Powering Ambition, Shaping a Sustainable Future

Annual Report 2022

Sime Darby
Delivering Sustainable Futures

16th Annual General Meeting

Live Broadcast
Function Room,
Ground Floor,
Menara Sime Darby,
Oasis Corporate Park,
Jalan PJU 1A/2,
Ara Damansara,
47301 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

Tuesday,
15 November 2022
at 10.00am

Contents

The Sime Darby Art Collection

The artworks featured in this report are the digital versions from our art collection that are being displayed at our headquarters, Menara Sime Darby. Collectively, they showcase the legacy and foundation that we aspire to build on as we progress further.

We are committed to delivering sustainable futures for societies through innovation, partnerships, strong governance and an unwavering commitment to environmental stewardship. We balance our ambitions for success with a strong sense of responsibility towards the prosperity of our people and the protection of our planet.

Our Vision

To be the leading Motors and Industrial player in Asia Pacific.

Our Mission

We are committed to developing a winning portfolio of sustainable businesses.

We subscribe to good corporate governance and high ethical values.

We continuously strive to deliver superior financial returns through operational excellence and high performance standards.

We provide an environment for our people to realise their full potential.

Our Core Values

Integrity

Uphold high levels of personal and professional values in all our business interactions and decisions.

Respect and Responsibility

Respect for the individuals we interact with and the environment that we operate in (internally and externally) and a commitment to being responsible in all our actions.

Excellence

Stretch the horizons of growth for ourselves and our business through our unwavering ambition to achieve outstanding personal and business results.

Enterprise

Seek and seize opportunities with speed and agility, challenging set boundaries.

Sustainable Footprint

All of Terra Cat's facilities in New Zealand are

100%

renewables powered

We are targeting a

30%

reduction of emissions by 2030 (Scope 1 & 2) from 2020 levels

We focus on reducing our environmental and social impact by managing our resources and minimising our carbon emissions as we pursue our financial objectives.

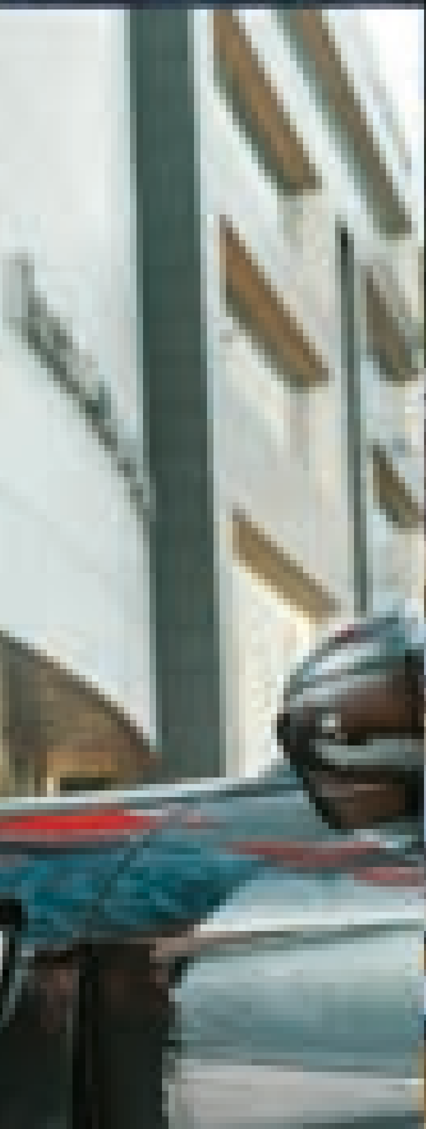
Read more about Optimising Our Environmental and Social Footprint on page 98

Total solar power generated in FY2022

987,000kWh

Total solar power generated across all assets since installation

2,672,000kWh



We continue to look for more opportunities to reduce our carbon footprint by using renewable energy to power our facilities:

Our car assembly facility at Inokom features a

1.2MW

solar PV installation.

Total installation of

1.8MW

across Sime Darby Berhad.

Sustainable Partnerships

We establish strategic partnerships across the value chain to deliver energy-efficient and sustainable products to our customers. The synergies we attain from our partnerships not only drive our growth but also enable us to support the global energy transition.

Read more about Engaging in Sustainable Partnerships on page 112

We have partnered with Wallbox and established a Memorandum of Understanding with Tenaga Nasional Berhad to accelerate Electric Vehicle (EV) adoption in Malaysia.

We are targeting

>50%

of products in our portfolio by 2025 to be more energy efficient than our 2020 product portfolio.

We have expanded our portfolio of EV brands to include BYD, Nio, smart and Li Auto. In partnership with our principals, we now offer a comprehensive lineup of mass market to premium and luxury EVs.

Sustainable Organisations

Our Human Resources Transformation Strategy focuses on providing leading employee experience to enable our employees to be the best they can be.

Roselaini Faiz
Group Chief Human Resources Officer

Through governance, talent development and an inclusive culture, we empower our employees to be drivers of change for a more sustainable future.

Read more about Inspiring Our Employees to Deliver Meaningful Change on page 106

100%

of staff at our assembly facility for Porsche at Inokom are locals, which supports the creation of jobs to empower the local community.

In FY2022 we rolled out the newly developed Leadership Coaching Programme at Sime Darby Industrial and Sime Darby Motors. The programme is designed to help emerging leaders hone their leadership skills.

Sustainable Innovation

We have adopted advanced infrastructure and data-driven solutions that will improve our agility and allow us to deliver long-term value to our stakeholders.

Read more about Driving Sustainable Innovation and Technology on page 118

Predictive maintenance at Sime Darby Industrial helps customers save cost and resources for heavy machinery repairs.

We are targeting a minimum of

RM250m

in investments in ESG innovation by 2025

About This Report

The Sime Darby Annual Report (SDAR) covers the financial and non-financial performance of Sime Darby Berhad for the financial year 2022 (FY2022). The SDAR informs our stakeholders regarding our key developments, challenges, solutions and strategies and is part of our commitment to open communication and full accountability.

Sime Darby Berhad is headquartered in Menara Sime Darby, Selangor, Malaysia.

Reporting Philosophy and Principles

The SDAR details the Group's key achievements, initiatives and results in FY2022. It charts our progress in meeting our medium to long-term strategic goals. It also offers insights into our strategies, operations and long-term sustainability. It provides stakeholders with the most relevant information for their needs and investment decisions. Our financial statements are independently audited and prepared in compliance with the Malaysian Financial Reporting Standards (MFRS).

Reporting Frameworks

In this report, we have applied the principles of Integrated Reporting <IR> and provided information against content elements. We are aware that there is an ongoing consolidation of the reporting landscape in response to demand for a global set of standards. Among these developments is a proposed convergence of the <IR> framework and Sustainability Accounting Standards Board (SASB) and the Task Force for Climate-related Financial Disclosures (TCFD) Recommendations. We welcome a more coherent and streamlined corporate reporting system in due course. Meanwhile, as much as possible, this SDAR continues to adopt the <IR> framework as part of our integrated thinking journey. It is also aligned to the United Nations Sustainable Development Goals (UN SDG), with clear identification of strategic sustainability matters that have a material impact and influence on our business and stakeholders over time. Our reporting processes and publications meet the relevant requirements of the Malaysian Code on Corporate Governance 2017 (MCCG 2017), the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, the Companies Act 2016, the Malaysian Financial Reporting Standards (MFRS) and the International Financial Reporting Standards (IFRS).

Reporting Scope and Boundaries

The SDAR presents the performance of Sime Darby's value-creating activities during the period 1 July 2021 to 30 June 2022. Material events up to the date of approval have been included. Unless otherwise indicated, data presented encompasses all Sime Darby subsidiaries.

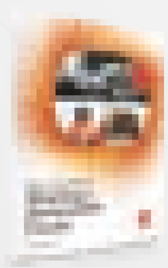
In setting our reporting boundaries, we considered aspects that have both internal and external impact on our business. Internal impact refers to impact from all operations and entities managed by the Group including all its subsidiaries. External impact refers to impact in situations where we do not own the assets or directly engage or employ workers, or where we operate the assets under a contractual obligation. Beyond these prescribed boundaries, we also report on developments, impacts and data deemed to have a high material impact on the Group's business performance, based on our materiality assessment.

For the purposes of this Report, the term "net profit" refers to "net profit attributable to owners of the Company".

The SDAR should be read together with the information available on our website http://www.simedarby.com for a comprehensive overview of the Group.

Our Use of Forward-Looking Statements

Throughout the Report, we use forward-looking statements pertaining to the plans, objectives, goals, strategies, future operations and future performance of our organisation. Such statements usually contain words like 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should', 'would' and 'will', among others. We do not intend for these statements to be guarantees of future operating, financial or other results, as they involve risks, uncertainties and assumptions in their presentation of possible scenarios. Actual results and outcomes could differ significantly from those expressed or implied. We make no expressed or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved. We are under no obligation to update either these forward-looking statements, or the historical information presented in this Report.



How We Can Further Improve

Sime Darby endeavours to engage all stakeholders in a fair and transparent manner, and values all feedback that can help us do this better.

We welcome queries and comments on this Report. Please contact our Investor Relations team at:

