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Delivering Sustainable Futures

QUARTERLY REPORT

On the consolidated results for the fourth quarter ended 30 June 2018

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 30 June 2018	Quarter ended 30 June 2017	% +/(-)	Year ended 30 June 2018	Year ended 30 June 2017	% +/(-)
Continuing operations							
Revenue	A7	**8,575**	8,200	4.6	**33,828**	31,087	8.8
Other operating income		**204**	90		**516**	399	
Operating expenses		**(8,323)**	(8,252)		**(33,236)**	(30,885)	
Other (losses)/gains		**(27)**	20		**(6)**	137	
Operating profit	B5	**429**	58	639.7	**1,102**	738	49.3
Share of results of joint ventures		**15**	13		**59**	47	
Share of results of associates		**(90)**	(3)		**(87)**	(1)	
Profit before interest and tax	A7	**354**	68	420.6	**1,074**	784	37.0
Finance income		**13**	128		**104**	512	
Finance costs		**(26)**	(98)		**(113)**	(289)	
Profit before tax		**341**	98	248.0	**1,065**	1,007	5.8
Taxation	B6	**(164)**	(14)		**(380)**	(212)	
Profit from continuing operations		**177**	84	110.7	**685**	795	(13.8)
Discontinued operations							
Profit from discontinued operations		**–**	541		**1,378**	1,886	
Profit for the period		**177**	625	(71.7)	**2,063**	2,681	(23.1)
Attributable to owners of:							
- the Company							
- from continuing operations		**163**	34	379.4	**618**	615	0.5
- from discontinued operations		**–**	537	(100.0)	**1,301**	1,823	(28.6)
		163	571	(71.5)	**1,919**	2,438	(21.3)
- perpetual sukuk							
- from continuing operations		**–**	29		**–**	122	
- from discontinued operations		**–**	2		**52**	2	
- non-controlling interests							
- from continuing operations		**14**	21		**67**	58	
- from discontinued operations		**–**	2		**25**	61	
Profit for the period		**177**	625	(71.7)	**2,063**	2,681	(23.1)
Basic earnings per share attributable to owners of the Company	B13	**Sen**	**Sen**		**Sen**	**Sen**	
- from continuing operations		**2.4**	0.5	380.0	**9.1**	9.3	(2.2)
- from discontinued operations		**–**	7.9	(100.0)	**19.1**	27.4	(30.3)
Total		**2.4**	8.4	(71.4)	**28.2**	36.7	(23.2)

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 30 June 2018	Quarter ended 30 June 2017	% +/(-)	Year ended 30 June 2018	Year ended 30 June 2017	% +/(-)
Profit for the period	**177**	625	(71.7)	**2,063**	2,681	(23.1)
Other comprehensive income						
Continuing operations						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences	**31**	(111)		**(760)**	310	
Net changes in fair value of cash flow hedges	**25**	(12)		**26**	(12)	
Share of other comprehensive (loss)/income of joint ventures and associates	**–**	(6)		**(43)**	30	
Tax (expense)/credit	**(8)**	2		**(8)**	2	
	48	(127)		**(785)**	330	
Reclassified to profit or loss currency translation differences on repayment of net investment and disposal of subsidiaries	**–**	(16)		**(23)**	24	
Reclassified changes in fair value of cash flow hedges to:						
- profit or loss	**(10)**	(8)		**(8)**	19	
- inventories	**(12)**	3		**(2)**	7	
Tax credit/(expense)	**8**	3		**4**	(6)	
	34	(145)	123.4	**(814)**	374	(317.6)
Items that will not be reclassified subsequently to profit or loss:						
Actuarial gain/(loss) on defined benefit pension plans	**6**	(3)		**6**	(3)	
Discontinued operations						
Other comprehensive (loss)/income from discontinued operations	**–**	(432)	100.0	**(228)**	406	(156.2)
Total other comprehensive income/(loss)	**40**	(580)	106.9	**(1,036)**	777	(233.3)
Total comprehensive income for the period	**217**	45	382.2	**1,027**	3,458	(70.3)
Attributable to owners of:						
- the Company						
- from continuing operations	**243**	(129)	288.4	**(140)**	957	(114.6)
- from discontinued operations	**–**	166	(100.0)	**1,088**	2,209	(50.7)
	243	37	556.8	**948**	3,166	(70.1)
- perpetual sukuk						
- from continuing operations	**–**	29		**–**	122	
- from discontinued operations	**–**	2		**52**	2	
- non-controlling interests						
- from continuing operations	**(26)**	36		**17**	87	
- from discontinued operations	**–**	(59)		**10**	81	
Total comprehensive income for the period	**217**	45	382.2	**1,027**	3,458	(70.3)

