

## QUARTERLY REPORT

On the consolidated results for the first quarter ended 30 September 2020

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 September		% +/(-)
		2020	2019	
Revenue	A7	10,877	9,476	14.8
Operating expenses		(10,534)	(9,109)	
Other operating income		67	27	
Other gains and losses		16	(11)	
Operating profit		426	383	11.2
Share of results of joint ventures		16	11	
Share of results of associates		5	(14)	
<b>Profit before interest and tax</b>	A7	<b>447</b>	380	17.6
Finance income		12	11	
Finance costs		(33)	(39)	
<b>Profit before tax</b>	B5	<b>426</b>	352	21.0
Taxation	B6	(120)	(93)	
<b>Profit for the period</b>		<b>306</b>	259	18.1
<b>Attributable to owners of:</b>				
- the Company		281	246	14.2
- non-controlling interests		25	13	
<b>Profit for the period</b>		<b>306</b>	259	18.1
		Sen	Sen	
<b>Basic earnings per share attributable to owners of the Company</b>	B12	<b>4.1</b>	3.6	13.9

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 2020.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

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

	<b>Quarter ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
<b>Profit for the period</b>	<u>306</u>	<u>259</u>
<b>Other comprehensive income/(loss):</b>		
<b>Items that will be reclassified subsequently to profit or loss:</b>		
Currency translation differences	(13)	(208)
Share of other comprehensive loss of joint ventures and associates	(7)	(17)
Net changes in fair value of cash flow hedges	5	2
Tax expense	(1)	–
	<u>(16)</u>	<u>(223)</u>
Reclassification of foreign currency translation differences on repayment of net investment to profit or loss	(10)	4
Reclassification of changes in fair value of cash flow hedges to profit or loss and inventories	(2)	(9)
Tax credit	–	3
	<u>(28)</u>	<u>(225)</u>
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Share of actuarial gain on defined benefit pension plans of a joint venture	2	1
Total other comprehensive loss	<u>(26)</u>	<u>(224)</u>
<b>Total comprehensive income for the period</b>	<u>280</u>	<u>35</u>
<b>Attributable to owners of:</b>		
- the Company	257	29
- non-controlling interests	23	6
<b>Total comprehensive income for the period</b>	<u>280</u>	<u>35</u>

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 2020.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

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

	Note	Unaudited As at 30 September 2020	Audited As at 30 June 2020
<b><u>Non-current assets</u></b>			
Property, plant and equipment		6,041	6,010
Right-of-use assets		2,394	2,395
Investment properties		294	296
Intangible assets		1,589	1,596
Joint ventures and associates		1,338	1,344
Financial assets at fair value through profit or loss		22	22
Deferred tax assets		568	613
Tax recoverable		45	46
Receivables and other assets		225	230
		<b>12,516</b>	<b>12,552</b>
<b><u>Current assets</u></b>			
Inventories		7,414	8,346
Receivables, contract assets and other assets		4,150	4,096
Prepayments		796	423
Tax recoverable		59	56
Derivative assets	B9(a)	3	3
Bank balances, deposits and cash		2,080	1,694
		<b>14,502</b>	<b>14,618</b>
<b>Assets held for sale</b>		<b>1</b>	<b>103</b>
<b>Total assets</b>		<b>27,019</b>	<b>27,273</b>
<b><u>Equity</u></b>			
Share capital		9,300	9,300
Reserves		5,414	5,697
<b>Attributable to owners of the Company</b>		<b>14,714</b>	<b>14,997</b>
Non-controlling interests		434	416
<b>Total equity</b>		<b>15,148</b>	<b>15,413</b>
<b><u>Non-current liabilities</u></b>			
Borrowings	B8	105	110
Lease liabilities		1,483	1,438
Payables, contract liabilities and other liabilities		179	168
Government grants		153	153
Provisions		23	22
Deferred tax liabilities		301	331
		<b>2,244</b>	<b>2,222</b>
<b><u>Current liabilities</u></b>			
Borrowings	B8	1,399	2,121
Lease liabilities		375	376
Derivative liabilities	B9(a)	7	6
Payables and other liabilities		4,685	4,317
Contract liabilities		1,929	2,128
Provisions		415	417
Tax payable		273	273
Dividend payable		544	—
		<b>9,627</b>	<b>9,638</b>
<b>Total liabilities</b>		<b>11,871</b>	<b>11,860</b>
<b>Total equity and liabilities</b>		<b>27,019</b>	<b>27,273</b>
Net assets per share attributable to owners of the Company (RM)		<b>2.16</b>	<b>2.21</b>

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 2020.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