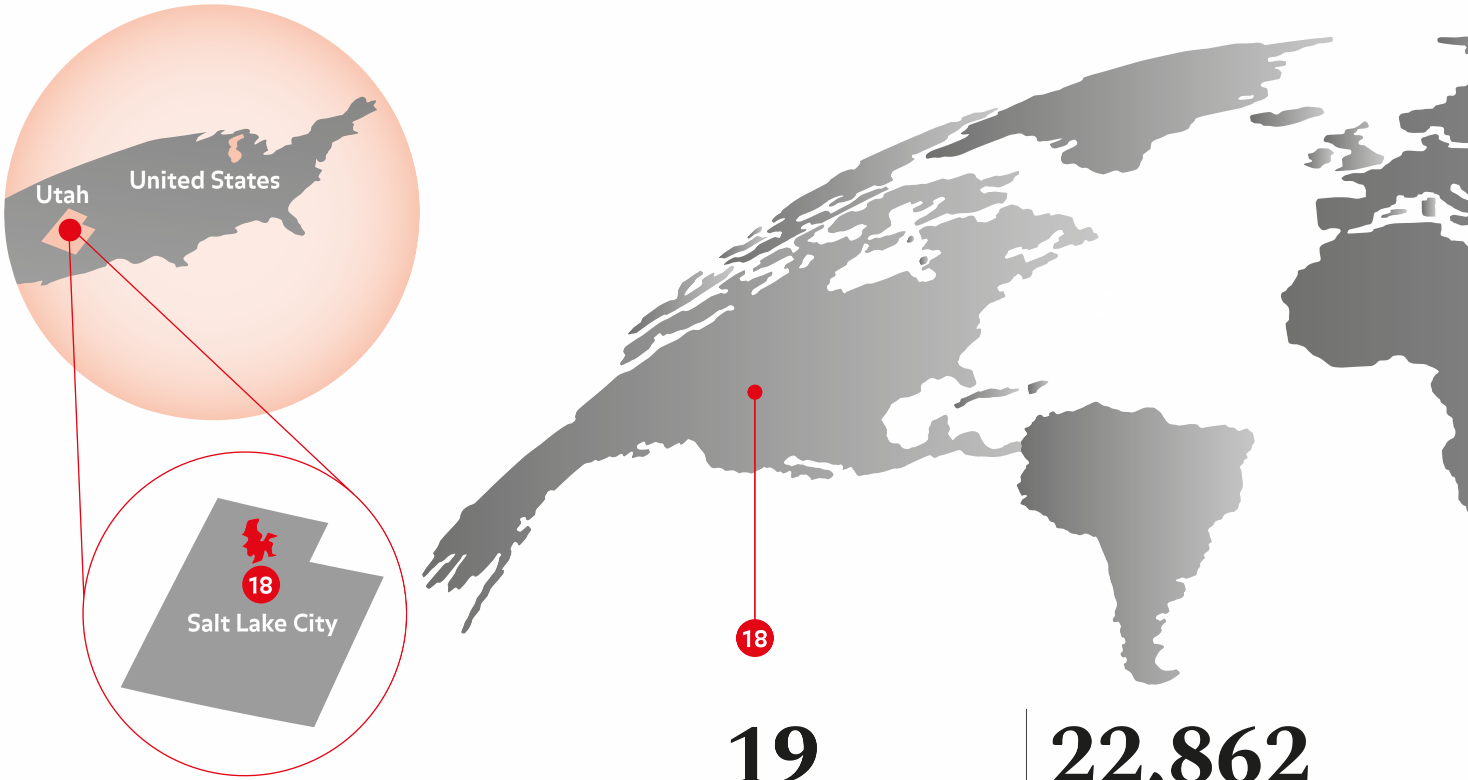
(603) 7623 2000

investor.relations@simedarby.com

Glossary	
ABMS	Anti-Bribery Management System
AGM	Annual General Meeting
Act/CA 2016	Companies Act 2016
BCM	Business Continuity Management
BEA	Board Effectiveness Assessment
Bursa Securities	Bursa Malaysia Securities Berhad
CAT	Caterpillar
COBC	Code of Business Conduct
CSR	Corporate Social Responsibility
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
FY	Financial Year
GAC	Governance & Audit Committee
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GHD	Gifts, Hospitality and Donations
GHO	Group Head Office
GPA	Group Policies & Authorities
GPPA	Group Procurement Policies and Authorities
IIRC	International Integrated Reporting Council
IR	Integrated Report
JV	Joint Venture
KPI	Key Performance Indicator
KRI	Key Risk Indicators
Listing Requirements/ MMLR	The Main Market Listing Requirements of Bursa Securities Berhad and any amendment made thereto from time to time and any Practice Notes issued in relation thereto
M&A	Mergers and Acquisitions
Major Shareholder(s)	Shall have the same meaning as in Paragraph 1.01, Chapter 1 of the MMLR
MCCG	Malaysian Code on Corporate Governance 2021
NGOs	Non-governmental Organisations
NRC	Nomination & Remuneration Committee
OEM	Original Equipment Manufacturer
PATAMI	Profit After Tax and Minority Interests
PBIT	Profit Before Interest and Tax
PDPA	Personal Data Protection Act
RMC	Risk Management Committee
ROAIC	Return on Average Invested Capital
ROE	Return on Average Shareholders' Equity
ROIC	Return on Invested Capital (calculated as PBIT/Invested Capital)
RPT	Related Party Transactions
RRPT	Recurrent Related Party Transactions
RSDH	Ramsay Sime Darby Health Care
SELF	Safe, Engage, Lead, Focus
Sime Darby Group or the Group	Sime Darby Berhad and its subsidiary companies, collectively
Sime Darby or the Company	Sime Darby Berhad
VCP	Value Creation Plan
YoY	Year-on-Year

Group Overview

With operations in 19 countries and territories, we continue to grow, delivering sustainable value to our stakeholders.



19
Countries and territories[1]

22,862
Employees[2]

Staff Strength

Industrial
9,814

Motors
12,371

Group Head Office
148

Others Businesses[3]
529

1 Geographical footprint is defined as locations in which Sime Darby has assets, employees or distribution rights, and includes joint venture (JV) operations (i.e. Ramsay Sime Darby Health Care's operations in Indonesia).

2 As at 30 June 2022. Includes Group Head Office, Sime Darby Industrial, Sime Darby Motors and other businesses (which includes employees of Sime Darby Logistics). Excludes employees of Ramsay Sime Darby Health Care.

3 Includes employees of Sime Darby Logistics and excludes Ramsay Sime Darby Health Care.

	Country	Industrial	Motors	Healthcare
1	Australia	●	●	
2	Brunei	●		
3	China	●	●	
4	Hong Kong	●	●	
5	Indonesia			●
6	Japan	●		
7	Macau	●	●	
8	Malaysia	●	●	●
9	Maldives	●		
10	New Caledonia	●		
11	New Zealand	●	●	
12	Papua New Guinea	●		
13	Singapore	●	●	
14	Solomon Islands	●		
15	South Korea	●		
16	Taiwan		●	
17	Thailand		●	
18	United States	●		
19	Vietnam	●		

Geographically Diversified

We have a diversified portfolio across different sectors and geographies, giving us the unique ability to leverage on an established network to broaden our earnings base.

Leading Partnerships with Premium Brands

We are a partner of choice for some of the world's leading brands, giving our customers access to a network of world-class products and services.

Significant Growth Potential

We are continually growing our position and strengthening our foothold in key markets through strategic expansion.

Strong Financial Profile

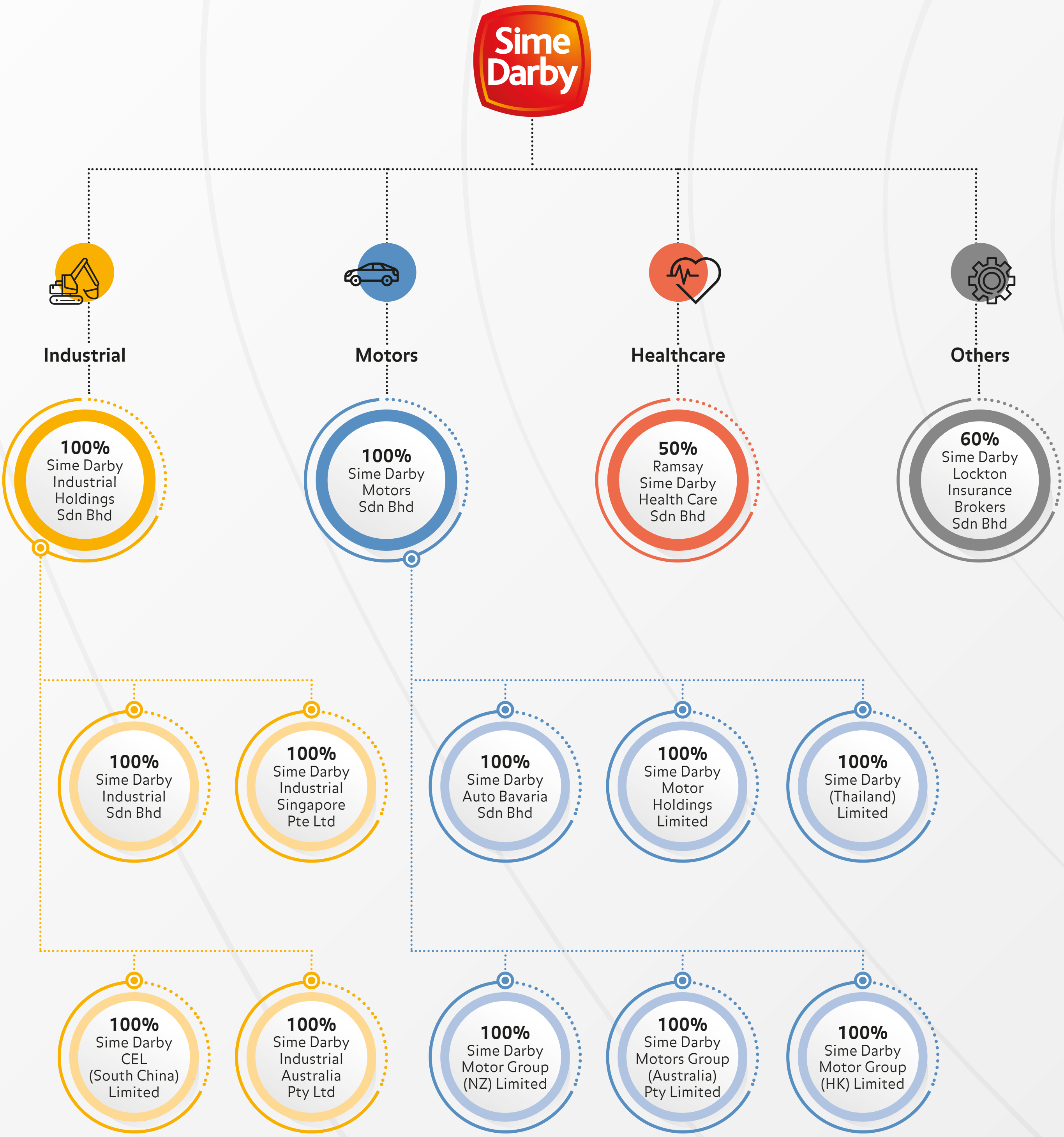
Our strong financial position and low gearing allows us to capitalise on growth opportunities to enhance shareholder value.

Empowered and Engaged People

Our pool of employees with diverse experience and strong capabilities is supported by an inclusive and collaborative workplace culture, enabling the successful delivery of our Value Creation Plan.

Corporate Structure

As at 30 June 2022



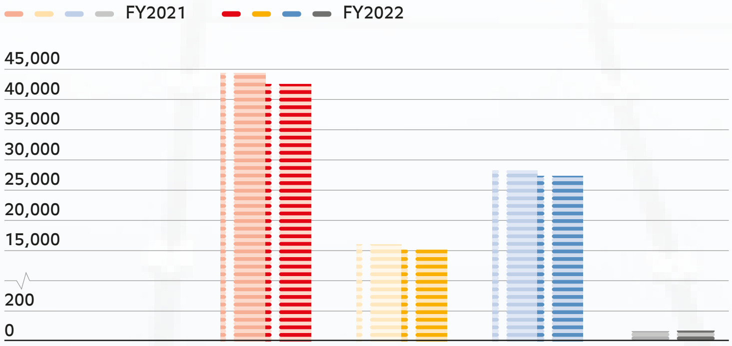
Note:
Excluding Logistics Division as it is classified as discontinuing operations.
Please refer to pages 280 to 294 for the list of companies in Sime Darby Berhad.

Highlights

Financial

Revenue* (RM million)

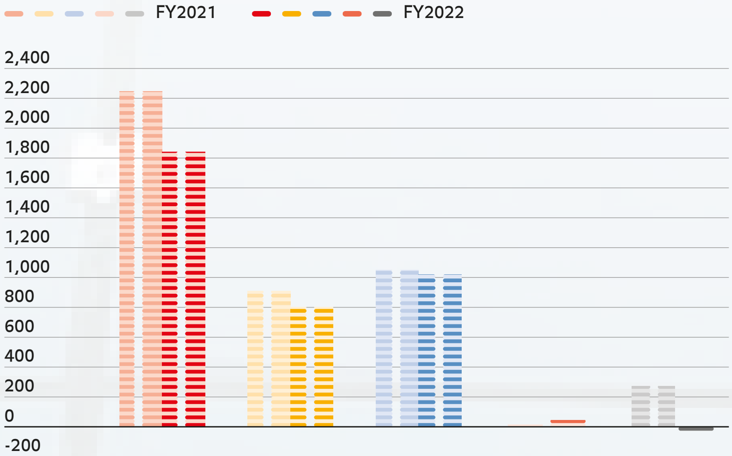
42,502
(44,302 in FY2021)



	Group	Industrial	Motors	Others
FY2021	44,302	16,004	28,235	63
FY2022	**42,502**	**15,099**	**27,337**	**66**

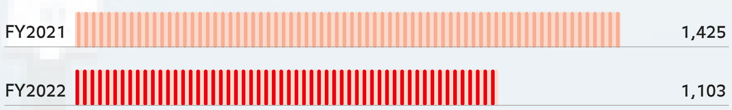
Profit Before Interest and Tax* (RM million)

1,841
(2,245 in FY2021)



	Group	Industrial	Motors	Healthcare	Others & Corporate
FY2021	2,245	909	1,050	15	271
FY2022	**1,841**	**803**	**1,020**	**45**	**(27)**

Net Profit (RM million)

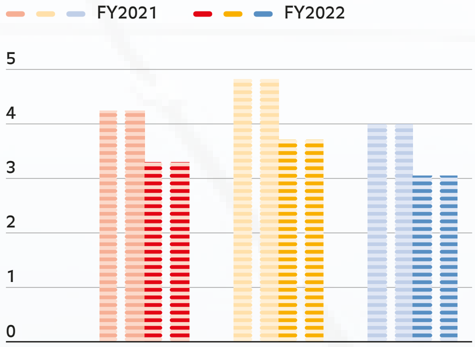


* Continuing operations
** Group data includes Sime Darby Logistics

Non-Financial

Total Recordable Injury Rate
(Total number of recordable injuries per 1,000,000 hours worked by permanent and contract employees)

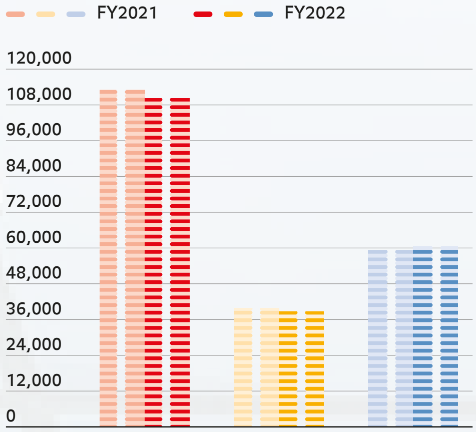
3.30
(4.24 in FY2021)



	Group**	Industrial	Motors
FY2021	4.24	4.82	3.99
FY2022	**3.30**	**3.71**	**3.05**

Environmental Performance
Emissions (Scope 1 & 2 only)(CO_2-e tonnes)

110,260
(113,051 in FY2021)



	Group**	Industrial	Motors
FY2021	113,051	39,818	59,330
FY2022	**110,260**	**38,593**	**60,501**

Note: Emission data has not been assured by a third party

Employee Training and Development in FY2022

480,000
hours of training

Chairman's Statement

> **"Our Value Creation Plan remained our guide through this period, ensuring we stayed on track in growing our core businesses, in enhancing revenue and optimising costs and in rationalising our non-core assets."**

Dear Valued Shareholders,

FY2022 was a year fraught with challenges with slowdown in key markets, inventory shortages and COVID-19 related disruptions. These are also the same reasons why I would say how proud I am of my colleagues at Sime Darby Berhad who have worked hard to overcome these adversities to deliver over a billion ringgit in profits!