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	As at 30 June 2018	As at 30 June 2017
Non-current assets			
Property, plant and equipment		**5,760**	5,624
Prepaid lease rentals		**300**	359
Investment properties		**289**	317
Joint ventures and associates		**1,715**	1,783
Investments		**124**	100
Intangible assets		**1,415**	1,684
Deferred tax assets		**519**	611
Tax recoverable		**66**	160
Derivatives		**–**	44
Receivables and other assets		**197**	171
		10,385	10,853
Current assets			
Inventories		**7,210**	7,103
Tax recoverable		**74**	67
Derivatives	B10(a)	**66**	97
Receivables and contract assets		**4,583**	3,886
Prepayments		**527**	466
Bank balances, deposits and cash		**1,672**	2,072
		14,132	13,691
Assets held for sale		**340**	43,136
Total assets		**24,857**	67,680
Equity			
Share capital		**9,299**	9,299
Reserves		**5,071**	28,044
Attributable to owners of the Company		**14,370**	37,343
Perpetual sukuk[1]		**–**	2,230
Non-controlling interests		**389**	976
Total equity	A7	**14,759**	40,549
Non-current liabilities			
Borrowings and finance lease obligations	B9	**247**	1,251
Contract liabilities and government grants		**279**	291
Provisions		**30**	37
Deferred tax liabilities		**286**	338
Derivatives	B10(a)	**2**	–
Payables		**120**	–
		964	1,917
Current liabilities			
Payables		**4,662**	4,348
Contract liabilities		**1,489**	1,319
Borrowings and finance lease obligations	B9	**2,642**	1,954
Provisions		**185**	170
Tax payable		**89**	122
Derivatives	B10(a)	**24**	11
		9,091	7,924
Liabilities associated with assets held for sale		**43**	17,290
Total liabilities		**10,098**	27,131
Total equity and liabilities		**24,857**	67,680
Net assets per share attributable to owners of the Company (RM)		**2.11**	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
Year ended 30 June 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)	(954)	1,925	948	948	52	27	1,027
Transfer between reserves[1]	–	–	13	–	–	–	(13)	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(1,292)	(1,292)	(1,292)	–	(76)	(1,368)
Distribution paid	–	–	–	–	–	–	–	–	–	(63)	–	(63)
Distribution-in-specie[2]	–	–	–	–	–	–	(22,625)	(22,625)	(22,625)	–	–	(22,625)
Share of capital reserves	–	(4)	–	–	–	–	–	(4)	(4)	–	–	(4)
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	5	5
Reclassification upon deconsolidation of subsidiaries[3]	–	(14)	(25)	–	–	–	39	–	–	–	–	–
Derecognition arising from deconsolidation of subsidiaries[4]	–	–	–	–	–	–	–	–	–	(2,219)	(543)	(2,762)
At 30 June 2018	9,299	189	62	(17)	3	104	4,730	5,071	14,370	–	389	14,759

[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
Year ended 30 June 2017													
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	–	–	–	–	29	(6)	702	2,441	3,166	3,166	124	168	3,458
Transfer from share premium	5,899	(5,899)	–	–	–	–	–	–	(5,899)	–	–	–	–
Transfer between reserves	–	–	(63)	5	–	–	–	58	–	–	–	–	–
Share placement	158	2,199	–	–	–	–	–	–	2,199	2,357	–	–	2,357
Issue of shares in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	7	7
Acquisition of non-controlling interest	–	–	58	–	–	–	–	(6)	52	52	–	(64)	(12)
Dividends paid by way of:													
- issuance of shares pursuant to the Dividend Reinvestment Plan	78	1,110	–	–	–	–	–	(1,188)	(78)	–	–	–	–
- cash	–	–	–	–	–	–	–	(615)	(615)	(615)	–	(100)	(715)
Distribution paid	–	–	–	–	–	–	–	–	–	–	(124)	–	(124)
Share issue expenses	–	(12)	–	–	–	–	–	–	(12)	(12)	–	–	(12)
At 30 June 2017	9,299	–	207	74	(39)	48	1,058	26,696	28,044	37,343	2,230	976	40,549

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

	Year ended 30 June	
	2018	**2017**
Cash flow from operating activities		
Profit from continuing operations	**685**	795
Adjustments for:		
Share of results of joint ventures and associates	**28**	(46)
Finance income	**(104)**	(512)
Finance costs	**113**	289
Taxation	**380**	212
Net gain on disposal of assets	**(198)**	(196)
Depreciation and amortisation	**621**	581
Other non-cash items	**355**	454
	1,880	1,577
Changes in working capital:		
Inventories	**(463)**	402
Rental assets	**(682)**	(522)
Trade, other receivables and prepayments	**(951)**	416
Trade, other payables and provisions	**998**	(202)
Cash generated from operations	**782**	1,671
Tax paid	**(271)**	(289)
Dividends received from associates and joint venture	**21**	33
Income received from investment	**121**	124
Operating cash flow from continuing operations	**653**	1,539
Operating cash flow from discontinued operations	**596**	3,452
Net cash from operating activities	**1,249**	4,991
Cash flow from investing activities		
Finance income received	**87**	512
Purchase of property, plant and equipment, investment properties, intangible assets and prepaid lease rentals	**(490)**	(533)
Acquisition of business and purchase/subscription of shares in joint ventures and investments	**(59)**	(163)
Proceeds from sale of subsidiaries	**–**	104
Proceeds from sale of associates and investment	**6**	323
Proceeds from sale of property, plant and equipment, investment property and prepaid lease rental	**443**	73
Deconsolidation of Yayasan Sime Darby	**(59)**	–
Repayment from discontinued operations	**735**	1,548
Net (loans to)/repayment of loans by joint ventures and associates	**(30)**	50
Investing cash flow from continuing operations	**633**	1,914
Investing cash flow used in discontinued operations	**(1,474)**[1]	(1,813)
Net cash (used in)/from investing activities	**(841)**	101

[1] Includes cash balances of discontinued operations deconsolidated of RM1.8 billion.