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

	Share capital	Share grant reserve	Capital reserve	Legal reserve	Hedging reserve	Exchange reserve	Retained profits	Reserves	Attributable to owners of the Company	Non-controlling interests	Total equity
<b>Quarter ended 30 September 2020</b>											
<b>At 1 July 2020</b>	<b>9,300</b>	<b>15</b>	<b>233</b>	<b>111</b>	<b>3</b>	<b>178</b>	<b>5,157</b>	<b>5,697</b>	<b>14,997</b>	<b>416</b>	<b>15,413</b>
Total comprehensive income/(loss) for the period	-	-	-	-	3	(29)	283	257	257	23	280
Dividends paid	-	-	-	-	-	-	-	-	-	(5)	(5)
Dividends payable	-	-	-	-	-	-	(544)	(544)	(544)	-	(544)
Performance-based employee share scheme	-	4	-	-	-	-	-	4	4	-	4
Transfer between reserves	-	-	-	1	-	-	(1)	-	-	-	-
<b>At 30 September 2020</b>	<b>9,300</b>	<b>19</b>	<b>233</b>	<b>112</b>	<b>6</b>	<b>149</b>	<b>4,895</b>	<b>5,414</b>	<b>14,714</b>	<b>434</b>	<b>15,148</b>

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

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

	Share capital	Share grant reserve	Capital reserve	Legal reserve	Hedging reserve	Exchange reserve	Retained profits	Reserves	Attributable to owners of the Company	Non-controlling interests	Total equity
<b>Quarter ended 30 September 2019</b>											
At 1 July 2019	9,299	6	231	99	(6)	50	5,034	5,414	14,713	405	15,118
Total comprehensive income/(loss) for the period	–	–	–	–	(4)	(214)	247	29	29	6	35
Dividends paid	–	–	–	–	–	–	–	–	–	(6)	(6)
Dividends payable	–	–	–	–	–	–	(544)	(544)	(544)	–	(544)
Acquisition of non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	4	4
Performance-based employee share scheme	–	3	–	–	–	–	–	3	3	–	3
At 30 September 2019	9,299	9	231	99	(10)	(164)	4,737	4,902	14,201	409	14,610

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 2020.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

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

	Note	Quarter ended	
		2020	30 September 2019
<b>Cash flow from operating activities</b>			
Profit for the period		306	259
Adjustments for:			
Share of results of joint ventures and associates		(21)	3
Finance income		(12)	(11)
Finance costs		33	39
Taxation		120	93
Net gain on disposal of assets		(2)	(1)
Depreciation and amortisation		294	235
(Reversal of impairment)/impairment of receivables (net)		(2)	3
Inventory writedown and provision (net)		28	61
Fair value loss on financial assets at fair value		1	4
Other non-cash items		(17)	14
		<u>728</u>	<u>699</u>
<b>Changes in working capital:</b>			
Inventories		1,049	(149)
Rental assets		(200)	(182)
Trade, other receivables and prepayments		(485)	(151)
Trade, other payables and provisions		192	(186)
		<u>1,284</u>	<u>31</u>
<b>Cash generated from operations</b>			
Tax paid		(111)	(34)
Dividends received from associates and joint ventures		98	3
		<u>1,271</u>	<u>-</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flow from investing activities</b>			
Finance income received		7	7
Purchase of property, plant and equipment and intangible assets		(112)	(137)
Acquisition of subsidiaries		-	(526)
Acquisition of businesses		(19)	(16)
Subscription of shares in a joint venture and an associate		(1)	(2)
Addition to financial assets at fair value through profit or loss		(1)	(5)
Proceeds from disposal of property, plant and equipment		127	11
Capital repayment by an associate		-	20
		<u>1</u>	<u>(648)</u>
<b>Net cash from/(used in) investing activities</b>			

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

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

		Quarter ended 30 September	
	Note	2020	2019
<b>Cash flow from financing activities</b>			
Finance costs paid		(12)	(27)
Net borrowings (repaid)/raised		(712)	1,036
Repayment of lease liabilities		(119)	(97)
Dividends paid to non-controlling interests <sup>1</sup>		(15)	(6)
<b>Net cash (used in)/from financing activities</b>		<u>(858)</u>	<u>906</u>
<b>Net increase in cash and cash equivalents</b>			
		414	258
Foreign exchange differences		(15)	(15)
Cash and cash equivalents at beginning of the period		<u>1,650</u>	<u>1,629</u>
<b>Cash and cash equivalents at end of the period</b>		<u><u>2,049</u></u>	<u><u>1,872</u></u>
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		2,080	1,949
Less:			
Bank overdrafts	B8	<u>(31)</u>	<u>(77)</u>
		<u><u>2,049</u></u>	<u><u>1,872</u></u>

<sup>1</sup> Dividends paid to other shareholders of non-wholly owned subsidiaries. The amount for the current quarter includes RM10 million declared in the previous financial year.