Our Value Creation Plan (VCP) remained our guide through this period, ensuring we stayed on track in growing our core businesses, in optimising costs and in rationalising our non-core assets. We have had to be resilient and agile to respond to the tough market conditions. And tough it was!

COVID-19-related disruptions in the form of lockdowns, significantly affected our Motors business in China. Supply chain disruptions resulted in a global shortage of cars, equipment and parts. We incurred additional costs arising from the unavailability of labour and a consequent increase in overtime payments. Our Industrial business in China was affected by the severe slowdown in the construction industry there.

Nevertheless, overall, our Motors business still performed well. Malaysia, which benefitted from the sales tax exemption, delivered a standout performance for the year. Our biggest market, China, started the year very strongly, but lockdowns in the fourth quarter affected their results. I was pleased however to see that our Motors businesses in Australia and New Zealand have both reported strong profits.

The Industrial Division was impacted by the slowdown in the China construction industry. But our operations in Australia benefitted from record metallurgical and thermal coal prices.

I am heartened to note the strong positive contributions from our recently acquired operating units. The New Zealand Caterpillar dealership Terra Cat, the motor dealerships in Parramatta, Sydney and our most recent acquisition, Salmon Earthmoving Holdings Pty Ltd (Salmon Australia), have all contributed positively.

Financial Performance

The Group reported net profits of RM1.1 billion for the year in review. Last year, the Group reported net profits of RM1.4 billion, which included a one-off gain of RM272 million on the divestment of the Group's stake in Tesco Malaysia. Adjusted for this, core net profit declined by 4.3%.

Revenue for the year was relatively lower at RM42.5 billion compared with RM44.3 billion in FY2021, largely due to the impact from supply constraints.

The Motors Division did not have an easy year, with the China operations delivering lower profits due to inventory shortages and COVID-19 lockdowns in parts of China, including Shanghai. This was compounded by lower dividend income received from BMW Malaysia. However, the situation was partly mitigated by improved profits from Malaysia, in particular from our BMW and Porsche businesses.

The Industrial Division's PBIT for the year in review decreased by 12% to RM803 million. This was mainly due to a decline in contribution from the China operations as a result of the significant contraction in industry size. The Chinese excavator market has shrunk by about 50% from its peak. Fortunately, the Industrial Division's Australian operations performed relatively well on the back of strong equipment

Untitled (Abstract Form)
The artwork featured here in the backdrop is by Malaysian artist, the late Datuk Ibrahim Hussein. It is part of a collection of paintings from the renowned painter on display at Menara Sime Darby.

Tan Sri Samsudin Osman
Chairman

Chairman's Statement

deliveries. However, the after-sales business was impacted by a parts price reduction exercise and deferral of major maintenance work by mining customers.

These results demonstrate the resilience of our two core businesses of Industrial and Motors, and how our geographical spread provides us with the ability to withstand shocks. We aim to strengthen our two core divisions through further acquisitions or expansion along the value chain to deliver more value-added products and solutions to our customers, and to meet with changing market demands.

Dividend and Share Price

The Group's policy is to distribute a dividend of not less than 50% of the full year's net profit. For the last four financial years following the demerger, we have declared more than 70% of our net profit as dividends to our shareholders.

For FY2022, we have declared total dividend of 11.5 sen per share, including the first interim dividend of 4 sen per share paid in May 2022. This brings the total dividend for the year to RM783 million, equivalent to 71% of our net profit for the year.

Our share price opened at RM2.18 per share at the start of the financial year and closed at RM2.13 per share. In FY2022, with the dividend declared, our Total Shareholder Return (TSR) at 3% outperformed the KLCI by 5.5 percentage points.

Powering Ambition, Shaping a Sustainable Future

FY2022 was a year of continuing our ambition to be focused on the growth of our core businesses of Motors and Industrial, and the strengthening of our commitment towards the highest standards on environmental sustainability, social responsibility and corporate governance.

Despite headwinds experienced over the year, the Group has been successful in implementing the strategies laid down in our VCP, and in delivering value to shareholders.

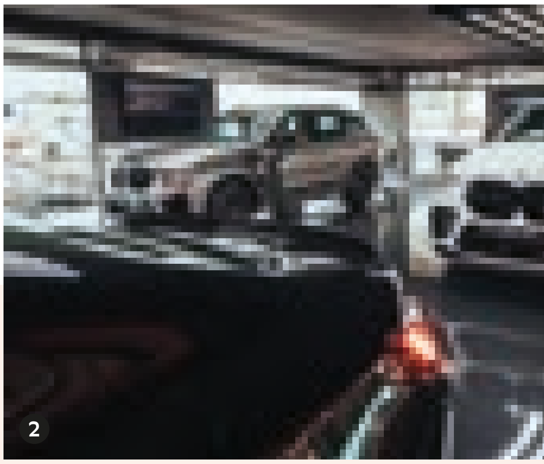
The inventory shortages experienced during the year has been offset by an increase in margins in a supply-constrained marketplace. Nevertheless, our Returns on Average Invested Capital (ROAIC) declined from 11.1% in FY2021 to 8.8% in FY2022, due partly to the gain from the divestment of our stake in Tesco Malaysia in FY2021, and overall challenging market conditions in FY2022.

Part of the VCP involves continuous reviews of our operations to ensure we optimise every resource. We will continue to place emphasis on enhancing our ROAIC, through various initiatives such as working capital enhancement, cost optimisation and productivity improvement to extract greater value from our operations.

With more than 22,000 employees across 19 countries and territories, we are cognisant of how important the roles our people play in the Group's success. One of my learnings during the past two years of the pandemic is how capable and committed our local management teams have been. Despite all the difficulties that the pandemic and supply constraints have thrown out, they have continued to

Revenue
RM42.5b

Net profit
RM1.1b



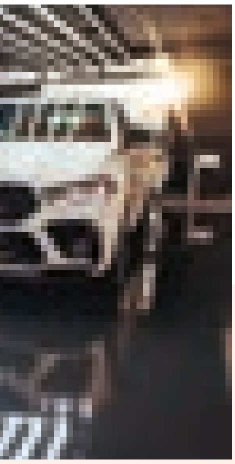
2

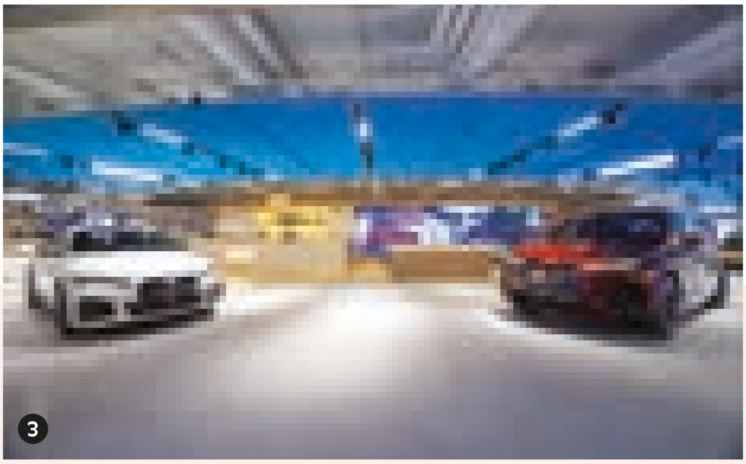
1. Sime Darby is a leading dealer of Rolls-Royce Motor Cars in China.
2. We are one of the largest BMW dealers globally.
3. Sime Darby Motors' subsidiary, BMW Concessionaires (HK) Ltd., debuted Hong Kong's first BMW iSpace showroom in June 2022, which houses the entire BMW i Series range and the all-new MINI Electric.
4. The Cat® 796 AC electric drive truck offers more flexibility than any other truck in its size class – delivering optimised performance and better productivity.
5. Sime Darby Industrial continues to operate in a lean structure, focusing on technology to deliver world-class services to our customers.

Togetherness
This painting, by Malaysian artist, the late Datuk Ibrahim Hussein, is one in a series of three entitled Togetherness. It reflects the way in which all members of the Sime Darby family interact and work with one another, to deliver results and ensure sustainable value and futures for our stakeholders. This painting is displayed at Menara Sime Darby, where a collection of paintings from the renowned painter, is on display.

We aim to strengthen our two core divisions through further acquisitions along the value chain to deliver more value-added products and solutions to our customers, and to meet with changing market demands.


1

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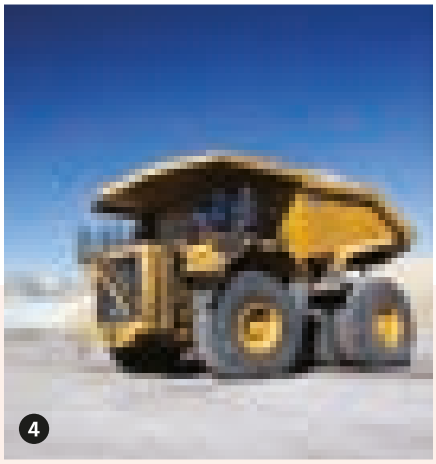
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focus on their operations and have been able to consistently produce very commendable results for the Group.

Besides ensuring operational excellence, we have also continued to expand our various businesses. Our Motors business in China successfully executed its aggressive greenfield expansion plans during the year. Today, our footprint in China continues to expand with new outlets in cities like Jiangmen (BMW), Foshan (BMW), Changsha (MINI), Guangzhou (MINI & Li Auto), Shenzhen (BMW) and Zhuzhou (Tesla).

We also recognise growing trends in alternative mobility, and have made investments in start-ups such as Carro and SOCAR. And we have invested in GLy's New Mobility Fund to stay abreast with the latest developments in the space with a view to future-readying our Motors business.

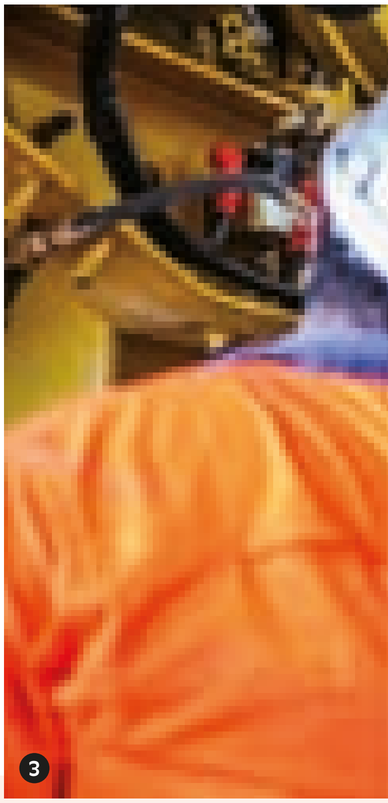
In preparation for the electric vehicle (EV) revolution, and to capitalise on the opportunities that will follow, we have set up a new business unit, KINETA which supplies and installs EV chargers and EV charging solutions in Malaysia and Hong Kong. KINETA represents renowned brands such as Wallbox, Starcharge and Tritrium, and aims to fulfil every EV charging need, be it in commercial or residential environments.