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

	Note	Year ended 30 June 2018	2017
Cash flow from financing activities			
Proceeds from issuance of shares		**–**	2,357
Share issuance expenses		**–**	(12)
Proceeds from shares issued to non-controlling interest		**5**	7
Purchase of additional interest in subsidiaries		**–**	(29)
Finance costs paid		**(131)**	(371)
Net borrowings repaid		**(139)**	(4,642)
Distribution to perpetual sukuk holders		**–**	(124)
Dividends paid to shareholders		**(1,292)**	(615)
Dividends paid to non-controlling interests[2]		**(27)**	(40)
Financing cash flow used in continuing operations		**(1,584)**	(3,469)
Financing cash flow used in discontinued operations		**(936)**	(1,379)
Net cash used in financing activities		**(2,520)**	(4,848)
Net (decrease)/increase in cash and cash equivalents		**(2,112)**	244
Foreign exchange differences		**(101)**	102
Cash and cash equivalents at beginning of the year		**3,842**	3,496
Cash and cash equivalents at end of the year		**1,629**	3,842
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		**1,672**	2,072
Less:			
Bank overdrafts	B9	**(43)**	(78)
Cash and cash equivalents from continuing operations		**1,629**	1,994
Cash and cash equivalents from discontinued operations		**–**	1,848
		1,629	3,842

[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:

<u>Effective for annual reporting periods beginning on or after 1 January 2018</u>
- 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

<u>Effective for annual reporting periods beginning on or after 1 January 2019</u>
- 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)

<u>Effective for annual reporting periods beginning on or after 1 January 2020</u>
- Conceptual Framework for Financial Reporting : The Reporting Entity and corresponding amendments to references in the relevant standards

<u>Effective for annual reporting periods beginning on or after 1 January 2021</u>
- 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.

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.

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	
Year ended 30 June 2018	**Industrial**	**Motors**	**Logistics**	**Healthcare**	**Others**	**Corporate/ Elimination**	**Total**		**Total**
Segment revenue:									
External	**13,041**	**20,341**	**341**	**–**	**105**	**–**	**33,828**	**6,980**	**40,808**
Inter-segment	**32**	**14**	**–**	**–**	**95**	**(141)**	**–**	**–**	**–**
	13,073	**20,355**	**341**	**–**	**200**	**(141)**	**33,828**	**6,980**	**40,808**
Profit/(loss) before interest and tax	**612**	**543**	**74**	**57**	**(98)**	**(114)**	**1,074**	**1,700**	**2,774**
Net finance costs							**(9)**	**(61)**	**(70)**
Taxation							**(380)**	**(261)**	**(641)**
Profit for the period							**685**	**1,378**	**2,063**
Year ended 30 June 2017									
Segment revenue:									
External	10,127	20,602	303	–	55	–	31,087	16,958	48,045
Inter-segment	70	24	–	–	131	(225)	–	–	–
	10,197	20,626	303	–	186	(225)	31,087	16,958	48,045
Profit/(loss) before interest and tax	(4)	633	64	36	42	13	784	2,778	3,562
Net finance income/(costs)							223	(355)	(132)
Taxation							(212)	(537)	(749)
Profit for the period							795	1,886	2,681

Amounts in RM million unless otherwise stated

A7. Segment Information (continued)

	Continuing operations							Discontinued operations	
	Industrial	**Motors**	**Logistics**	**Healthcare**	**Others**	**Corporate/ Elimination**	**Total**		**Total**
As at 30 June 2018									
Segment assets	**10,621**	**9,081**	**2,667**	**731**	**461**	**637**	**24,198**	**–**	**24,198**
Segment liabilities	**(2,921)**	**(3,185)**	**(347)**	**–**	**(362)**	**(19)**	**(6,834)**	**–**	**(6,834)**
Segment invested capital	**7,700**	**5,896**	**2,320**	**731**	**99**	**618**	**17,364**	**–**	**17,364**
Net tax assets							**284**	**–**	**284**
Borrowings and finance lease obligations							**(2,889)**	**–**	**(2,889)**
Total Equity							**14,759**	**–**	**14,759**
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

Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Group's revenue from continuing operations comprise the following:

	Year ended 30 June 2018	2017
Revenue from contracts with customers	**33,131**	30,657
Rental income	**697**	430
	33,828	31,087