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 2020.

## **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 2020.

### **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 2020, except as set out below.

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

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

Accounting pronouncements adopted for this interim financial report that do not have any significant impact to the Group:

- Conceptual Framework for Financial Reporting : The Reporting Entity and corresponding amendments to references in the relevant standards
- Amendments to MFRS 3 ‘Definition of a Business’
- Amendments to MFRS 101 and MFRS 108 ‘Definition of Material’
- Amendments to MFRS 9, MFRS 139 and MFRS 7 ‘Interest Rate Benchmark Reform’

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

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

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 ‘Interest Rate Benchmark Reform – Phase 2’

Effective for annual reporting periods beginning on or after 1 January 2022

- Annual improvements to MFRS standards 2018 – 2020 : Amendments to MFRS 9 ‘Fees in the 10% test for derecognition of financial liabilities’
- Amendments to MFRS 3 ‘Reference to Conceptual Framework’
- Amendments to MFRS 116 ‘Proceeds before intended use’
- Amendments to MFRS 137 ‘Onerous contracts – cost of fulfilling a contract’

Effective for annual reporting periods beginning on or after 1 January 2023

- MFRS 17 – Insurance Contracts and amendments to MFRS 17
- Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’

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

- Amendments to MFRS 10 ‘Consolidated Financial Statements’ and MFRS 128 ‘Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’.



**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
Amounts in RM million unless otherwise stated

**A2. Seasonal or Cyclical Factors**

The Group's 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 A1, B1, B2 and B5, 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**

Except as disclosed in Notes B1, B2 and B5, 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**

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

**A6. Dividends Paid to Shareholders**

No dividend was paid during the quarter ended 30 September 2020.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
Amounts in RM million unless otherwise stated

**A7. Segment Information**

Quarter ended 30 September 2020	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Intra-group adjustments	Total
<b>Segment revenue:</b>							
External	3,725	7,096	44	–	12	–	10,877
Inter-segment	1	3	–	–	–	(4)	–
	<u>3,726</u>	<u>7,099</u>	<u>44</u>	<u>–</u>	<u>12</u>	<u>(4)</u>	<u>10,877</u>
<b>Profit/(loss) before interest and tax</b>	<u>196</u>	<u>223</u>	<u>6</u>	<u>14</u>	<u>13</u>	<u>(5)</u>	<u>447</u>
Net finance costs							(21)
Taxation							<u>(120)</u>
<b>Profit for the period</b>							<u><u>306</u></u>

<b>Quarter ended 30 September 2019</b>							
<b>Segment revenue:</b>							
External	3,996	5,408	62	–	10	–	9,476
Inter-segment	–	2	–	–	–	(2)	–
	<u>3,996</u>	<u>5,410</u>	<u>62</u>	<u>–</u>	<u>10</u>	<u>(2)</u>	<u>9,476</u>
<b>Profit/(loss) before interest and tax</b>	<u>260</u>	<u>134</u>	<u>6</u>	<u>15</u>	<u>(16)</u>	<u>(19)</u>	<u>380</u>
Net finance costs							(28)
Taxation							<u>(93)</u>
<b>Profit for the period</b>							<u><u>259</u></u>

As at 30 September 2020	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Intra-group adjustments	Total
Segment assets	11,332	10,758	2,118	657	246	1,236	26,347
Segment liabilities	(3,096)	(3,647)	(269)	–	(375)	(548)	(7,935)
Segment invested capital	<u>8,236</u>	<u>7,111</u>	<u>1,849</u>	<u>657</u>	<u>(129)</u>	<u>688</u>	<u>18,412</u>
Net tax assets							98
Borrowings and lease liabilities							<u>(3,362)</u>
<b>Total Equity</b>							<u><u>15,148</u></u>

<b>As at 30 June 2020</b>							
Segment assets	11,956	10,850	2,096	649	261	746	26,558
Segment liabilities	(3,338)	(3,210)	(264)	–	(384)	(15)	(7,211)
Segment invested capital	<u>8,618</u>	<u>7,640</u>	<u>1,832</u>	<u>649</u>	<u>(123)</u>	<u>731</u>	<u>19,347</u>
Net tax assets							111
Borrowings and lease liabilities							<u>(4,045)</u>
<b>Total Equity</b>							<u><u>15,413</u></u>

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
Amounts in RM million unless otherwise stated

**A7. Segment information (continued)**

Revenue comprise the following:

	Quarter ended 30 September	
	2020	2019
Revenue from contracts with customers	10,682	9,283
Rental income	195	193
	<b>10,877</b>	<b>9,476</b>