Management continues to divest non-core assets. To-date, we have disposed of our stakes in Tesco Malaysia, in Eastern & Oriental Berhad as well as three river ports in Jining, our water management business in Weifang and our global shared services centre. We have also recently signed agreements for the sale of the Weifang port companies, which are expected to be completed by the end of 2022 and will see our exit from the Logistics business in Shandong Province, China.


5

Chairman's Statement

In preparation for the electric vehicle (EV) revolution, and to capitalise on the opportunities that will follow, we have set up a new business unit, KINETA.



These divestments essentially mean that we will move forward with two core divisions; Industrial and Motors.

We also have a valuable business in Healthcare, via a 50:50 joint venture with Ramsay Health Care. With increased demand for healthcare and growing affluence in the region, we believe Ramsay Sime Darby Health Care has much inherent value and bright prospects, and we will continue to manage this business and to seek out opportunities to maximise returns for our shareholders.

As we strive to deliver value to our shareholders, we remain cognisant of our responsibility as a corporate citizen and the impact we have on our environment and the surrounding communities. We operate responsibly by balancing our economic aspirations with our environmental, social and governance obligations.

The Group's governance structure remains robust. The Board and management are fully aware of the need to protect the environment and to ensure we behave responsibly in the communities we operate in. This has been ingrained in Sime Darby's culture for many, many years. We have further strengthened our commitment, and have put in place a new holistic Sustainability Blueprint, which we introduced in FY2021.

The Blueprint is fundamental to how we want to do business to create long term value to our stakeholders and to strengthen our commitment to the highest standards of corporate governance, environmental sustainability and social responsibility.

FY2022 saw the functionality of the Sustainability Blueprint really start to take shape through the creation and integration of the seven Flagship Initiatives. These Initiatives are an essential aspect of the Blueprint as they provide guidance to our operations in aligning their projects to the greater sustainability agenda. They support a robust internal reporting framework that enables us to quantify our sustainability-based initiatives.

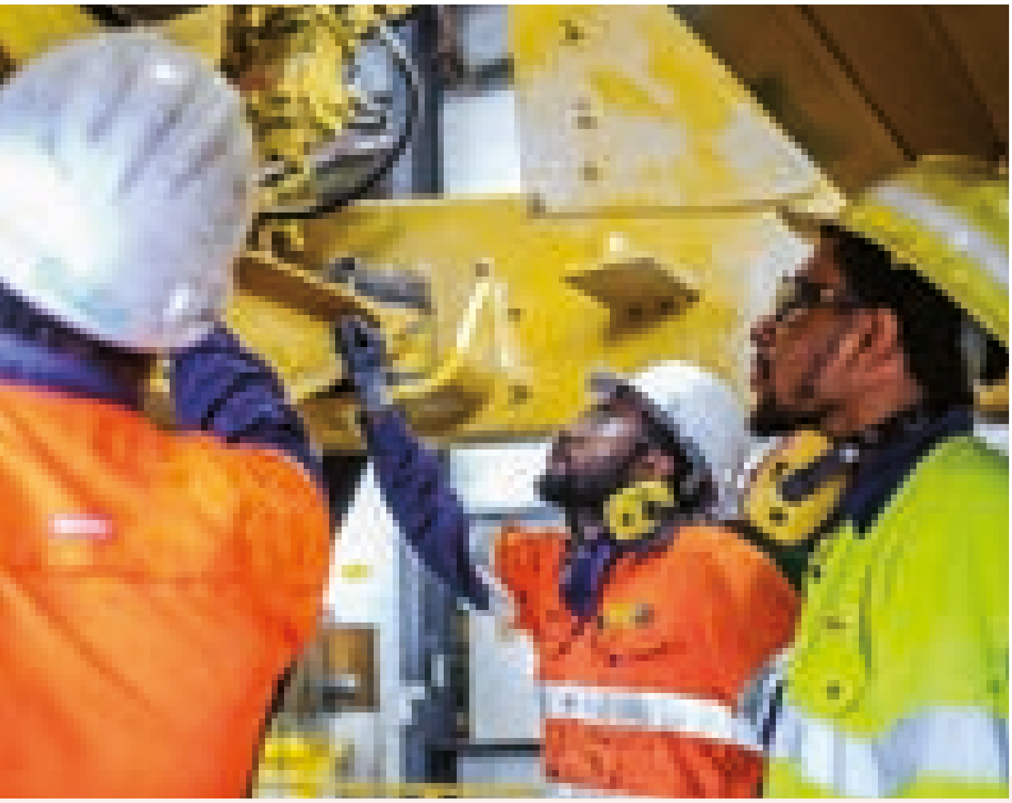
We believe that our focus on sustainability not only strengthens our social licence to operate, but also enhances our ability to run our businesses efficiently, competitively and generatively into the future. Sime Darby Berhad is committed to Delivering Sustainable Futures.

Governance

We have always believed that strong corporate governance is fundamental in enabling our businesses to operate sustainably and to bring about stable shareholder returns. Sime Darby Berhad's governance framework is constructed on the highest principles of transparency and accountability, and these same values have been guiding the execution of our strategies and in our engagement with stakeholders at every level. Our team works to ensure that our standards are on par with international best practice standards, which are important in our dealings across our region-wide operations.

During the year, the Board of Sime Darby Berhad approved revisions aimed at empowering the management team to operate more efficiently, following a review of the Group Policies and Authorities (GPA).

In following through with the requirements of Section 17A of the Malaysia Anti-Corruption Commission Act 2009, we looked at ways in which we could enhance our standards of practices in anti-bribery across our operations. One of our key initiatives during the year was the development of our own Gifts, Hospitality and Donation (GHD) registry. Named *yourTrust*, the application enables employees to register the gifts, hospitality and donations they give out and receive. *yourTrust* was developed to improve the transparency and



1. With the first all-electric Taycan sports car, Porsche entered a new era in 2019 and, since then, has consistently expanded its product range in the field of electric mobility. Sime Darby Motors currently represents Porsche in Malaysia, Australia and in New Zealand.
2. Sime Darby Motors is committed to providing customers with first-class service for their BMWs.
3. Fitters and apprentices from Hastings Deering checking the engine installation for a 785D Truck from the Lihir New Crest Gold Mine, which is undergoing a rebuild process at Hasting Deering Papua New Guinea, Port Moresby Business Centre.

accountability of the various customs and practices surrounding gift exchanges across the 19 countries and territories where we operate, some of where these practices are deeply rooted.

Outlook

Sime Darby Berhad, having been a trading partner to some of the world's most admired brands since the 1920s, is often perceived as a long-term proxy to Asia Pacific. Our partners rely on our deep knowledge and understanding of the different cultures and demands of the region, to better market their products and to represent their brand to consumers. We are very proud of the relationships and trust that we have built with some of our long-term partners such as Caterpillar, BMW, Ford, Jaguar, Land Rover and Porsche, among others.

We will continue to focus on expansion in China, which we view to be the engine of growth for Asia Pacific. Demand for luxury items from the growing urban middle class is expected to remain robust while economic activity will drive demand for commodities such as metallurgical coal.

In planning for the future of Sime Darby, we are cognisant of the growing demands for greater commitment from businesses and the society at large to improve commitment and actions towards reducing carbon emissions. This will impact our traditional business profit pools. For example, with the rapid rise in popularity of EVs, replacing traditional internal combustion engine cars in the last few years, the Group has been readying itself in several areas; technical capabilities in servicing and retailing, as well as leveraging on the surging demand for charging equipment and infrastructure.

In the mining industry, we believe that there are significant opportunities for the Group. Although global demand for thermal coal is predicted to decline, there will remain a "long tail" demand from coal-fired power plants around the world. Australian thermal coal mines are the most efficient mines in the world, producing some of the highest quality coal. We believe metallurgical coal mining will remain as there is no viable substitute for it for steelmaking. We see the energy transition from fossil fuels to renewables resulting in a huge demand for minerals such as copper, nickel, lithium and cobalt, all of which are necessary in the production of electronics and electrical products and which will have to be mined.

Acknowledgements

On behalf of the Group, I would like to express our sincere appreciation and gratitude to Dato' Ahmad Pardas Senin and Dato' Sri Abdul Hamidy Abdul Hafiz for their invaluable service to the Group. Both Directors have expressed their intention to retire at the forthcoming Annual General Meeting. Dato' Ahmad Pardas will retire as Senior Independent Non-Executive Director, while Dato' Sri Abdul Hamidy will retire as an Independent Non-Executive Director.

I am pleased to welcome Tan Sri Muhammad Shahrul Ikram Yaakob, who was appointed as an Independent Non-Executive Director on 8 June 2022, to the Board.

Finally, I would like to express our gratitude and thanks to our valued shareholders for their faith and support all these years. My appreciation goes to my fellow Board members, management team and all employees of Sime Darby Berhad for their commitment, hard work and loyalty.

Tan Sri Samsudin Osman
Chairman

Group Chief Executive Officer's Q&A

"Although there will likely be challenges in the next few years, we expect demand to be sustained. The Group has a clear plan which the management team is executing upon. And the Group's balance sheet remains strong."

Togetherness
This painting, by Malaysian artist, the late Datuk Ibrahim Hussein, is one in a series of three entitled Togetherness. It reflects the way in which all members of the Sime Darby family interact and work with one another, to deliver results and ensure sustainable value and futures for our stakeholders. This painting is displayed at Menara Sime Darby, where a collection of paintings from the renowned painter, is on display.

Q FY2022 was a challenging year for the automotive industry. Nevertheless, Sime Darby's Motors Division did well with a PBIT of over RM1 billion. How did you overcome the multiple disruptions like the supply chain issues and COVID-19 lockdowns?

FY2022 was indeed a challenging year for the Motors Division. Whilst demand for cars remained relatively strong in all our markets throughout the year, the number of new vehicles sold dropped by 10%, from 103,417 units in FY2021 to 92,594 units in FY2022. Our operations were severely affected by supply constraints and numerous COVID-19-related lockdowns, especially in our biggest market, China.

The global shortage of semiconductor chips and other components affected the entire industry. And in the months of April and May of 2022, we were saddled with lockdowns in China, for example in Shanghai and Shenzhen, which caused severe disruptions to our businesses and further exacerbating already troublesome logistical issues in China and the rest of the world.

But revenue declined by only 3% to RM27.3 billion. With solid customer demand in an environment of supply shortages, we were able to improve margins. Due to better margins, PBIT dropped only marginally from RM1,050 million to RM1,020 million.

China remains our biggest contributor, and we would have performed significantly better if not for the lockdowns in the latter part of our financial year.

Our Malaysian operations, which benefitted from the extended sales tax exemption, had an outstanding year. The new Parramatta businesses in Sydney performed well and contributed positively to the Australian results, despite the lockdowns in the city at the beginning of our financial year. The economic recovery in New Zealand created strong demand for our commercial trucks, equipment and parts businesses. The only soft spot was in Singapore, where the all-time high Certificate of Entitlement costs resulted in lower margins.

Sime Darby Industrial continues to invest in people through training and development in its continued efforts to deliver win-win outcomes across employee and customer experience.

But overall, I was pleased with the performance of the Motors Division in what were trying conditions.

Q The Industrial Division in FY2022 saw a similarly muted performance as the previous year. What is affecting performance and when can we expect to see an improvement?

The heavy equipment business in China was badly affected by the slowdown. Our profits there declined by around 45%, as many infrastructure projects have been put on hold. The excavator market contracted by about 50%.

But commodity prices, including both metallurgical and thermal coal, have been very strong, resulting in robust demand for new equipment from our mining customers. However, we did see many customers deferring maintenance and equipment rebuilds to concentrate on production which affected our after-sales business. Results were also impacted by a parts price reduction exercise and additional manpower costs, due to enforced absenteeism as a result of COVID-19.

Nevertheless, our order book remains strong. And we do expect for the backlog of maintenance work to come in during FY2023. So, I am optimistic of an improved performance in FY2023.

Q The Group has been actively divesting assets in the last few years. Can you shed some light on the reasons for these divestments? What other assets are planned for divestments? And what are the Group's plans for the proceeds?

After the demerger, we spent time thinking about what the "new" Sime Darby should look like. Our vision was to become the leading automotive and industrial equipment trading company in the Asia Pacific region. We then reviewed our asset and business portfolio and it became very clear what businesses and assets were core. And what were non-core.

But it is not easy to divest assets quickly and at the right price. We didn't want a "fire-sale" and so had to be patient and to wait for the right time. It has taken us almost four years, but this divestment exercise is now largely completed.