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

Year ended 30 June 2018	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Major goods and services					
Sale of equipment and vehicles	**6,337**	**16,963**	**–**	**–**	**23,300**
Sale of parts, assembly charges and provision of after-sales services	**5,928**	**2,846**	**–**	**–**	**8,774**
Engineering services	**315**	**–**	**–**	**–**	**315**
Port and related charges	**–**	**–**	**275**	**–**	**275**
Sale of water	**–**	**–**	**66**	**–**	**66**
Commission, handling fees and others	**–**	**308**	**–**	**93**	**401**
	12,580	**20,117**	**341**	**93**	**33,131**
Geographical location					
Malaysia	**1,130**	**3,460**	**–**	**83**	**4,673**
Other countries in South East Asia	**734**	**5,150**	**–**	**8**	**5,892**
China	**3,815**	**8,672**	**341**	**2**	**12,830**
Australasia and Others	**6,901**	**2,835**	**–**	**–**	**9,736**
	12,580	**20,117**	**341**	**93**	**33,131**
Timing of revenue recognition					
At a point in time	**10,229**	**17,375**	**–**	**22**	**27,626**
Over time	**2,351**	**2,742**	**341**	**71**	**5,505**
	12,580	**20,117**	**341**	**93**	**33,131**

Year ended 30 June 2017	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Major goods and services					
Sale of equipment and vehicles	5,321	17,326	–	–	22,647
Sale of parts, assembly charges and provision of after-sales services	4,388	2,790	–	–	7,178
Engineering services	206	–	–	–	206
Port and related charges	–	–	243	–	243
Sale of water	–	–	60	–	60
Commission, handling fees and others	–	275	–	48	323
	9,915	20,391	303	48	30,657

Amounts in RM million unless otherwise stated

A7. Segment information (continued)

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

Year ended 30 June 2017	**Industrial**	**Motors**	**Logistics**	**Others**	**Total**
Geographical location					
Malaysia	1,077	3,470	–	34	4,581
Other countries in South East Asia	720	4,980	–	11	5,711
China	2,685	8,549	303	3	11,540
Australasia and Others	5,433	3,392	–	–	8,825
	9,915	20,391	303	48	30,657
Timing of revenue recognition					
At a point in time	8,035	17,585	–	46	25,666
Over time	1,880	2,806	303	2	4,991
	9,915	20,391	303	48	30,657

A8. Capital Commitments

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

	As at 30 June 2018	**As at 30 June 2017**		
	Total	**Continuing operations**	**Discontinued operations**	**Total**
Property, plant and equipment				
- contracted	**202**	229	295	524
- not contracted	**632**	837	975	1,812
	834	1,066	1,270	2,336
Other capital expenditure				
- contracted	**56**	42	291	333
- not contracted	**73**	39	–	39
	963	1,147	1,561	2,708

Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions

Significant related party transactions conducted during the financial year ended 30 June are as follows:

	Year ended 30 June 2018	2017
a. Transactions with joint ventures and associates		
<u>Continuing operations</u>		
Interest income received from Mine Energy Solutions Pty Ltd	**16**	7
Sale of products and services to Tesco Stores (Malaysia) Sdn Bhd	**1**	1
Purchase of products and services from Sitech Construction Systems Pty Ltd	**10**	3
Channel usage fees charged by Weifang Port Services Co Ltd	**12**	–
Contribution paid to Yayasan Sime Darby	**10**	–
<u>Discontinued operations</u>		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd and its related companies	**19**	33
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	**4**	14
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	**5**	–
b. Transactions between subsidiaries and their owners of non-controlling interests		
<u>Continuing operations</u>		
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	**46**	38
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	**9**	14
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	**91**	52
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	**30**	60
<u>Discontinued operations</u>		
Turnkey works rendered by Brunsfield Engineering Sdn Bhd to Sime Darby Brunsfield Holding Sdn Bhd group, companies in which Tan Sri Dato' Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders	**46**	265
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	**–**	5
c. Transactions with key management personnel and their close family members		
Sales of properties and cars by the Group	**1**	2

Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions (continued)

Significant related party transactions conducted during the financial year ended 30 June are as follows: (continued)

d. Transactions with shareholders and their related companies

Continuing operations

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together own approximately 51% as at 30 June 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 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 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:

	Year ended 30 June 2018
Provision of shared services	**52**
Sales, servicing and leasing of equipment and vehicles	**41**
Sale of apartments and bungalows	**15**
Royalty received	**4**
Rental income	**5**
Rental charges	**5**

Discontinued operations

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 of Prolintas Expressway Sdn Bhd (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.

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

There were no material events subsequent to the end of the current quarter under review to 21 August 2018, being a date not earlier than 7 days from the date of issue of the quarterly report.

Amounts in RM million unless otherwise stated

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

Significant changes in the composition of the continuing operations of the Group is as follows:

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. Deconsolidation and disposal of interest in associates

   a) 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.

   b) 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.

   c) 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.