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

Quarter ended 30 September 2020	Industrial	Motors	Logistics	Others	Total
<b>Major goods and services</b>					
Sale of equipment and vehicles	1,813	5,929	–	–	7,742
Sale of parts, assembly charges and provision of after-sales services	1,700	1,005	–	–	2,705
Engineering services	70	–	–	–	70
Port and related charges	–	–	44	–	44
Commission, handling fees and others	–	113	–	8	121
	<b>3,583</b>	<b>7,047</b>	<b>44</b>	<b>8</b>	<b>10,682</b>
<b>Geographical location</b>					
Malaysia	222	1,242	–	6	1,470
China	1,080	3,506	44	1	4,631
Other countries in Asia	142	1,258	–	1	1,401
Australasia	2,139	1,041	–	–	3,180
	<b>3,583</b>	<b>7,047</b>	<b>44</b>	<b>8</b>	<b>10,682</b>
<b>Timing of revenue recognition</b>					
At a point in time	2,843	6,072	–	6	8,921
Over time	740	975	44	2	1,761
	<b>3,583</b>	<b>7,047</b>	<b>44</b>	<b>8</b>	<b>10,682</b>

Quarter ended 30 September 2019	Industrial	Motors	Logistics	Others	Total
<b>Major goods and services</b>					
Sale of equipment and vehicles	2,008	4,504	–	–	6,512
Sale of parts, assembly charges and provision of after-sales services	1,756	760	–	–	2,516
Engineering services	102	–	–	–	102
Port and related charges	–	–	62	–	62
Commission, handling fees and others	–	84	–	7	91
	<b>3,866</b>	<b>5,348</b>	<b>62</b>	<b>7</b>	<b>9,283</b>

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
Amounts in RM million unless otherwise stated

**A7. Segment information (continued)**

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

<b>Quarter ended 30 September 2019</b>	<b>Industrial</b>	<b>Motors</b>	<b>Logistics</b>	<b>Others</b>	<b>Total</b>
<b>Geographical location</b>					
Malaysia	252	829	–	5	1,086
China	1,046	2,525	62	1	3,634
Other countries in Asia	199	1,299	–	1	1,499
Australasia	2,369	695	–	–	3,064
	<u>3,866</u>	<u>5,348</u>	<u>62</u>	<u>7</u>	<u>9,283</u>
<b>Timing of revenue recognition</b>					
At a point in time	3,077	4,610	–	6	7,693
Over time	789	738	62	1	1,590
	<u>3,866</u>	<u>5,348</u>	<u>62</u>	<u>7</u>	<u>9,283</u>

**A8. Capital Commitments**

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

	<b>As at 30 September 2020</b>	<b>As at 30 June 2020</b>
Contracted:		
- Property, plant and equipment	153	150
- Other capital expenditure	3	2
	<u>156</u>	<u>152</u>

**A9. Significant Related Party Transactions**

Significant related party transactions conducted during the quarter ended 30 September 2020 are as follows:

	<b>Quarter ended 30 September 2020</b>	<b>2019</b>
<b>a. Transactions with joint ventures and associates</b>		
Purchase of products and services from Sitech Construction Systems Pty Ltd	5	4
Contribution paid to Yayasan Sime Darby	–	10
Loans to Weifang Sime Darby West Port Co Ltd <sup>1</sup>	26	–
Loans repaid by Weifang Sime Darby West Port Co Ltd <sup>1</sup>	26	–

<sup>1</sup> Relates to exercise to effect change in the lending entity.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
 Amounts in RM million unless otherwise stated

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

Significant related party transactions conducted during the quarter ended 30 September 2020 are as follows:  
 (continued)

	<b>Quarter ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
<b>b. Transactions between subsidiaries and non-controlling interests</b>		
Contract assembly service provided by Inokom Corporation Sdn Bhd (“ICSB”) to Berjaya Corporation Berhad group/Bermaz Auto Berhad group	<b>13</b>	18
Rental income received by ICSB from Berjaya Corporation Berhad group/Bermaz Auto Berhad group	.2	.2
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	<b>6</b>	9

<sup>2</sup> Less than RM1 million.

**c. Transactions with shareholders and their related companies**

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together own approximately 53% as at 30 September 2020 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.

Significant related party transactions with the Sime Darby Plantation Berhad group are as follows:

	<b>Quarter ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
Sales, servicing and leasing of equipment and vehicles	<b>4</b>	6
Rental income	<b>2</b>	2
Foreign currency payment arrangement	<b>27</b>	26

**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 20 November 2020, being a date not earlier than 7 days from the date of issue of the quarterly report.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
Amounts in RM million unless otherwise stated

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

There were no significant changes in the composition of the Group during the quarter.