Dato' Jeffri Salim Davidson
Group Chief Executive Officer

Group Chief Executive Officer's Q&A

We still have some land in Labu, which is part of the Malaysian Vision Valley, where we will continue to look at opportunities to divest at the right price. And we have a few smaller businesses and assets which are also considered non-core, but these are profitable and there is no need to rush any further divestment.

We have received over RM600 million from the sale of assets like our investments in Eastern & Oriental and in Tesco Malaysia, as well as Weifang Water and Jining Ports. Some of the proceeds were given back to shareholders in the form of special dividends. More importantly, some of

1 Parramatta Jaguar Land Rover has been recognised as Australia's top-performing dealership for 2021/2022.

2 China Engineers Limited (CEL) is the sole distributor of Cat equipment across seven provinces in China, namely Guangdong, Guangxi, Hainan, Fujian, Jiangxi, Hunan, and Xinjiang.

3 The Definition CE 04 concept electric scooter, BMW Motorrad's first all-electric motorcycle is on display at Hong Kong's first BMW iSpace showroom in Wan Chai.

4 Sime Darby Motors is the official automotive dealer of BYD vehicles in Singapore, and the distributor of BYD vehicles in Malaysia.

We have grown steadily since those pioneering days, and today, China is our largest market.

it have been re-invested in our existing businesses; into new dealerships, in the continual upgrading of our facilities, in operational assets and in acquisitions to grow and strengthen our businesses. In the last couple of years, we have spent a total of approximately RM1.6 billion in the acquisition of motor dealerships in Parramatta, Sydney, a Caterpillar dealership in New Zealand, a chroming business in Australia and an equipment rental business in Australia. I daresay that future cash generated will be used in a similar way.

Q You have recently announced that the discussions around the proposed divestment of RSDH was terminated. So, going forward, what is the plan for the Group's investment in the healthcare business?

I had mentioned earlier that our vision was to become the leading automotive and industrial equipment trading company in the Asia Pacific region. And so, the question was this, "where did our wonderful healthcare asset, in the form of our 50:50 joint-venture in Ramsay Sime Darby Health Care (RSDH), fit in to the "new" Sime Darby?".

On one hand the healthcare business is non-core. There is very little synergy between a healthcare business and our trading business. Whilst profitable, it is still relatively small, making up less than 5% of the Group's profit. And although we did successfully acquire the Manipal Hospital in Klang, it is not easy to grow the healthcare business to become a more regional player, and to achieve a more meaningful size, due to the steep valuation of assets in this sector.

On the other hand, it is a great asset. It is profitable, and we have very good partners in Ramsay Health Care. Subang Jaya Medical Centre is arguably the best private hospital in the country. And we have other well-established hospitals in Kuala Lumpur, Jakarta and Surabaya. We work with a bunch of incredibly long-serving, loyal and dedicated doctors, nurses, support and management staff. And of course, the healthcare sector is an exciting and fast-growing one.

When we received an unsolicited offer in March 2022 to acquire this asset, we had to make a very difficult decision. The offer price was relatively attractive, and the Board ultimately felt that the proceeds generated would be better invested in new opportunities in the automotive and industrial equipment sector.

However, the transaction didn't materialise. Going forward, management and the Board will need to think through on what the Group's position is on RSDH.

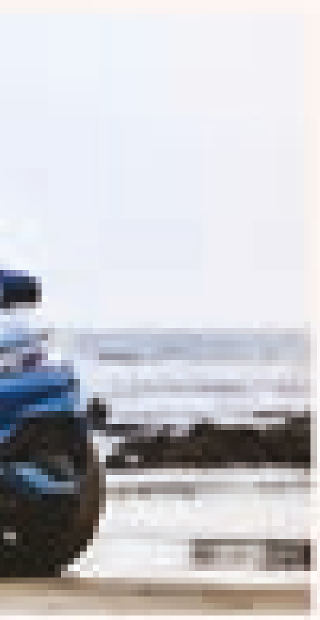
Q China's economic growth forecast has been downgraded this year to 3.3% by the IMF, the lowest in four decades. With China being one of the Group's key markets, how do you see the situation in China?

China is indeed a very important market for us. We must thank the previous CEOs of Sime Darby who had the foresight in the 1980s and 1990s to make, at that time, what must have been some bold decisions to invest in the heavy equipment and car distribution business there.

We have grown steadily since those pioneering days, and today, China is our largest market. Our China operations contribute around 40% of our revenue, spans 120 locations across 14 provinces, and employs over 6,000 people. And we will continue to invest in China. Over the past two to three years, we have almost doubled the number of auto dealerships in China. The most recent one to open was our first BMW dealership in Shanghai.

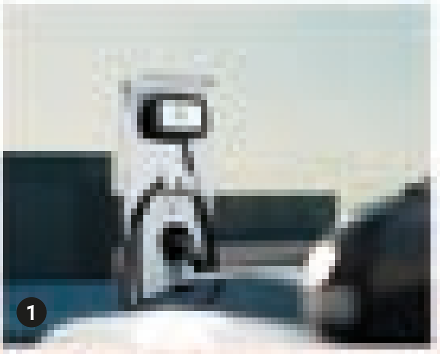
And yes, China is going through a bit of a slowdown. As mentioned earlier, the construction industry has been affected. The economy appears to be suffering from the effects of the global supply chain disruption and COVID-19-related shutdowns. Consumer optimism has, perhaps, dampened a little and there was some impact of the slowdown on our results for FY2022.

But we see this as no more than a short term "blip". China will recover quickly and will remain the engine for growth for Asia Pacific. It will continue to develop and urbanise. Its middle class will continue to expand. It is already



Group Chief Executive Officer's Q&A

1. Sime Darby Berhad, through KINETA, aims to position itself as one of the preferred AC charging solutions providers in Malaysia. KINETA supplies, installs and maintains your EV supply equipment journey.
2. Hastings Deering Papua New Guinea (PNG) supports the development of the resources, infrastructure, and energy industries in PNG.
3. Sime Darby Motors City is the largest technologically-advanced automotive complex in South-east Asia. It houses six flagship centres, featuring 10 brands.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the world's largest luxury market, and we believe that demand for premium products will become even stronger over the longer term.

To give some context, the United States has a car penetration ratio of 871 cars per 1,000 population. Malaysia has 433. China has 203. So, I am optimistic that there is still enormous opportunities for growth in China.

Q The world is fraught with rising geopolitical tensions leading to economic uncertainties, and for some, continuing COVID-19 related disruptions. Based on this year's results, Sime Darby was not spared. How does the Group ensure it continues to deliver value amidst such conditions?

Since the demerger almost five years ago, FY2022 has probably been the most difficult of times that we have faced. The twin impact of the Russia-Ukraine conflict and COVID-19 has caused severe disruption to the world's economies. Our OEM factories and our operations were not spared. There has been a severe shortage of components while COVID-19 lockdowns have caused showrooms and service facilities to have to be periodically shut. We have had to incur additional staffing and overhead costs during this time.

Having said that, demand for the Group's products has remained relatively strong. We were still able to deliver a pretty strong set of results. This I think, has been due to the advantages of having geographical diversity and highly capable and experienced management teams.

There is a "flip" side too. The energy crisis has resulted in record prices for commodities such as thermal coal, which in turn has driven demand for new equipment from our coal mining customers. Our Industrial operations in Australia has seen robust activity as miners replace fleets and this has strengthened our order books.

We are, of course, beginning to experience rising inflation and increased cost of borrowings. The full impact on economies and our businesses in the next year or so remains to be seen.

Although there will likely be challenges in the next few years, we expect demand to be sustained. The Group has a clear plan which the management team is executing upon. And the Group's balance sheet remains strong.

Q Companies are facing increased pressure to act on environmental, social, and governance issues. Investors, regulators, communities, customers, employees, and other stakeholders are paying closer attention than ever before. Can you give insights as to what Sime Darby is doing to address this?

There certainly has been an increased awareness and emphasis on sustainability from various stakeholders over the past few years. And at Sime Darby, we too have increased our focus. We launched our Sustainability Blueprint last year with the one major aim to reduce our Scope 1 and Scope 2 carbon emissions by 30% by 2030. Supporting this are numerous flagship initiatives that are progressively being rolled out.

From a Governance perspective, I believe that Sime Darby is in a reasonably good position. We have, over the many years, put into place strong governance and internal control processes which are overseen by the Board and supported by the Governance & Audit Committee.

From a Social perspective, we have focused on two major areas.

One is around our employees and, in particular, around improving the safety culture throughout the organisation. Our recent safety record and safety culture is something that we take great pride in. It is an area where we continue to grow our capacity through continuous training, monitoring programmes and culture-building. Our "Safe, Engage, Lead, Focus" (SELF) safety culture programme, which was an initiative successfully implemented a few years ago in our Industrial operations in Australia, is being progressively rolled out throughout the Group. It is the foundation to which we create awareness on safety and the importance of making safe personal choices.

The other area is around supporting the communities where we operate. In Malaysia, the three Sime Darby companies continue to make significant important contributions, totalling RM80 million a year, to Yayasan Sime Darby to support its CSR programmes on education, community and health, environment, sports and arts and culture. In addition, across all countries of operation, we support the communities we operate within through varying CSR activities.

But the major focus over the next few years is really around the environment. Clearly, the planet is being severely impacted by increasing carbon dioxide emissions resulting in global warming and climate change. Sime Darby has a duty to play its part to reduce the impact on our environment.

Sime Darby continues to play a major part, working with our OEMs to transition the automotive industry from internal combustion engine cars to more energy-efficient, cleaner electric vehicles. Over the next few years, we will see quite a quick shift to EVs in our Asia Pacific markets. We are already participating in the development of EV charging stations in Malaysia, Singapore and Hong Kong.

Internally, numerous programmes have been rolled out to all operating units around reducing electricity consumption. We have plans to install solar photovoltaic (PV) systems across more of our facilities. All new facilities are designed to be "greener".

3

Group Chief Executive Officer's Q&A

To ensure understanding and alignment among employees and to drive accountability for delivery upon our material matters, we have cascaded our initiatives through an ESG Programme Management Framework designed to build engagement, foster individual ownership and provide a platform to report upon our progress.

We do believe we can achieve our overall purpose of "Delivering Sustainable Futures".

Q In last year's annual report, you talked about the disruptive trends affecting the automotive, including the agency model and the shift from internal combustion engine vehicles to electric vehicles. One year on, how is Sime Darby coping with these trends?

We are seeing major automotive disruptions including the emergence of the agency model, the rise of EVs and the growth of online used car platforms. The trends have really accelerated in recent years – we sold almost zero EVs in 2020, but they now make up 3% of unit sales volume. And EVs will continue to grow.

The agency model is gaining traction and will likely disrupt the traditional dealership model. It is being steadily rolled-out in Europe and we foresee the same happening to Asia. However, while we are keenly aware of the disruption the agency model could bring to traditional automotive dealerships like ours, we mainly serve the premium and luxury automotive sector where more personalised customer experience is expected, and where "high touch" is a prerequisite. We believe we will be less susceptible to the impact of the agency model. Nevertheless, we are building up other profit pools such as our after-sales and used car businesses, both of which are higher margin segments. Our broad portfolio of brands and geographical footprint also provides a buffer, as the shift will not happen everywhere, all at once.

Overall, we believe that large dealer groups such as Sime Darby will continue to play a strategic role as a partner of choice to OEMs in the region, by leveraging on our scale, financial strength, professionalism and local knowledge.

Moving forward, we believe the customer journey will alternate between physical and digital formats. Hence, we are developing an integrated and seamless omnichannel experience combining online and offline touchpoints, such as digital showrooms and mobile servicing.

In terms of EVs, we are really going "all in". Being the dealer for over 30 marques across Asia Pacific, we are fortunate to have a wide array of EV offerings from our incumbent OEMs giving us an immediate entry into the EV space. We are also targeting new Chinese EV brands to broaden our EV offerings. Our China operations is an important component in our strategy as it gives us a "front-row" seat to follow developments in the most sophisticated EV market globally and to transfer these learnings to our other markets.

We have made venture capital investments in mobility start-ups such as Carro and SOCAR to enhance learnings in this space and to reap synergy benefits with our traditional auto business.

