

QUARTERLY REPORT

On the consolidated results for the second quarter ended 31 December 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 31 December		% + / (-)	Half-year ended 31 December		% + / (-)
		2020	2019		2020	2019	
Revenue	A7	11,243	10,209	10.1	22,120	19,685	12.4
Operating expenses		(10,807)	(9,820)		(21,341)	(18,929)	
Other operating income		67	44		134	71	
Other gains and losses		304	(1)		320	(12)	
Operating profit		807	432	86.8	1,233	815	51.3
Share of results of joint ventures		12	13		28	24	
Share of results of associates		24	2		29	(12)	
Profit before interest and tax	A7	843	447	88.6	1,290	827	56.0
Finance income		9	12		21	23	
Finance costs		(28)	(46)		(61)	(85)	
Profit before tax	B5	824	413	99.5	1,250	765	63.4
Taxation	B6	(156)	(116)		(276)	(209)	
Profit for the period		668	297	124.9	974	556	75.2
Attributable to owners of:							
- the Company		633	282	124.5	914	528	73.1
- non-controlling interests		35	15		60	28	
Profit for the period		668	297	124.9	974	556	75.2
		Sen	Sen		Sen	Sen	
Basic earnings per share attributable to owners of the Company	B12	9.3	4.1	126.8	13.4	7.8	71.8

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2020.

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

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

	Quarter ended 31 December		Half-year ended 31 December	
	2020	2019	2020	2019
Profit for the period	<u>668</u>	<u>297</u>	<u>974</u>	<u>556</u>
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss:				
Currency translation differences	222	31	209	(177)
Share of other comprehensive income/(loss) of joint ventures and associates	9	6	2	(11)
Net changes in fair value of cash flow hedges	16	13	21	15
Tax expense	(4)	(3)	(5)	(3)
	<u>243</u>	<u>47</u>	<u>227</u>	<u>(176)</u>
Reclassified to profit or loss currency translation differences on repayment of net investment and disposal of subsidiaries	4	(3)	(6)	1
Reclassified changes in fair value of cash flow hedges to profit or loss and inventories	(14)	9	(16)	–
Tax credit/(expense)	4	(3)	4	–
	<u>237</u>	<u>50</u>	<u>209</u>	<u>(175)</u>
Items that will not be reclassified subsequently to profit or loss:				
Share of actuarial gain on defined benefit pension plans of a joint venture	–	–	2	1
Total other comprehensive income/(loss)	<u>237</u>	<u>50</u>	<u>211</u>	<u>(174)</u>
Total comprehensive income for the period	<u><u>905</u></u>	<u><u>347</u></u>	<u><u>1,185</u></u>	<u><u>382</u></u>
Attributable to owners of:				
- the Company	862	332	1,119	361
- non-controlling interests	43	15	66	21
Total comprehensive income for the period	<u><u>905</u></u>	<u><u>347</u></u>	<u><u>1,185</u></u>	<u><u>382</u></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 31 December 2020	Audited As at 30 June 2020
<u>Non-current assets</u>			
Property, plant and equipment		5,991	6,010
Right-of-use assets		2,253	2,395
Investment properties		293	296
Intangible assets		1,639	1,596
Joint ventures and associates		1,375	1,344
Financial assets at fair value through profit or loss		138	22
Deferred tax assets		569	613
Tax recoverable		43	46
Receivables and other assets		232	230
		12,533	12,552
<u>Current assets</u>			
Inventories		7,286	8,346
Receivables, contract assets and other assets		4,463	4,096
Prepayments		1,238	423
Tax recoverable		69	56
Derivative assets	B9(a)	11	3
Bank balances, deposits and cash		1,822	1,694
		14,889	14,618
Assets held for sale		3	103
Total assets		27,425	27,273
<u>Equity</u>			
Share capital		9,302	9,300
Reserves		6,232	5,697
Attributable to owners of the Company		15,534	14,997
Non-controlling interests		359	416
Total equity		15,893	15,413
<u>Non-current liabilities</u>			
Borrowings	B8	34	110
Lease liabilities		1,481	1,438
Payables, contract liabilities and other liabilities		197	168
Government grants		70	153
Provisions		21	22
Deferred tax liabilities		340	331
		2,143	2,222
<u>Current liabilities</u>			
Borrowings	B8	1,299	2,121
Lease liabilities		377	376
Derivative liabilities	B9(a)	17	6
Payables and other liabilities		5,037	4,317
Contract liabilities		2,048	2,128
Provisions		409	417
Tax payable		202	273
		9,389	9,638
Total liabilities		11,532	11,860
Total equity and liabilities		27,425	27,273
Net assets per share attributable to owners of the Company (RM)		2.28	2.21