**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. Financial guarantees are also issued to financial institutions in respect of credit facilities granted to certain joint ventures. A liability from the performance and financial guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The performance guarantees and financial guarantees are as follows:

	<b>As at 30 September 2020</b>	<b>As at 30 June 2020</b>
Performance guarantees and advance payment guarantees to customers of the Group	<b>2,088</b>	2,100
Guarantees in respect of credit facilities granted to certain joint ventures	<u>211</u>	<u>212</u>
	<u><b>2,299</b></u>	<u><b>2,312</b></u>

In addition, the Group guarantees the payment from its customers under a risk sharing arrangement with a third party leasing company in connection with the sale of its equipment up to a pre-determined amount. As at 30 September 2020, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM311 million (30 June 2020: RM324 million).

b) Claims

	<b>As at 30 September 2020</b>	<b>As at 30 June 2020</b>
Potential claims	<u>26</u>	<u>15</u>

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

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
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**

	<b>Quarter ended 30 September</b>		
	<b>2020</b>	<b>2019</b>	<b>% +/(–)</b>
Revenue	<b>10,877</b>	9,476	14.8
Segment results:			
Industrial	<b>196</b>	260	(24.6)
Motors	<b>223</b>	134	66.4
Logistics	<b>6</b>	6	–
Healthcare	<b>14</b>	15	(6.7)
Others	<b>13</b>	(16)	>100.0
	<b>452</b>	399	13.3
Foreign exchange gain/(loss) from repayment of net investments	<b>10</b>	(4)	
Corporate expenses	<b>(15)</b>	(15)	
<b>Profit before interest and tax</b>	<b>447</b>	380	17.6
Finance income	<b>12</b>	11	
Finance costs	<b>(33)</b>	(39)	
<b>Profit before tax</b>	<b>426</b>	352	21.0
Taxation	<b>(120)</b>	(93)	
<b>Profit for the period</b>	<b>306</b>	259	18.1
Non-controlling interests	<b>(25)</b>	(13)	
<b>Profit attributable to owners of the Company</b>	<b>281</b>	246	14.2

An analysis of the results for the quarter ended 30 September 2020 against the quarter ended 30 September 2019 is as follows:

The Group registered a 17.6% increase in profit before interest and tax mainly due to the strong performance from the Motors division during the quarter. The Group's profit attributable to owners of the Company ("Net Profit") increased by 14.2%.

**a) Industrial**

Segment profit decreased by 24.6% to RM196 million in the current quarter mainly due to lower equipment deliveries and parts sales in Australia following the fall in coal prices. Profit also declined in most of the other regions except for China, which registered a 38.1% increase in profit before interest and tax, on the back of the continued economic recovery in China.

**b) Motors**

Segment profit increased by 66.4% to RM223 million in the current quarter with most countries/territories registering higher profit, supported by a 31.2% increase in segment revenue and government grant income of RM33 million.

Profit from the Greater China operations increased by 78.1% mainly attributable to strong vehicle sales in China while results from the Singapore operations improved due to higher BMW vehicles sales and lower inventory writedown and provisions.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
Amounts in RM million unless otherwise stated

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

An analysis of the results for the quarter ended 30 September 2020 against the quarter ended 30 September 2019 is as follows: (continued)

**c) Logistics**

The port operations registered a decline in bulk cargo throughput by 36.5% mainly due to stiff competition. This was partially offset by foreign exchange gain of RM5 million (foreign exchange loss of RM3 million in the previous corresponding period).

**d) Others**

The profit for the quarter includes net foreign exchange gains of RM7 million from the legacy oil & gas operations against a foreign exchange loss of RM3 million in the previous corresponding period. The previous corresponding period also included share of loss (including impairment) of the Group's investment in Eastern & Oriental Berhad ("E&O") of RM16 million.



**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
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 September 2020	30 June 2020	% +/(–)
Revenue	<u>10,877</u>	<u>8,821</u>	23.3
Segment results:			
Industrial	196	204	(3.9)
Motors	223	194	14.9
Logistics	6	(101)	>100.0
Healthcare	14	(6)	>100.0
Others	13	26	(50.0)
	<u>452</u>	<u>317</u>	42.6
Foreign exchange gain from repayment of net investments	10	8	
Corporate expenses	<u>(15)</u>	<u>(10)</u>	
<b>Profit before interest and tax</b>	<b>447</b>	<b>315</b>	41.9
Finance income	12	18	
Finance costs	<u>(33)</u>	<u>(47)</u>	
<b>Profit before tax</b>	<b>426</b>	<b>286</b>	49.0
Taxation	<u>(120)</u>	<u>(97)</u>	
<b>Profit for the period</b>	<b>306</b>	<b>189</b>	61.9
Non-controlling interests	<u>(25)</u>	<u>(12)</u>	
<b>Profit attributable to owners of the Company</b>	<b>281</b>	<b>177</b>	58.8

An analysis of the results for the quarter ended 30 September 2020 against the quarter ended 30 June 2020 is as follows:

The Group's Net Profit was 58.8% higher against the preceding quarter mainly due to impairments in the Logistics division in the preceding quarter.