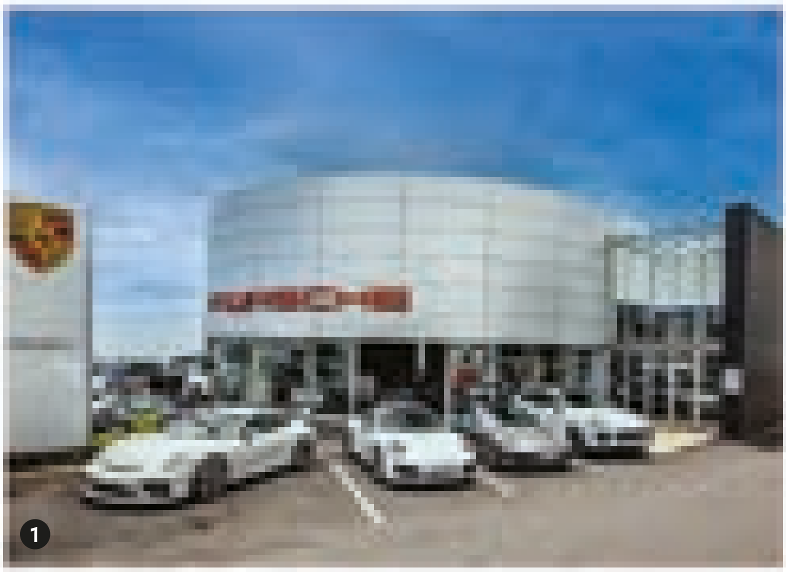
Our assembly operations in Inokom which assemble BMW, MINI, Hyundai, Porsche and Mazda is another strategic component that allows us to play higher up the value chain in a segment that is insulated from the agency model.

As you can see, we are well positioned to be the strategic partner for OEMs in the region due to our scale and track record, but we are continuing to enhance our offerings and to move with the times.

Q Sime Darby is one of Caterpillar's largest mining dealers supplying equipment and services to the mining industry, especially in Australia. With calls for action against climate change growing stronger, and the move towards renewable and more sustainable energy sources, is Sime Darby's business going to be affected in the medium and longer term?

Sime Darby is the second largest Caterpillar dealer worldwide and Australia is a key market.

In terms of EVs, we are really going "all in". Being the dealer for over 30 marques across Asia Pacific, we are fortunate to have a wide array of EV offerings from our incumbent OEMs giving us an immediate entry into the EV space.



1. Our partnership with Porsche began in 1998 when Sime Darby Berhad acquired Continental Car Services Ltd, a multi-franchise dealership based in Auckland, New Zealand.
2. The all-new MINI electric on display at Sime Darby Motors Hong Kong's first BMW iSpace showroom in Wan Chai.
3. Caterpillar offers best-in-class equipment and is well positioned to support our customers' equipment needs into the future.
4. Coupled with decades of experience, our service teams adopt the latest technology to provide the highest of quality workmanship for our customers.

Our Industrial business in Australia is significantly exposed to metallurgical, or met coal, which is an essential component for steelmaking. Australian met coal is known to be of the highest grade in the world and will continue to be in high demand. High quality steel will continue to be needed as governments worldwide invest in infrastructure development. And so, we expect a long runway for met coal.

We also have exposure to thermal coal, but to a lesser extent. Although thermal coal is considered "less clean", it will continue to form the baseload in the energy mix. New coal fired power plants are still being commissioned, which provides a 20- to 30-year lifespan of demand for thermal coal. In this regard, Australian thermal coal has the highest calorific content in the world and burns most efficiently, which means that it will likely to be the last to be phased out.

On a broader note, mining will continue to play a pivotal role in the energy transition towards renewables like wind and solar. There will be fresh demand for minerals such as lithium, nickel, cobalt, copper and aluminium to support the accelerated energy transition. Energy experts forecast that an additional US$1 trillion investment in capacity is required by 2035. Caterpillar offers the best-in-class equipment and is well positioned to support our customers' equipment needs into the future.

Besides mining, our Industrial business has a sizeable exposure to the construction and infrastructure sector. It is estimated that infrastructure investment in Asia is expected to exceed RM7.6 trillion per year until 2030, fuelled by population growth and increasing wealth. The Australian government has also rolled out a RM370 billion infrastructure pipeline that should be positive for equipment spend.

Business Environment

Our performance is impacted by key macrotrends that shape the world, as well as the geopolitical and economic climate of the countries we operate in. To ensure the Group's long-term success, we strive to stay ahead of the curve by identifying key trends affecting our business, now and in the future.

Market Trend	Description
Rising Inflationary Pressures	Inflationary pressures are rising and are expected to dampen economic growth. Governments across the globe are fighting rising inflation by tightening fiscal policies. Nevertheless, global inflation is expected to remain elevated in the short term before the global economy eventually rebounds. The IMF now expects the world economy to decelerate to 2.9% growth in 2023 with looming recession concerns. This is due to tightening financial conditions arising from rising central bank interest rates in the US, exacerbated by supply chain dislocations and surging commodity prices as a result of the Russia-Ukraine conflict. China's economy is also expected to undergo a slowdown, following a series of lockdowns in major cities and production hubs. Overall, this has a knock-on effect on the region including the key markets we operate in. For our Industrial sector, inflationary pressures could impact production pricing and labour cost, while the weakening of consumer purchasing power could mean reduced demand for our Motors sector in the short run.
Record High Commodity Prices	The rapid reopening of the economy, supply chain disruptions and trade sanctions imposed on Russia following the Russia-Ukraine conflict have led to commodity prices hitting record highs. In July 2022, metallurgical coal prices touched US$240 per tonne, Newcastle thermal coal shot up to US$440 per tonne and Brent crude oil was US$108 per barrel[1]. The Bloomberg Commodity Spot Index rose to its highest ever level in June 2022. High resource prices have driven mining companies to ramp up production capacity to take advantage of current price levels. This, in turn, will drive demand for mining services and equipment in the near term. As supply chains reopen and normalise, we anticipate a slight softening of commodity prices but we believe they will still remain above breakeven points and thus stay profitable for mining companies.

Bulk commodities prices remain elevated

Coking Coal
US$240
per tonne

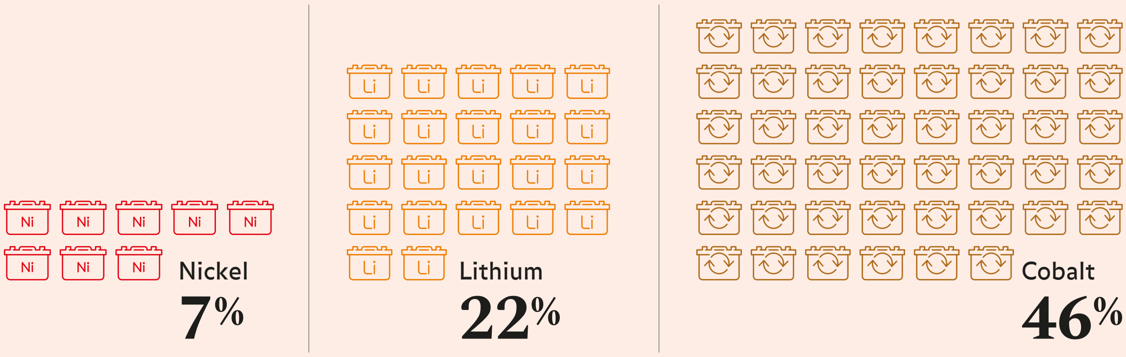
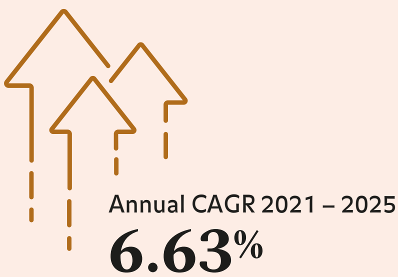
Newcastle Thermal Coal
US$440
per tonne

Brent Crude Oil
US$108
per barrel

1 Source: Bloomberg IAC1 – Aus Premium Coking Coal Futures (as of July 2022)

Our Response	Industries Involved
Our Motors business focuses on premium and luxury products and services, for which demand is less price sensitive relative to mass market brands. On the Industrial side, inflationary pressures may drive higher commodity prices which have a positive impact on equipment sales. While we may be more resistant to inflationary pressures, we work hard to ensure that we remain resilient, and continue to sharpen our competitive strengths. These include our strong business fundamentals, our diversified geographical and sectoral footprint, and our strategic pursuit of operational excellence, productivity and business expansion.	Industrial Motors Healthcare
Our Industrial operations are well placed to capitalise on the opportunities presented by the current strong commodity prices as we provide equipment and maintenance necessary to support the mining sector and the rise in infrastructure projects. Furthermore, as commodity prices moderate, mining companies tend to undertake more equipment maintenance which is the high margin part of our business. We see operational excellence as a key enabler in maximising opportunities for our Industrial Division. We will continue to enhance the quality of our products and services and to provide value to clients through greater productivity and efficiency as well as data analytics. In addition, we currently operate mostly in the "load and haul" segment and have ambitions to expand along the value chain to become an integrated service provider for mining. This positioning would allow us to capture a greater "share of wallet" from our customers by providing the full suite of solutions, and further capitalise on the mining boom.	Industrial

Business Environment

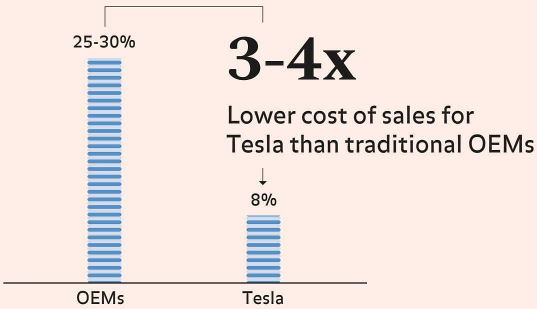
Market Trend	Description
Global Energy Transition and its Impact on Mining	The global energy transition is well underway. In 2021, the renewable share of the world's total energy generation capacity stood at 38.3%. This transition has seen an unprecedented demand for minerals such as copper for solar photovoltaic (PV) panels, nickel and lithium for EV batteries and cobalt for rechargeable batteries. The World Bank estimates that production of such metals and minerals will have to increase by nearly 500% by 2050 to meet global demand, which will have to be achieved by increasing mining activity for new minerals. Nevertheless, in the immediate term, fossil fuels still remain relevant and will form the base of the energy mix. Indeed, surging natural gas prices exacerbated by the Russia-Ukraine conflict have meant that global coal consumption is expected to rise to an all-time high in 2022 of 8 billion tonnes, with further growth expected next year. **Exploration budgets have increased at a 5Y-CAGR**  Source: S&P Capital IQ Pro, EY Knowledge Analysis
The Continued Growth of the Chinese Luxury Market	China is currently the third largest luxury market after North America and Europe. It is projected that the Chinese luxury sector will accelerate at a CAGR rate of 6.63% from 2021 to 2025[1] and the country is on track to become the world's biggest luxury market by 2025. Fuelling this growth is China's expanding middle class which is increasingly affluent and sophisticated, and has an appetite for luxury products from handbags and watches to luxury vehicles. In 2021, Chinese consumers spent nearly RMB471 billion on luxury goods, a significant increase of 36% compared to 2020. **Projected growth of China's luxury goods market**  1 Source: https://jingdaily.com/5-things-slowing-china-luxury-growth/

Our Response	Industries Involved
The ongoing energy transition opens up vast opportunities for the Group. We believe that mining will continue to play a pivotal role in this trend as the push for renewable energy (wind, solar and battery storage) will spur demand for minerals such as lithium, nickel, cobalt, aluminium, etc. To support the accelerated energy transition, Wood Mackenzie, the energy consultancy, forecasts that an additional US$1 trillion investment in capacity is required by 2035. As an experienced provider of large mining equipment and solutions, we are well placed to capture opportunities to support the exploration of new minerals for the renewable energy space. We are also eager to develop interim solutions in cleaner fuel sources such as our investment in Mine Energy Solutions that provides high density compressed natural gas solutions for mining equipment.	 Industrial
China's appetite for luxury goods augurs well for our Motors business, as the majority of our brands in China are in the premium and luxury segments such as BMW, MINI, Rolls Royce, Lamborghini and McLaren. Our strategy to capture a larger share of this booming market is to expand our presence in the country through a broader sales network while cementing our reputation as a leading provider of premium automotive marques to secure greenfield expansion opportunities from our principals.	 Motors

Business Environment

Market Trend	Description
Introduction of the Agency Model by Car Manufacturers	The agency model is gaining traction and may impact the traditional dealership model in the automotive market. Under the model, customers will purchase their vehicles directly from car manufacturers through online channels, instead of going through a dealer. This means that dealers will essentially act as fulfilment agents and focus on a reduced scope of managing delivery, coordinating test drives and handling service appointments. In Europe, the agency model is steadily being rolled out. We foresee the same happening to Asia in the coming years. However, with this trend, large dealership groups may have an advantage due to their scale and resources, giving them the ability to provide "best-in-class" service and operate in various parts of the value chain (after-sales, used car, assembly) to broaden the profit base.