3. 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	**(17,149)**
	25,387
Perpetual sukuk	**(2,219)**
Non-controlling interests	**(543)**
Distribution-in-specie	**22,625**

Significant changes in the composition of the discontinued operations of the Group is as follows:

1. Acquisition of a subsidiary

   a) On 24 November 2017, Mulligan International B.V 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 Kebupaten Barito Timur, Kalimantan Tengah, Indonesia.

Amounts in RM million unless otherwise stated

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

Significant changes in the composition of the discontinued operations of the Group is as follows: (continued)

2. Disposal of subsidiaries and interest in an associate

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.

3. 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%.

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 21 August 2018	**As at 30 June 2017**
Performance guarantees and advance payment guarantees to customers of the Group	**2,194**	2,362
Guarantees in respect of credit facilities granted to certain associates and a joint venture	**214**	176
Outstanding guarantees for discontinued operations	**–**	96
	2,408	2,634

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 21 August 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 RM255 million (30 June 2017: RM226 million).

b) Claims

	As at 21 August 2018	**As at 30 June 2017**
Continuing operations	**2**	14
Discontinued operations	**–**	16
	2	30

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

Amounts in RM million unless otherwise stated

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

B1. Review of Group Performance

	Quarter ended 30 June			Year ended 30 June		
	2018	**2017**	**% +/(-)**	**2018**	**2017**	**% +/(-)**
Continuing operations						
Revenue	**8,575**	8,200	4.6	**33,828**	31,087	8.8
Segment results:						
Industrial	**142**	(192)	174.0	**612**	(4)	>1000.0
Motors	**275**	241	14.1	**543**	633	(14.2)
Logistics	**13**	28	(53.6)	**74**	64	15.6
Healthcare	**14**	8	75.0	**57**	36	58.3
Others	**(95)**	11	(963.6)	**(98)**	42	(333.3)
	349	96	263.5	**1,188**	771	54.1
Corporate exchange gain	**–**	24		**23**	120	
Corporate expense and elimination	**5**	(42)		**(52)**	(80)	
Yayasan Sime Darby	**–**	(10)		**(85)**	(27)	
Profit before interest and tax	**354**	68	420.6	**1,074**	784	37.0
Finance income	**13**	11		**56**	45	
Finance income from discontinued operations	**–**	117		**48**	467	
Finance costs	**(26)**	(98)		**(113)**	(289)	
Profit before tax	**341**	98	248.0	**1,065**	1,007	5.8
Taxation	**(164)**	(14)		**(380)**	(212)	
Profit from continuing operations	**177**	84	110.7	**685**	795	(13.8)
Perpetual sukuk	**–**	(29)		**–**	(122)	
Non-controlling interests	**(14)**	(21)		**(67)**	(58)	
Profit from continuing operations attributable to owners of the Company	**163**	34	379.4	**618**	615	0.5
Discontinued operations						
Profit from discontinued operations attributable to owners of the Company	**–**	537	(100.0)	**1,301**	1,823	(28.6)
Profit attributable to owners of the Company	**163**	571	(71.5)	**1,919**	2,438	(21.3)

B1. Review of Group Performance (continued)

An analysis of the results for the quarter ended 30 June 2018 against the quarter ended 30 June 2017 is as follows:

a) Industrial

Profit increased by 174.0% to RM142 million in the current quarter. The loss in the quarter ended 30 June 2017 was largely attributable to impairment of the Bucyrus distribution rights and provision for onerous contracts for the leasing of Bucyrus equipment, totaling RM257 million. Excluding the impairment, profit increased from RM65 million to RM142 million. This was mainly due to higher equipment and parts sales to the mining and construction sectors in Australia and China.

b) Motors

Profit increased by 14.1% mainly due to higher sales in Malaysia following the zero-rating of the Goods and Services Tax ("GST") in June 2018 and lower losses from the Vietnam operations, which includes an impairment of goodwill of RM19 million and RM18 million provision for inventories in the previous period. This mitigated the lower profit in China due to higher selling expenses.

c) Logistics

The division registered a 53.6% decrease in profit due to exchange loss of RM9 million in the current quarter due to the depreciation of the Renminbi ("RMB") against the Hong Kong Dollar ("HKD"), while the previous corresponding period included the gain on disposal of 50% equity interest in Weifang Sime Darby West Port of RM10 million. Excluding these items, contribution from operations improved 22.2% from RM18 million to RM22 million mainly due to the higher profit from Weifang Water. The higher profit from Weifang Water was mainly due to cessation of depreciation and amortisation of the operations following its classification as a disposal group.

d) Healthcare

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

e) Others

The results include the impairment of the Group's investment in Eastern & Oriental Berhad ("E&O") of RM103 million.

f) Corporate expense

Includes gain on disposal of properties of RM10 million. Previous period includes costs pursuant to the pure play exercise.

g) 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.

h) 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.

i) Taxation

The tax expense for the current quarter includes RM71 million provision for the India withholding tax recoverable relating to the legacy Oil and Natural Gas Corporation Ltd ("ONGC") projects.

B1. Review of Group Performance (continued)

An analysis of the results for the quarter ended 30 June 2018 against the quarter ended 30 June 2017 is as follows: (continued)

j) Perpetual sukuk

The perpetual sukuk was novated to the discontinued operations in June 2017.

k) 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.