**a) Industrial**

Segment profit decreased by 3.9%. The preceding quarter included fair value loss on financial assets of RM61 million and reversal of impairment of assets in Papua New Guinea of RM32 million. Excluding these items, profit decreased by 15.9% mainly due to lower equipment deliveries in Australia in the current quarter. Profit for the China operations also declined 30.1% mainly due to lower sales and margins after the strong rebound in sales in the preceding quarter wherein the peak sales period was delayed to the preceding quarter.

**b) Motors**

Segment profit increased by 14.9%. The preceding quarter included dividend income of RM120 million and net impairment of leasehold land of RM26 million. Excluding these items, profit increased by 123% mainly due to the continued strong recovery in vehicles sales in China. Results also improved in Malaysia, Singapore and New Zealand with higher sales following the easing of movement restrictions which affected sales in the preceding quarter.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
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 (continued)**

An analysis of the results for the quarter ended 30 September 2020 against the quarter ended 30 June 2020 is as follows: (continued)

**c) Logistics**

The results in the preceding quarter include the share of loss (inclusive of impairment) from Weifang Port Services (“WPS”) of RM75 million, impairment of receivables from WPS of RM24 million, share of loss (inclusive of impairment) from Weifang Sime Darby Liquid Terminal of RM17 million and gain on disposal of sea-use-rights and related assets of RM18 million. Foreign exchange gain of RM5 million was recorded in the current quarter (foreign exchange loss of RM2 million in the preceding quarter). Excluding these items, segment results improved by RM2 million against the preceding quarter.

**d) Healthcare**

The higher profit during the quarter was mainly due to recovery in patient volumes in the current quarter and impairments in the preceding quarter.

**e) Others**

The results in the preceding quarter include share of profit (including reversal of impairment) from E&O of RM4 million, foreign exchange gain from the legacy oil and gas operations of RM2 million and recovery from the Qatar Petroleum legal suit of RM15 million.

**f) Finance income**

Finance income for the preceding quarter includes RM8 million relating to finance income on the India withholding tax recoverable.

**B3. Prospects**

The latest advancements in the development of a vaccine for COVID-19 would likely lift the confidence for a global economic recovery despite the significant increase in COVID-19 cases, especially in the United States and Europe in recent weeks. However, the risk of escalating trade tensions remain high, which may lead to supply chain disruptions or changes in purchasing preference that can adversely impact the Group.

Most of the Group’s operations are in countries/territories that are not subject to significant movement restrictions that curtail sales or operations. The recovery in motor vehicle sales has generally been strong although there remains a risk of resurgence in COVID-19 cases. In addition, there is also a risk of disruptions to supply chains that may limit sales as there may not be sufficient inventories to sell for certain new models.

Increased infrastructure spending from fiscal stimulus measures by various countries would support equipment sales for the Industrial division. However, lower coal prices and import restrictions by China may adversely impact equipment sales in Australia.

The impact of the coronavirus outbreak in the remaining months of the financial year cannot be accurately estimated at this juncture as there is still uncertainty in the timing of vaccine administration and the possible risk of resurgence in COVID-19 cases. However, based on the financial year to date results, the Board is cautiously optimistic that the Group’s financial performance for the financial year ending 30 June 2021 would 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.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
 Amounts in RM million unless otherwise stated

**B5. Profit before tax**

	<b>Quarter ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
Included in operating profit are:		
Depreciation and amortisation	<b>(294)</b>	(235)
Inventory writedown and provision (net)	<b>(28)</b>	(61)
Reversal of impairment/(impairment) of receivables (net)	<b>2</b>	(3)
Net gain on disposal of assets	<b>2</b>	1
Net foreign exchange gain/(loss)	<b>14</b>	(10)
Fair value loss on financial assets at fair value	<b>(1)</b>	(4)
Net gain on derivatives	<b>1</b>	2
	<u>1</u>	<u>2</u>
Included in share of results of associates are:		
Impairment of an associate	<b>-</b>	(16)
	<u>-</u>	<u>(16)</u>