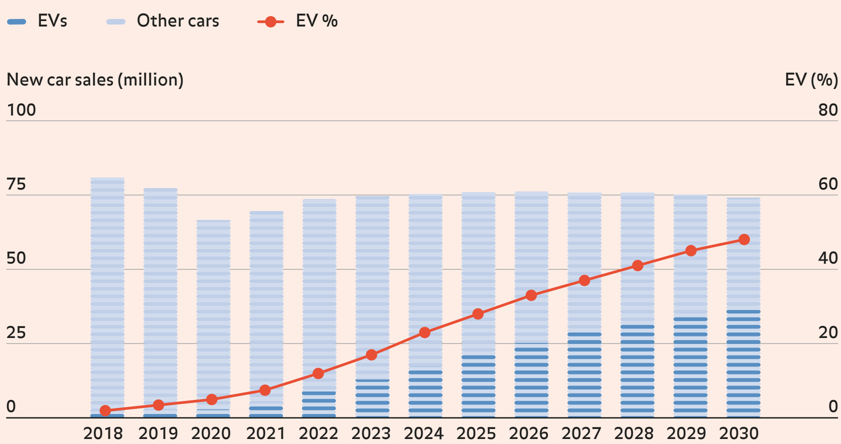
3-4x lower cost of sales for Tesla



Source: Bain & Company

Market Trend	Description
Accelerating EV Demand	EVs accounted for 9% of the global car market in 2021, with more than 6.6 million units sold worldwide, growing from 2.5% in 2019. This demand continues to accelerate in 2022, spurred by newer and better EV models, rising fuel costs and government incentives driving sales. China remains the dominant leader of the EV market. With 3.3 million EVs sold, China makes up more than half the global EV market and in 2021, the sales volume of EVs in China nearly tripled. China's impressive EV growth is the result of governmental efforts to accelerate decarbonisation through its 14th Five-Year Plan, which features subsidies, tax breaks and financial incentives to switch from internal combustion engine (ICE) vehicles to EVs.

Global passenger car sales excluding commercial vehicles



Source: Electric Vehicle Outlook: 2021 and beyond, Canalys

1 Global Electric Vehicle Outlook 2021 – Research and Markets

Our Response	Industries Involved
The Group mainly serves the premium and luxury automotive sector where "high touch" is a prerequisite of the customer journey. This entails close engagement that allows us to form relationships with our customers and provide excellent customer service, hopefully insulating us from the effects of the agency model. Also, we leverage on our scale, professionalism and local knowledge to play the role of strategic partner to OEMs in the region, entrenching ourselves in the value chain. That said, we are keenly aware of the disruption the agency model could bring to traditional automotive dealerships like us and continue to evolve. We are managing our risk by building up other profit pools such as our after-sales and used car businesses, both of which are lucrative high-margin segments. In the meantime, we continue to diversify our portfolio with more marques and in more geographies, as we believe the shift will not happen everywhere, all at once.	Motors
The immense potential of the EV market is driving us to build up our EV capabilities. To support our key OEMs who have committed to transitioning to an electric future, we have launched many new EV models from BMW, MINI, Porsche, Hyundai and Volvo, which have been well received. These products allow us to immediately participate in the EV revolution. Our Motors business has a large footprint in China. This not only gives us a "front row seat" to the most sophisticated and advanced EV market in the world, it allows us to forge partnerships with promising Chinese EV companies, and bring them into our other markets. In Malaysia, we have an EV charging equipment business called "KINETA" and are in the midst of developing a highly-efficient EV charging infrastructure network for our range of brands across the country in partnership with Tenaga Nasional Berhad. In addition, we are preparing our technicians for an EV future by putting them through training on EV-related technology and services. Together, these initiatives ensure that our EV capabilities extend across the entire EV value chain, allowing us to capture all opportunities in the segment.	Motors

Business Model

1. Our inputs enable us

2. To pursue opportunities and unlock possibilities

Inputs

Financial

- Strong earnings and robust balance sheet endow us with the ability to implement and execute growth strategies.

Intellectual

- Established brand equity built over 110 years.
- Longstanding and trusted partnerships with the world's leading automotive and industrial equipment groups.
- Capable management coupled with deep technical proficiency in our sectors.

Manufactured

- Portfolio of high-value facilities, infrastructure and distribution networks spanning Asia Pacific.
- State-of-the-art car assembly plant which assembles high value brands such as BMW, MINI, Porsche, Mazda, Hyundai and Kia.

Social

- We work hard to build strong relationships with our stakeholders while giving back to the communities we operate in.

Human

- Active development, retention and recruitment of personnel.
- A ready pipeline of young talent cultivated through our established scholarship programme.

Natural

- Efficient use of water, energy and other natural resources, delivering sustainable value for our stakeholders.

How we create sustainable value

Value Creation Plan

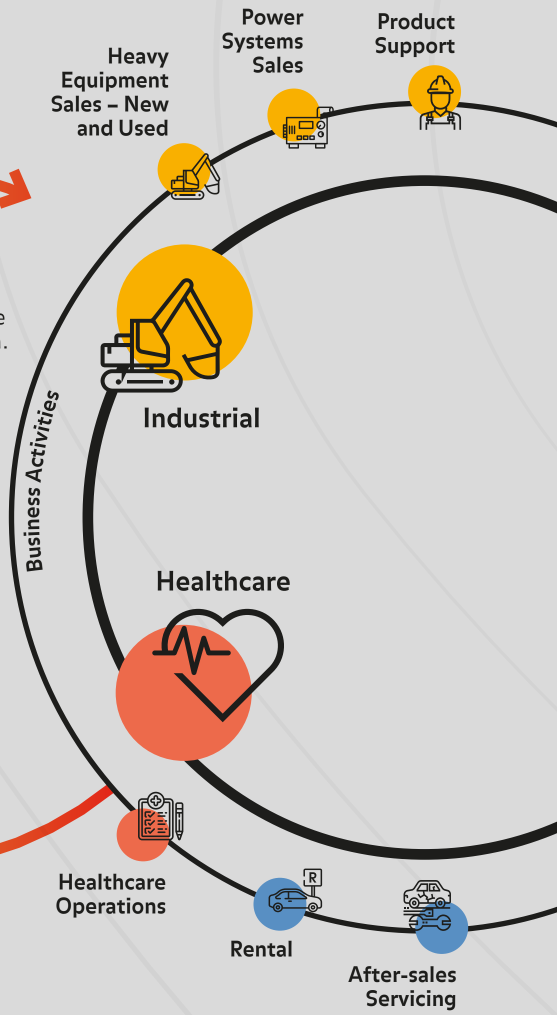
Our VCP guides our decision making to deliver performance today and value in the long run.

Operational Excellence

Growth and Business Expansion

Non-core Asset Rationalisation

Unlocking Value in Healthcare



Read more about our Value Creation Plan on page 38

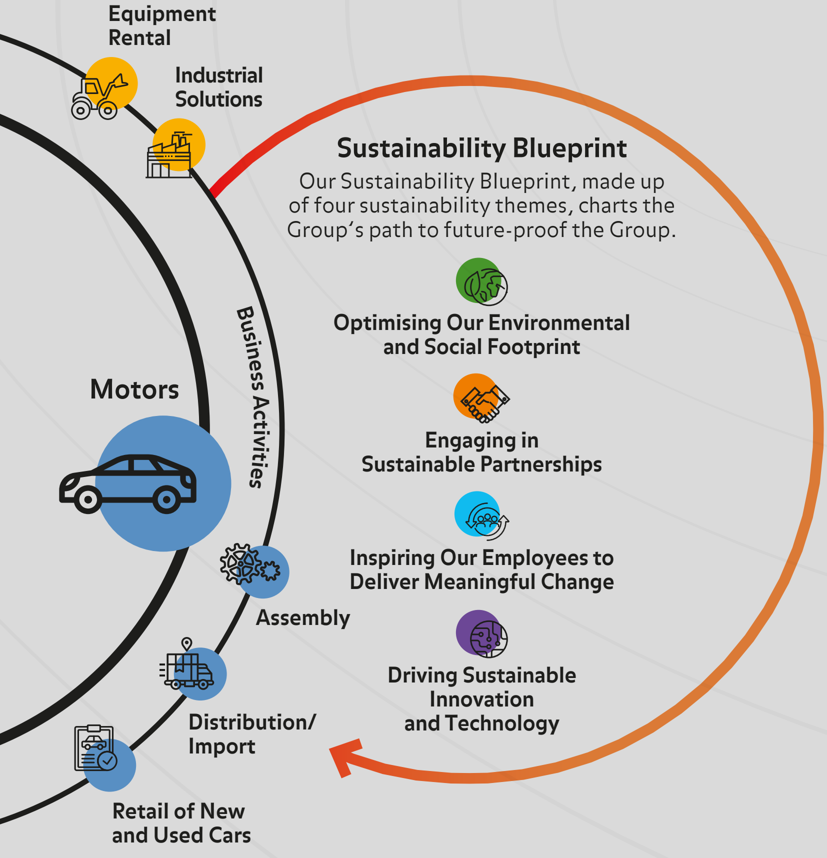
Key Enablers

Robust Value Creation Plan and Capital Allocation Framework

The two strategic masterplans lay down the solid foundation that is required to effectively execute our business expansion plans, enhance shareholder return and optimise growth.

Read more on pages 38 to 39 and 54 to 75

3. Creating a virtuous cycle of growth



Read more about our Sustainability Blueprint on page 40

	Outputs	Outcomes
Financial		
	• Revenue of RM42.5 billion • Net profits of RM1.1 billion • Total dividend payout of RM783 million • Market capitalisation of RM14.5 billion	• Strong earnings from operations, notwithstanding macroeconomic challenges, creating greater value for our stakeholders
Intellectual		
	• Awarded 16 greenfield automotive outlets including 3 new EV brands in China • Awarded new Hyster dealership in Fujian • Launched KINETA to supply and install EV chargers and EV charging solutions in Malaysia, Singapore and Hong Kong • Set up Decoda, which will enable customers in the mining sector to optimise their entire mining value chains through analytics • Launched first multibrand used car centre in Parramatta, Sydney	• Increased brand equity • Stronger relationships with strategic partners • Deepened management and technological expertise in various aspects of the business
Manufactured		
	• 92,594 new vehicles sold • 25,248 vehicles assembled • RM4.4 billion in industrial equipment order book	• State-of-the-art facilities built to high sustainability standards • Enhanced sales network across Asia Pacific
Social		
	• RM20 million contributed to Yayasan Sime Darby	• Strong social license to operate • Enhanced brand equity as a responsible corporate citizen
Human		
	• 22,862 employees in 19 countries and territories • Total recordable injury frequency rate performance improved by 22% to 3.30 • Increase of 8% in total training hours to 480,000 hours • Rolled out new Leadership Coaching Programme at Sime Darby Industrial and Sime Darby Motors	• Committed, capable and engaged employees • Highly-skilled and future-ready employees • A strong safety culture, with the goal of No Harm • A healthy talent pipeline and strong succession planning strategies
Natural		
	• 13% reduction in Scope 1 emissions from 2020 levels • 4% reduction in Scope 2 emissions from 2020 levels • Produced 8,059 tonnes of scheduled waste • Consumed 947,199 kilolitres of water	• Positive contribution to climate-change reduction • Improved waste and water management systems • Growing portfolio of sustainable products and solutions

Deep Focus on Governance

Our rigorous pursuit of sound corporate governance ensures a high standard of accountability, integrity and transparency and allows us to deliver positive outcomes for our stakeholders.

Read more on pages 130 to 159

Capable Leadership and Management

Our leadership team provides a balanced and dynamic blend of skills, experience, professionalism and entrepreneurship that enables the Group to effectively run the business and execute expansion strategies.