An analysis of the results for the financial year ended 30 June 2018 against the financial year ended 30 June 2017 is as follows:

a) Industrial

The division recorded a profit of RM612 million in the current financial year compared to a loss of RM4 million in the previous period. The profit for the current year includes a gain from disposal of properties of RM178 million. The loss in the previous financial year includes an impairment of the Bucyrus distribution rights and provision for onerous contracts for the leasing of Bucyrus equipment, totaling RM257 million. Excluding these items, profit increased from RM253 million in the previous year to RM434 million in the current year due to higher equipment and parts sales to the mining and construction sectors in Australia and China.

b) Motors

The division recorded a decline in profit by 14.2% mainly due to losses incurred in Vietnam of RM199 million as compared to a loss of RM66 million in the previous year. 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 year's results also included a gain on disposal of property in Hong Kong of RM30 million. Excluding these items, profit increased by 3.4% mainly due to the higher profit from the Hong Kong/Macau operations and lower losses from the Taiwan operations. In addition, the Australian operations recorded higher profits following the divestment of its loss making operations.

c) Logistics

The division registered a 15.6% increase in profit mainly due to higher throughput at Weifang Port and higher profit from Weifang Water as explained in analysis for the quarter ended 30 June 2018. Included in the previous year is the gain on disposal of 50% equity interest in Weifang Sime Darby West Port of RM10 million.

d) Others

The results include an impairment of contract assets of the legacy oil & gas operations of RM28 million and impairment of equity interest in E&O of RM103 million. The previous year included the gain on disposal of 10% equity interest and convertible warrants in E&O of RM35 million.

e) Yayasan Sime Darby

The current year results includes the loss on deconsolidation of RM61 million.

B1. Review of Group Performance (continued)

An analysis of the results for the financial year ended 30 June 2018 against the financial year ended 30 June 2017 is as follows: (continued)

f) Discontinued Operations

The lower profit was mainly due to the inclusion of 5 months results from SD Plantation and SD Property during the current year against 12 months in the previous year. The results from the discontinued operations in the current year includes 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 Healthcare, finance costs, taxation and perpetual sukuk are as explained in analysis (d), (h), (i) and (j) of the results for the quarter ended 30 June 2018.

Amounts in RM million unless otherwise stated

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

	Quarter ended		
	30 June 2018	**31 March 2018**	**% +/(-)**
Continuing operations			
Revenue	**8,575**	8,294	3.4
Segment results:			
Industrial	**142**	77	84.4
Motors	**275**	133	106.8
Logistics	**13**	18	(27.8)
Healthcare	**14**	18	(22.2)
Others	**(95)**	(13)	(630.8)
	349	233	49.8
Corporate exchange loss	**–**	(1)	
Corporate expense and elimination	**5**	(7)	
Profit before interest and tax	**354**	225	57.3
Finance income	**13**	11	
Finance costs	**(26)**	(26)	
Profit before tax	**341**	210	62.4
Taxation	**(164)**	(62)	
Profit from continuing operations	**177**	148	19.6
Non-controlling interests	**(14)**	(13)	
Profit from continuing operations attributable to owners of the Company	**163**	135	20.7
Discontinued operations			
Profit from discontinued operations attributable to owners of the Company	**–**	–	
Profit attributable to owners of the Company	**163**	135	20.7

An analysis of the results for the quarter ended 30 June 2018 against the quarter ended 31 March 2018 is as follows:

a) Industrial

Profit increased by 84.4% to RM142 million in the current quarter mainly due to higher equipment sales in China. The previous quarter included charge-out of parts for service jobs which are no longer recoverable in Australia.

b) Motors

Profit increased by 106.8% mainly due to dividend received of RM121 million and increased sales in Malaysia due to zero rated GST in June 2018.

c) Logistics

Profit decreased by 27.8% mainly due to exchange loss of RM9 million against exchange gain of RM5 million in the previous quarter. Excluding the exchange loss, contribution from operations improved 69.2% from RM13 million to RM22 million mainly due the higher profit from Weifang Water following the cessation of depreciation and amortisation in the current quarter as explained in B1.

The variances for others, corporate expense and taxation are as explained in B1.

B3. Prospects

Concerns of the on-going trade tension between the world's major economies and expectation of further interest rate hikes have led to volatility in the equity and foreign exchange markets. This has increased the uncertainty in the growth prospects of global economy. However, economic growth is still expected to remain strong in certain Asian economies in which the Group operates in.

The Industrial division's performance continues to be supported by the recovery of the mining industry in Australia and strong equipment sales in China. Initiatives to improve efficiency is expected to also contribute to improved margins in the coming years.

The Motors division is expected to be impacted by strong competition and cautious consumer sentiment with the on-going trade war between China and the United States. Despite the division's hedging activities, margins are also susceptible to fluctuation in foreign exchange rates due to competitive pressures. The division would continuously improve efficiency to mitigate these adverse effects.