**B6. Taxation**

	<b>Quarter ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
Current tax:		
- current year	<b>105</b>	74
- previous years	<b>1</b>	4
	<u>106</u>	<u>78</u>
Deferred tax:		
- origination and reversal of temporary differences and other deferred tax adjustments	<b>14</b>	15
	<u>14</u>	<u>15</u>
	<u>120</u>	<u>93</u>

The effective tax rate excluding share of results of associates and joint ventures for the current quarter 30 September 2020 of 29.6% is higher than the applicable tax rate for the current quarter of 24.9% mainly due to withholding taxes and non deductible expenses.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
 Amounts in RM million unless otherwise stated

**B7. Status of Corporate Proposals**

The corporate proposal announced but not completed as at 20 November 2020 is as follows:

On 22 April 2020, Sime Darby Allied Products Berhad (“SDAPB”) and Sime Darby Holdings Berhad had entered into conditional agreements with C.P. Retail Development Company Limited (“CP”), Tesco Holdings B.V. (“Tesco BV”) and Tesco Plc for the disposal of SDAPB’s entire 30% equity interest in Tesco Stores (Malaysia) Sdn. Bhd. (“Tesco Malaysia”) to CP in accordance with the joint venture agreement with Tesco BV dated 28 November 2001 (“Proposed Disposal”). The Proposed Disposal is pursuant to Tesco BV’s conditional agreement with CP entered into on 9 March 2020, to dispose of its interest in Tesco Malaysia.

The Group expects to record an estimated net gain on disposal of RM270 million from the Proposed Disposal which is expected to be completed before the end of the calendar year 2020.

**B8. Group Borrowings**

The breakdown of the borrowings as at 30 September 2020 is as follows:

	Secured	Unsecured	Total
<u>Long-term</u>			
Term loans	30	–	30
Islamic financing	–	75	75
	30	75	105
<u>Short-term</u>			
Term loans due within one year	9	–	9
Islamic financing due within one year	–	43	43
Short term loans <sup>1</sup>		715	715
Bank overdrafts	–	31	31
Revolving credits, bankers acceptances, trade facilities and other short-term borrowings	–	601	601
	9	1,390	1,399
Total borrowings	39	1,465	1,504

<sup>1</sup> Short term loans consists of borrowings raised to finance the acquisition of Gough Group Limited and the Sydney Dealerships.

The Group borrowings in RM equivalent amount, analysed by currency are as follows:

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	75	63	138
Australian dollar	–	183	183
Chinese renminbi	–	165	165
Hong Kong dollar	–	7	7
New Zealand dollar	–	489	489
Pacific franc	30	10	40
Taiwan dollar	–	21	21
Thailand baht	–	81	81
United States dollar	–	223	223
Singapore dollar	–	157	157
Total borrowings	105	1,399	1,504

Secured borrowings are secured by fixed and floating charges over property, plant and equipment and inventories in New Caledonia.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
 Amounts in RM million unless otherwise stated

**B9. Financial Instruments**

a) Derivatives

The Group primarily uses forward foreign exchange contracts to manage its exposure to foreign exchange risks. The fair values of these contracts as at 30 September 2020 are as follows:

	<b>Classification in Statement of Financial Position</b>		<b>Net fair value</b>
	<b>Assets (Current)</b>	<b>Liabilities (Current)</b>	
Forward foreign exchange contracts	<u>3</u>	<u>(7)</u>	<u>(4)</u>

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 30 June 2020.

The description, notional amount and maturity profile of the derivatives are shown below:

Forward foreign exchange contracts

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. Changes in fair value of the forward foreign currency contracts are recognised in other comprehensive income unless hedge accounting is not applied, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 30 September 2020, the notional amount, fair value and maturity tenure of the forward foreign exchange contracts are as follows:

	<b>Notional amount</b>	<b>Net fair value liabilities</b>
- less than 1 year	<u>1,168</u>	<u>(4)</u>

b) Fair Value Changes of Financial Liabilities

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

**B10. Material Litigation**

Changes in material litigation since the date of the last audited annual statement of financial position up to 20 November 2020 are as follows:

**a) Qatar Petroleum Project (“QP Project”), Maersk Oil Qatar Project (“MOQ Project”) and the Marine Project Civil Suit (“Oil & Gas 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 for an aggregate amount of RM93 million and USD79 million (approximately RM323 million) together with general and aggravated damages and other relief.

On 13 June 2014, all the Defendants consented to an Interlocutory Judgement being recorded on the Defendants’ liability with damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce any final judgement entered after the assessment of damages, upon recovering all claims from the QP and MOQ projects and proceeds from the sale of the derrick lay barge, or after the expiry of 3 years from the date of final judgement, whichever is earlier.

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

After several postponements, the Court fixed the hearing for the assessment of damages on 2, 3, 4, 17 and 13 February 2021.