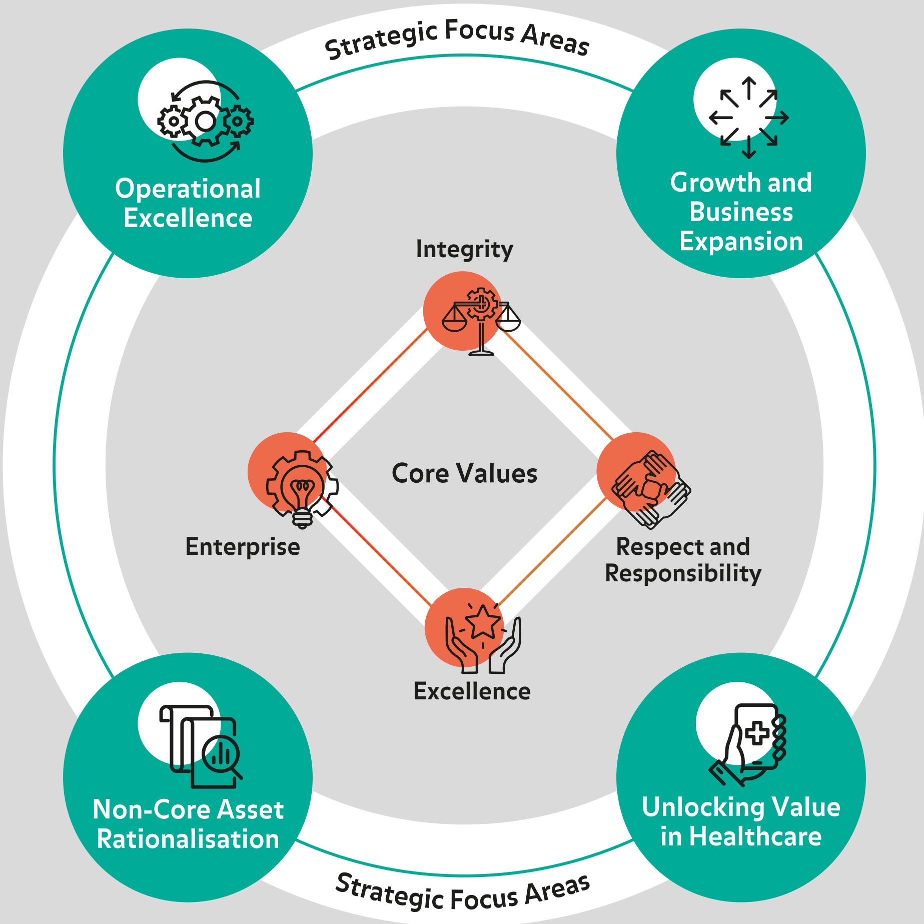
Read more on pages 120 to 129

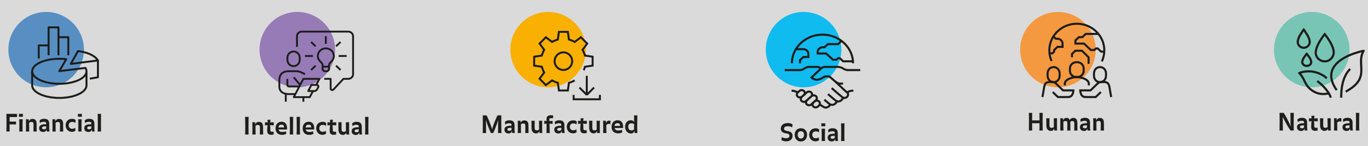
Value Creation Plan

Since its inception, the Group's five-year Value Creation Plan (VCP) has guided us in our strategy and decision making and has allowed us to achieve an optimal balance between long-term value creation and present-day performance. In the past four years, the VCP has also been key in directing business expansion that broadened our footprint and diversified our earnings base.

Our FY2022 financial results demonstrates once again the significance of the VCP. Despite being beset by multiple challenges in the year including COVID-19 lockdowns, inventory shortages and the slowdown of the Chinese economy, the Group delivered RM1.1 billion in net profit guided by the VCP. We also made significant progress in our non-core asset rationalisation programme.

The VCP is dynamic and evolving. Each year it is reviewed and refined to address prevailing market trends. The four strategic pillars that anchor the VCP have remained remarkably relevant for the past four years. Currently the Group is developing the next five-year VCP for FY2024 to FY2028 to take the Group forward in our future endeavours.





Operational Excellence

Our Objectives
- Grow sales volume and market share in core sectors.
- Enhance inventory management, optimise cost structure and increase profit margins to lift operational excellence.
- Use technology and innovation to streamline and improve our business processes.

Our Environment and Risks
- The slowdown in global economic growth and inflationary pressures may impact demand for our products.
- There is a risk of China's softening economy weakening further in the short term due to repeated lockdowns. Nevertheless in the long term, China's luxury market is projected to remain robust.
- Supply-chain disruptions may continue to persist, despite the reopening of the economy.
- Our principals switching to the direct-to-consumer format – where the manufacturer engages directly with customers – may disrupt our business model.

Key Capitals We Rely On
- We possess valuable capital in our portfolio of high quality, high-value facilities, infrastructure and broad distribution networks spanning Asia Pacific.
- Our efficient use of water, energy and other natural resources creates sustainable value for our stakeholders.
- Our inclusive, safe and collaborative culture nurtures a diverse future-ready talent pool.
- Our strong relationship with stakeholders like our principals and the local communities in the territories we operate is an important source of social capital that gives us the license to operate.

Our Performance
- Revenue: RM42.5 billion (continuing operations)
- Profit Before Interest and Tax (PBIT): RM1,841 million (continuing operations)
- Improved Return on Average Invested Capital (ROAIC) of 8.8% in FY2022 compared to 6.0% in FY2018
- Strong growth in Sime Darby Motors' after-sales gross contribution to RM1.67 billion (from RM1.2 billion in FY2019)
- Used cars sold in FY2022: 25,543
- Introduced Workday to realise process efficiencies for HR workflows.

Our Focus for FY2023
- Implementing initiatives to enhance productivity and optimise cost.
- Achieving higher unit sales and stronger market share.
- Improve profit margins by focusing on higher margin segments such as used car and after-sales.

Growth and Business Expansion

Our Objectives
- Acquisitions that will build capabilities in new markets, brands or segments.
- Develop more distribution channels and access new customer bases to build revenue and recurring income.
- Enter new geographical markets.
- Expand our range of products, solutions and services to broaden offerings.

Our Environment and Risks
- Inflation in asset prices has led to high valuations which could result in forgoing an investment or not achieving expected returns due to high investment cost.
- Not having the required skills, expertise and capabilities to embark on new product or service offerings, or management expertise in new markets.

Key Capitals We Rely On
- Our strong cash flow and balance sheet endow us with the ability to implement and execute our growth strategies.
- Our longstanding relationships with world-leading automotive and industrial equipment groups allow us to expand alongside our principals. In addition, our established track record also draws in new principals to work with us.
- Our businesses are powered by strong management expertise and deep technical know-how in running operations, allowing us the ability and resources to scale.

Our Performance
- Continuous greenfield expansion of auto dealerships in China.
- Set up KINETA – our business unit for EV charging solutions.
- Investment in GLy venture capital fund for new mobility investments.
- Successful roll out of locally-assembled Porsche Cayenne from the Inokom assembly plant.

Our Focus for FY2023
- Explore opportunities to expand in emerging markets to capitalise on favourable demographics and large populations.
- Pursue opportunities that are adjacent to our automotive and industrial businesses.
- Extend capabilities across the mining and construction value chains.
- Continue to grow our footprint in the Chinese luxury car market, including in fast-growing Tier 3 and Tier 4 cities.
- Seek out new partnerships for full electric vehicle brands in China and bring them to our other markets.

Non-Core Asset Rationalisation

Our Objectives
- Guided by the VCP, we seek to rationalise our non-core assets to streamline our portfolio, in order to better focus on our core businesses.

Our Environment and Risks
- Risk of not optimising disposal prices.

Key Capitals We Rely On
- Our strong balance sheet and financial position puts us in an optimal position to negotiate the best deals.
- Our management team brings wide experience in M&A transactions to maximise value.

Our Performance
- In the process of divesting Weifang Port for RM1.6 billion, marking our full exit from our non-core Logistics business.
- In the process of selling 3,424 acres of Malaysia Vision Valley land at Labu, Malaysia for total proceeds of RM1,185 million.

Our Focus for FY2023
- With the completed divestment of our large non-core assets, we have realised our goal of rationalising our portfolio. As such, this strategic pillar will no longer be a priority moving forward.

Unlocking Value in Healthcare

Our Objectives
- Improve the quality of products and services and increase in-patient volume.

Our Environment and Risks
- Competition from other healthcare providers.

Key Capitals We Rely On
- We have available capital to continue operating the business well.
- Our exceptional medical expertise, clinical excellence and established track record make for strong brand equity in the provision of healthcare services.

Our Performance
- Ramsay Sime Darby Health Care continues to deliver premium healthcare services and is viewed as a "provider of choice" in the markets in which it operates.

Our Focus for FY2023
- We are currently developing new strategies to reposition Ramsay Sime Darby Health Care.

Sustainability Blueprint

We are committed to embedding sustainable practices throughout our organisation. Building upon our core values, the Sustainability Blueprint (the Blueprint) is fundamental to how we do business by creating long-term value for our people, our customers, our shareholders and the communities we impact. The overarching aim of the Blueprint is to foster sustainable continuity by aligning to our corporate purpose, which is to deliver sustainable futures.

The Blueprint is a framework that charts our path forward and future-proofs operations. Developed through deep engagement with our leadership teams and other stakeholders, the Blueprint embeds sustainability into our organisation by aligning business strategy and decision-making with sustainable practice. The Blueprint also accounts for the Environmental, Social and Governance (ESG) requirements of our customers, investors, and principals.

The Blueprint complements our 5-year Value Creation Plan and, together, they reinforce our commitment to environmental standards, social responsibility, and corporate governance. This commitment gives us the ability to operate our businesses efficiently and competitively into the future and allows us to continue delivering sustainable value to our stakeholders.

Three interconnected components, which were developed in response to our material matters, are featured in the Blueprint. These sections are: Overall Targets, Themes, and Flagship Initiatives. Within our Creating Sustainable Value section (please refer to pages 94 to 119), the four Themes are applied as headings to showcase our sustainability reporting.

The Flagship Initiatives (the Initiatives) were developed over the past year and are new to the Blueprint. The Initiatives are strategic initiatives that both summarise and guide sustainable actions across the Group and Divisions. The Initiatives have enabled us to implement a tracking and reporting process that monitors the integration of sustainability-based projects across our business units.

Complementing the Initiatives, we have also developed and mapped 26 Activities (Activities) across the Group. Identifiable to specific Initiatives, these Activities represent subsets of categorical projects that are being implemented across the Group and Divisions. The Activities were identified through 1) current projects that implement a sustainable response or solution, and 2) sustainable projects that will provide the most upside and desirable impact to our current operations. When identified, all 26 Activities were already present within the Group or a Division. The Activities enhance our tracking and reporting process. They will be presented in greater detail within next year's Annual Report.

To learn more about the Flagship Initiatives and the 26 Activities, please go to the Creating Sustainable Value section on pages 95 to 97.

Delivering Sustainable Futures

Integrity	Respect and Responsibility	Excellence	Enterprise

Overall Targets	**30% reduction of emissions by 2030 (Scope 1 and 2 only) from 2020 levels**	**Minimum RM250 million investments in ESG innovation by 2025**	**>50% products in our portfolio by 2025 are more energy efficient than the 2020 product portfolio**

Themes

Optimising Our Environmental and Social Footprint
- Lower carbon transition
- Environmental impact
- Considerate social and environmental actions
- Balancing our triple bottom line (people, planet, prosperity)

Inspiring Our Employees to Deliver Meaningful Change
- Educate employees on our ESG commitments
- Facilitate employees to understand our sustainable product portfolio
- Enable meaningful change

Engaging in Sustainable Partnerships
- Exceeding expectations throughout the supply chain
- Support customers to achieve their ESG commitments
- Enable product safety through quality training and equipment
- Efficiency and efficacy

Driving Sustainable Innovation and Technology
- Provide solutions to customers to improve product safety and performance
- Seek beneficial partnerships
- Consciously invest in solutions
- Better outcomes for all

Flagship Initiatives

Investment in renewable energy across all countries of operation	Responsible supply chain	Investment in cleaner, more efficient technology	Mobility as a service	Consolidate ESG understanding through training and development	Corporate Social Responsibility activities across all countries of operation	Embed inclusion and diversity in our human resources and operational activities

UN Sustainable Development Goals

Through our Themes, Initiatives and Activities, we support the United Nation's 17 Sustainable Development Goals.