was rejected by ONGC.

On 21 December 2015, the Consortium issued a notice to ONGC of its intention to proceed with arbitration.

B11. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 18 May 2018 are as follows: (continued)

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

On 29 March 2017, ONGC submitted a settlement offer to the Consortium for the sum of USD10 million (approximately RM40 million), which is to be apportioned between SDE (USD7 million) (approximately RM28 million) and SOC (USD3 million) (approximately RM12 million) (the Settlement Offer). The Consortium confirmed its acceptance of the Settlement Offer and on 25 May 2017, the Consortium requested ONGC to enter into separate settlement agreements with SDE and SOC.

As there was no response from ONGC on the settlement terms, on 29 March 2018, the Consortium filed its application for an order by the tribunal to record an arbitral award based on the Settlement Offer. During the hearing on 2 May 2018, the tribunal rejected the Consortium's application and instructed ONGC to file its statement of defence by 4 June 2018. The next case management is set on 28 June 2018.

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

Sime Darby Engineering Sdn Bhd (SDE) and Swiber Offshore Construction Pte Ltd (SOC) entered into a Consortium Agreement to govern their relationship as a consortium (the Consortium) to undertake works relating to the B-193 Process Platform Project (PP Project) awarded by ONGC. A contract dated 3 July 2010 (Contract) was executed for a total contract price of USD618 million (approximately RM2.5 billion).

Disputes have arisen between the Consortium and ONGC and on 1 June 2016, the Consortium initiated arbitration proceedings against ONGC. SDE's portion of the Consortium's claim is circa USD76 million (approximately RM302 million).

The hearing has been concluded and oral closing submissions were held on 2 January 2018 to 5 January 2018. On 22 March 2018, the tribunal ordered ONGC to pay the Consortium a net sum of USD5.12 million (approximately RM20 million) as full and final settlement of all claims. On 27 March 2018, ONGC filed an application at the High Court in Mumbai, India to set aside the arbitration award. The High Court fixed 4 June 2018 for the hearing of the application.

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 a consideration of 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) between Keabangan Petroleum Operating Company Sdn Bhd and SDE dated 20 September 2011 shall be novated by SDE to MMHE with effect from 31 March 2012 for a consideration of 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 (now known as the Asian International Arbitration Centre). The initial claim from MMHE was RM57 million but was subsequently revised to RM34 million on 1 November 2016.

The hearing was concluded on 24 March 2017 and oral submissions were held on 4 August 2017.

The tribunal issued its award on 13 March 2018 ordering SDE to pay MMHE damages of RM17.3 million for claims in relation to the dispute arising from the SPA and the SSPA as well as interest and arbitration costs. This amount has been fully provided for.

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B12. Dividend

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

B13. Earnings Per Share

	Quarter ended 31 March		Three quarters ended 31 March	
	2018	2017	2018	2017
Basic earnings per share attributable to owners of the Company are computed as follows:				
Profit attributable to owners of the Company from:				
- continuing operations	135	189	455	581
- discontinued operations	–	503	1,301	1,286
	<u>135</u>	<u>692</u>	<u>1,756</u>	<u>1,867</u>
Weighted average number of ordinary shares in issue (million)	<u>6,801</u>	<u>6,801</u>	<u>6,801</u>	<u>6,585</u>
Basic earnings per share (sen)				
- continuing operations	2.0	2.8	6.7	8.8
- discontinued operations	–	7.4	19.1	19.5
	<u>2.0</u>	<u>10.2</u>	<u>25.8</u>	<u>28.3</u>

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

B14. Comparatives

The Group has fully transitioned from the FRS framework to the 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 third quarter ended 31 March 2017 shown as comparatives to this interim financial report have been restated to comply with the new accounting policy.

Kuala Lumpur
25 May 2018

By Order of the Board
Noor Zita Hassan
Group Secretary