**b) Bakun Hydroelectric Project (“Bakun Project”) and the Indemnity Agreement Civil Suit (“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 an Interlocutory Judgement being recorded on the Defendants’ liability and for damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce any final judgement entered after the assessment of damages, upon the Malaysia-China Hydro Joint Venture receiving full settlement from Sarawak Hidro Sdn Bhd or the Ministry of Finance in relation to the Bakun Project, or after the expiry of 3 years from the date of final judgement, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages. The Registrar directed that the Plaintiffs’ application for assessment of damages for the Oil & Gas Suit and the Bakun Suit be heard separately and that the assessment of damages for the Oil & Gas Suit will be heard first before the Bakun Suit.

**c) Claim against Qatar Petroleum (“QP”)**

Sime Darby Engineering Sdn Bhd (“SDE”) filed a suit against QP and won the case. The judgement sum of QAR12.9 million (approximately RM14.3 million) was received on 5 October 2020 and this case is now closed.

**B10. Material Litigation (continued)**

Changes in material litigation since the date of the last audited annual statement of financial position up to 20 November 2020 are as follows: (continued)

**d) B-193 Process Platform Project (“PP Project”)**

Sime Darby Engineering Sdn Bhd (“SDE”) and Swiber Offshore Construction Pte Ltd (“SOC”) entered into a Consortium Agreement to govern their relationship as a consortium (“the Consortium”) to undertake works relating to the PP Project awarded by Oil and Natural Gas Corporation Ltd (“ONGC”). A contract dated 3 July 2010 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 RM311 million).

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. A hearing date has not been fixed.

On 16 October 2020, SDE and Swiber filed enforcement proceedings against ONGC to seek recovery of the arbitration award.

**e) CCCC Tianjin Dredging Co., Ltd. v Weifang Port Services Co., Ltd. and Weifang Port Group Co., Ltd.**

Weifang Port Services Co., Ltd. (“WPS”) is a joint venture company between Weifang Port Group Co., Ltd. (“WPG”) (38%), Weifang Sime Darby Port Co., Ltd. (“WSDP”) (37%) and Shandong Hi-speed Transport & Logistics Investment Co., Ltd. (25%). WSDP is an indirect 99% owned subsidiary of Sime Darby Berhad.

CCCC Tianjin Dredging Co., Ltd. (“Tianjin Dredging”) was engaged to construct a 35,000 deadweight tonne (“DWT”) main channel in Weifang, Shandong Province, People’s Republic of China (the “Project”) which was completed in November 2016 at total cost of approximately RMB1.17 billion (RM728 million). Under the terms of engagement, both WPG and WPS are jointly liable for any payments due to Tianjin Dredging.

On 31 July 2018, Tianjin Dredging (the “Plaintiff”) filed a lawsuit against WPS (“First Defendant”) and WPG (“Second Defendant”) claiming the outstanding sum of the RMB741 million (RM461 million).

On 20 December 2019, WPS received the final Court’s decision which ordered WPS to pay the sum of RMB711 million (approximately RM442 million) (“Outstanding Sum”), costs of RMB3.6 million (equivalent to approximately RM2.2 million) and late payment interests to the Plaintiff (“Judgement”). The Court held that WPS and WPG are jointly and severally liable for the above payments.

On 11 September 2020, WPS, WPG and the Plaintiff entered into a settlement agreement in relation to the Judgement, which has been registered in Court. In view of the settlement, the enforcement proceedings against WPS and WPG have been suspended. If WPS or WPG defaults on their obligations under the settlement agreement, the Plaintiff has the right to apply to the Court to resume enforcement proceedings.

**SIME DARBY BERHAD**  
**(Company No: 200601032645 (752404-U))**

Explanatory Notes on the Quarterly Report – 30 September 2020  
Amounts in RM million unless otherwise stated

**B11. Dividend**

On 27 August 2020, the Board declared a second interim dividend and a special dividend in respect of the financial year ended 30 June 2020, which were paid on 30 October 2020.

The total dividends are as follows:

	<b>Per share (sen)</b>	<b>Total dividends</b>
Second interim dividend	7.0	476
Special dividend	1.0	68
	<u>8.0</u>	<u>544</u>

**B12. Earnings Per Share**

	<b>Quarter ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings per share attributable to owners of the Company are computed as follows:		
Profit attributable to owners of the Company	<u>281</u>	<u>246</u>
Weighted average number of ordinary shares in issue (million)	<u>6,801</u>	<u>6,801</u>
Basic earnings per share (sen)	<u>4.1</u>	<u>3.6</u>

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

Petaling Jaya  
26 November 2020

By Order of the Board  
Noor Zita Hassan  
Group Secretary