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
Half-year ended 31 December 2020											
At 1 July 2020	9,300	15	233	111	3	178	5,157	5,697	14,997	416	15,413
Total comprehensive income for the period	-	-	-	-	5	198	916	1,119	1,119	66	1,185
Dividends paid	-	-	-	-	-	-	(544)	(544)	(544)	(16)	(560)
Disposal of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	(75)	(75)
Acquisition of non-controlling interests	-	-	-	-	-	-	(46)	(46)	(46)	(32)	(78)
Performance-based employee share scheme expenses	-	8	-	-	-	-	-	8	8	-	8
Issuance of shares under the performance-based employee share scheme	2	(2)	-	-	-	-	-	(2)	-	-	-
Transfer between reserves	-	-	(18)	9	-	-	9	-	-	-	-
At 31 December 2020	9,302	21	215	120	8	376	5,492	6,232	15,534	359	15,893

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
Half-year ended 31 December 2019											
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	-	-	-	-	12	(180)	529	361	361	21	382
Dividends paid	-	-	-	-	-	-	(544)	(544)	(544)	(17)	(561)
Acquisition of non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	4	4
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	(1)	(1)
Performance-based employee share scheme expenses	-	5	-	-	-	-	-	5	5	-	5
Issuance of shares under the performance-based employee share scheme	1	(1)	-	-	-	-	-	(1)	-	-	-
At 31 December 2019	9,300	10	231	99	6	(130)	5,019	5,235	14,535	412	14,947

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	Half-year ended 31 December	
		2020	2019
Cash flow from operating activities			
Profit for the period		974	556
Adjustments for:			
Share of results of joint ventures and associates		(57)	(12)
Finance income		(21)	(23)
Finance costs		61	85
Taxation		276	209
Loss/(gain) on disposal of subsidiaries		2	(1)
Gain on disposal of associate		(294)	–
Net gain on disposal of other assets		(2)	(2)
Depreciation and amortisation		581	503
(Reversal of impairments)/impairments and write offs of property, plant and equipment		(1)	9
(Reversal of impairments)/impairments and write offs of receivables (net)		(1)	4
Inventory writedown and provision (net)		28	95
Fair value loss on financial assets at fair value		2	9
Other non-cash items		(11)	11
		<u>1,537</u>	<u>1,443</u>
Changes in working capital:			
Inventories		1,461	(556)
Rental assets		(403)	(344)
Trade, other receivables and prepayments		(1,151)	(623)
Trade, other payables and provisions		552	971
		<u>1,996</u>	<u>891</u>
Cash generated from operations			
Tax paid		(327)	(119)
Dividends received from associates and joint ventures		107	111
		<u>1,776</u>	<u>883</u>
Net cash from operating activities			
Cash flow from investing activities			
Finance income received		12	13
Purchase of property, plant and equipment and intangible assets		(223)	(327)
Acquisition of subsidiaries		–	(560)
Acquisition of businesses		(26)	(340)
Subscription of shares in an associate and a joint venture		(1)	(2)
Addition to financial assets at fair value through profit or loss		(2)	(5)
Proceeds from sale of subsidiaries	A11	19	1
Proceeds from sale of an associate	A11	300	–
Proceeds from sale of property, plant and equipment		132	21
Net repayment of loans by joint ventures		–	3
Capital repayment by an associate		–	20
		<u>211</u>	<u>(1,176)</u>
Net cash from/(used in) investing activities			

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

	Note	Half-year ended 31 December	
		2020	2019
Cash flow from financing activities			
Finance costs paid		(28)	(59)
Net borrowings (repaid)/raised		(916)	1,311
Repayment of lease liabilities		(239)	(192)
Purchase of additional interest in a subsidiary	A11	(78)	(1)
Dividends paid to shareholders		(544)	(544)
Dividends paid to non-controlling interests ¹		(26)	(17)
Net cash (used in)/from financing activities		(1,831)	498
Net increase in cash and cash equivalents			
		156	205
Foreign exchange differences		(16)	(17)
Cash and cash equivalents at beginning of the period		1,650	1,629
Cash and cash equivalents at end of the period		1,790	1,817
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		1,822	1,930
Less:			
Bank overdrafts	B8	(32)	(113)
		1,790	1,817

¹ Dividends paid to other shareholders of non-wholly owned subsidiaries. The amount paid for the current period 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’.