The Port operations continue to face competition from other ports while a weaker Chinese renminbi would also impact profitability of the Logistics division.

Against the backdrop of uncertainty in the global economy, the Board expects the Group's performance for the financial year ending 30 June 2019 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.

Amounts in RM million unless otherwise stated

B5. Operating Profit

	Quarter ended 30 June		Year ended 30 June	
	2018	**2017**	**2018**	**2017**
Included in operating profit are:				
Depreciation and amortisation	**(150)**	(167)	**(621)**	(581)
Impairment of property, plant and equipment, prepaid lease rentals, intangible assets, investment and assets held for sale (net)	**(28)**	(229)	**(96)**	(254)
Reversal of impairment/(Impairment) of contract assets and receivables (net)	**15**	5	**(44)**	2
Write down of inventories (net)	**(119)**	(78)	**(288)**	(203)
Gain on disposal of properties[1]	**29**	–	**194**	30
Gain on disposal of associates and investment	**–**	–	**5**	35
Net foreign exchange (loss)/gain	**(31)**	27	**(10)**	157
Gain/(loss) on derivatives	**4**	(7)	**4**	(20)
Loss on derivatives included in finance costs	**–**	(4)	**–**	(19)

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

The impairment of the equity interest in E&O of RM103 million is included under share of results of associates.

B6. Taxation

	Quarter ended 30 June		Year ended 30 June	
	2018	**2017**	**2018**	**2017**
Continuing operations				
In respect of the current year:				
- current tax	**47**	47	**255**	235
- deferred tax	**35**	(15)	**47**	(33)
	82	32	**302**	202
In respect of prior years:				
- current tax	**68**	3	**65**	18
- deferred tax	**14**	(21)	**13**	(8)
	164	14	**380**	212
Discontinued operations	**–**	127	**261**	537

The effective tax rates for continuing operations for the current quarter and year ended 30 June 2018 are 48% and 36% respectively. The effective tax rates were higher compared to the Malaysian income tax rate of 24% mainly due to provision for the India withholding tax during the quarter as explained in Note B1, impairment of E&O which is not tax deductible and deferred tax assets not recognised for tax losses in certain subsidiaries.

Amounts in RM million unless otherwise stated

B7. Status of Corporate Proposals

The corporate proposal announced but not completed as at 21 August 2018 is as follows:

On 29 June 2018, Sime Darby Overseas (HK) Limited entered into a share purchase agreement ("SPA") with Shandong Water Environmental Protection Group Co. Ltd to divest its entire 100% equity interest in Weifang Sime Darby Water Management Co. Ltd, and indirect wholly-owned subsidiary of Sime Darby for a total cash consideration of USD68 million (equivalent to RMB450 million or approximately RM275 million), subject to terms and conditions of the SPA ("Proposed Divestment").

The Proposed Divestment is expected to be completed within the second half of calendar year 2018 or such other date as agreed by the parties.

B8. Status of Utilisation of Placement Proceeds

The utilisation of the proceeds raised from the Shares Placement on 13 October 2016 as at 30 June 2018 is as follows:

Purpose	Original utilisation	Revised utilisation	Actual utilisation
Repayment of borrowings	**1,200**	**1,200**	**1,200**
Capital expenditure for:			
Industrial	**–**	**69**	**69**
Motors	**300**	**300**	**300**
Plantation	**300**	**300**	**300**
Property	**350**	**281**	**281**
	950	**950**	**950**
Working capital	**195**	**195**	**195**
Placement expenses	**12**	**12**	**12**
	2,357	**2,357**	**2,357**

On 30 October 2017, the Board approved the variation of the utilisation of the proceeds for capital expenditure and for the remaining allocations for capital expenditure to be fully utilised by 30 June 2018. The proceeds have been completely utilised as at 30 June 2018.

Amounts in RM million unless otherwise stated

B9. Group Borrowings and Finance lease obligations

The breakdown of the borrowings and finance lease obligations as at 30 June 2018 is as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	**29**	**–**	**29**
Islamic financing	**–**	**215**	**215**
Finance lease obligations	**3**	**–**	**3**
	32	**215**	**247**
Short-term			
Bank overdrafts	**–**	**43**	**43**
Term loans due within one year	**12**	**220**	**232**
Short term Islamic financing	**–**	**646**	**646**
Islamic financing due within one year	**–**	**55**	**55**
Revolving credits, trade facilities and other short-term borrowings	**–**	**1,664**	**1,664**
Finance lease obligations	**2**	**–**	**2**
	14	**2,628**	**2,642**
Total borrowings and finance lease obligations	**46**	**2,843**	**2,889**

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	**215**	**722**	**937**
Australian dollar	**–**	**252**	**252**
Chinese renminbi	**–**	**306**	**306**
Hong Kong dollar	**–**	**74**	**74**
New Zealand dollar	**–**	**131**	**131**
Pacific franc	**32**	**5**	**37**
Singapore dollar	**–**	**52**	**52**
Taiwan dollar	**–**	**41**	**41**
Thailand baht	**–**	**99**	**99**
United States dollar	**–**	**960**	**960**
Total borrowings and finance lease obligations	**247**	**2,642**	**2,889**

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

Amounts in RM million unless otherwise stated

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 30 June 2018 are as follows:

	Classification in Statement of Financial Position			
	Assets	Liabilities		Net Fair Value
	Current	Non-current	Current	
Forward foreign exchange contracts	**22**	**(2)**	**(24)**	**(4)**
Interest rate swap contracts	**1**	**–**	**–**	**1**
Cross currency swap contract	**43**	**–**	**–**	**43**
	66	**(2)**	**(24)**	**40**

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:

<u>Forward foreign exchange contracts</u>

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

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

As at 30 June 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	**1,672**	**(2)**
- 1 year to less than 3 years	**301**	**(2)**
	1,973	**(4)**

Amounts in RM million unless otherwise stated

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 30 June 2018 are as follows:

Effective period	**Notional amount**	**All-in swap rate per annum**
12 December 2012 to 12 December 2018	USD33 million	1.822% to 1.885%
30 June 2015 to 17 December 2018	RM42 million	3.938%

As at 30 June 2018, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Notional Amount	**Fair Value Assets**
- less than 1 year	**175**	**1**

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 30 June 2018, the notional amount, fair value and maturity tenor of the cross currency swap contract are as follows:

	Notional Amount	**Fair Value Assets**
- less than 1 year	**178**	**43**

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 21 August 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 RM324 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.

On 27 June 2018, the Defendants requested for additional time to identify their witnesses and to verify documents and the Registrar granted a 2 months' extension. The Registrar then fixed the next case management on 29 August 2018 to give further directions on the assessment of damages and to fix the hearing date.

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 21 August 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 RM720 million) comprising (a) a payment of USD128 million (approximately RM525 million) for commissions; and (b) a payment of USD50 million (approximately RM205 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 RM46 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 RM46 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, 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 RM15 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. Subsequently, the court granted an extension to the experts until 3 December 2018 for them to submit their report.

e) 05 Wellhead Platform Project ("05WHP Project")

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 05WHP Project awarded by Oil and Natural Gas Corporation Ltd ("ONGC") on 26 February 2010 for a total contract price of USD189 million (approximately RM775 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 RM135 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 RM29 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) 05 Wellhead Platform Project (“05WHP Project”) (continued)

On 29 March 2017, ONGC submitted a settlement offer to the Consortium for the sum of USD10 million (approximately RM41 million), which is to be apportioned between SDE (USD7 million) (approximately RM29 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. ONGC filed its statement of defence on 8 June 2018. On 28 June 2018, a case management was held where the tribunal fixed 4, 5, 11 and 13 October 2018 for examination of witnesses and 22 to 24 October and 19 to 21 November 2018 for hearing.

f) B-193 Process Platform Project (“PP Project”)

SDE and SOC entered into a Consortium Agreement to govern their relationship as a consortium (“the Consortium”) to undertake works relating to the 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 RM312 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 RM21 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 provisional hearing date on 4 June 2018 but was subsequently deferred. The High Court has yet to fix a new hearing date.

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

MMHE and 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 Kebabangan Northern Hub Development (“KPOC Project”) between Kebabangan 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.

After series of discussion, the parties agreed to settle the matter at RM16.5 million (with no interest and costs) as full and final settlement. A Settlement Agreement was signed on 1 June 2018 and SDE remitted payment to MMHE on 6 June 2018.

B12. Dividend

The Board has declared a second interim dividend of 4.0 sen per share and a special dividend of 2.0 sen per share in respect of the financial year ended 30 June 2018. The dividends are proposed to be payable on 31 October 2018 to shareholders whose name appears in the Record of Depositors as at the close of business on 1 October 2018.

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

(i) shares deposited into the depositor's securities account before 12.30 p.m. on 27 September 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 1 October 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 total dividends for the year ended 30 June is as follows:

	Year ended 30 June 2018		**Year ended 30 June 2017**	
	Per share (sen)	**Total dividends**	**Per share (sen)**	**Total dividends**
First interim dividend	**2.0**	**136**	6.0	408
Second interim dividend	**4.0**	**272**	–	–
Special dividend	**2.0**	**136**	–	–
Final dividend	**–**	**–**	17.0	1,156
	8.0	**544**	23.0	1,564

The Board does not recommend any final dividend for the financial year ended 30 June 2018.

B13. Earnings Per Share

	Quarter ended 30 June		**Year ended 30 June**	
	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	**163**	34	**618**	615
- discontinued operations	**–**	537	**1,301**	1,823
	163	571	**1,919**	2,438
Weighted average number of ordinary shares in issue (million)	**6,801**	6,801	**6,801**	6,639
Basic earnings per share (sen)				
- continuing operations	**2.4**	0.5	**9.1**	9.3
- discontinued operations	**–**	7.9	**19.1**	27.4
	2.4	8.4	**28.2**	36.7

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.

By Order of the Board
Noor Zita Hassan
Group Secretary

Kuala Lumpur
29 August 2018