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Explanatory Notes on the Quarterly Report – 31 December 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, B5 and B6, 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

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

Share capital

On 18 November 2020, the Company issued 560,000 new ordinary shares under the Performance-Based Employee Share Scheme of FY2018/19 Restricted Share Grant at an issue price of RM2.203 and 529,600 new ordinary shares under the Performance-Based Employee Share Scheme FY2019/20 Restricted Share Grant at an issue price of RM2.149. With the allotment of the new shares, the Company's issued and paid-up capital has increased from 6,801,447,777 ordinary shares to 6,802,537,377 ordinary shares.

A6. Dividends Paid to Shareholders

The second interim dividend of 7.0 sen per share amounting to RM476 million and special dividend of 1.0 sen per share amounting to RM68 million for the financial year ended 30 June 2020 which totalled RM544 million was paid by way of cash on 30 October 2020.

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Explanatory Notes on the Quarterly Report – 31 December 2020
Amounts in RM million unless otherwise stated

A7. Segment Information

Half-year ended 31 December 2020	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Intra-group adjustments	Total
Segment revenue:							
External	7,706	14,298	88	–	28	–	22,120
Inter-segment	1	7	–	–	3	(11)	–
	<u>7,707</u>	<u>14,305</u>	<u>88</u>	<u>–</u>	<u>31</u>	<u>(11)</u>	<u>22,120</u>
Profit/(loss) before interest and tax	<u>452</u>	<u>505</u>	<u>9</u>	<u>25</u>	<u>332</u>	<u>(33)</u>	<u>1,290</u>
Net finance costs							(40)
Taxation							(276)
Profit for the period							<u><u>974</u></u>

Half-year ended 31 December 2019							
Segment revenue:							
External	7,971	11,569	119	–	26	–	19,685
Inter-segment	3	5	–	–	4	(12)	–
	<u>7,974</u>	<u>11,574</u>	<u>119</u>	<u>–</u>	<u>30</u>	<u>(12)</u>	<u>19,685</u>
Profit/(loss) before interest and tax	<u>547</u>	<u>277</u>	<u>13</u>	<u>32</u>	<u>(12)</u>	<u>(30)</u>	<u>827</u>
Net finance costs							(62)
Taxation							(209)
Profit for the period							<u><u>556</u></u>

As at 31 December 2020	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Intra-group adjustments	Total
Segment assets	11,614	11,342	1,954	671	239	924	26,744
Segment liabilities	(3,102)	(4,181)	(154)	–	(364)	2	(7,799)
Segment invested capital	<u>8,512</u>	<u>7,161</u>	<u>1,800</u>	<u>671</u>	<u>(125)</u>	<u>926</u>	<u>18,945</u>
Net tax assets							139
Borrowings and lease liabilities							(3,191)
Total Equity							<u><u>15,893</u></u>

As at 30 June 2020							
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							(4,045)
Total Equity							<u><u>15,413</u></u>

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Explanatory Notes on the Quarterly Report – 31 December 2020
Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Revenue comprise the following:

	Half-year ended 31 December	
	2020	2019
Revenue from contracts with customers	21,721	19,289
Rental income	399	396
	22,120	19,685

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

Half-year ended 31 December 2020	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	3,917	11,930	–	–	15,847
Sale of parts, assembly charges and provision of after-sales services	3,355	2,043	–	–	5,398
Engineering services	143	–	–	–	143
Port and related charges	–	–	88	–	88
Commission, handling fees and others	–	225	–	20	245
	7,415	14,198	88	20	21,721
Geographical location					
Malaysia	478	2,371	–	16	2,865
China	2,345	7,032	88	2	9,467
Other countries in Asia	293	2,637	–	2	2,932
Australasia	4,299	2,158	–	–	6,457
	7,415	14,198	88	20	21,721
Timing of revenue recognition					
At a point in time	5,947	12,230	–	12	18,189
Over time	1,468	1,968	88	8	3,532
	7,415	14,198	88	20	21,721

Half-year ended 31 December 2019	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	3,979	9,567	–	–	13,546
Sale of parts, assembly charges and provision of after-sales services	3,535	1,714	–	–	5,249
Engineering services	187	–	–	–	187
Port and related charges	–	–	119	–	119
Commission, handling fees and others	–	169	–	19	188
	7,701	11,450	119	19	19,289

SIME DARBY BERHAD
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Explanatory Notes on the Quarterly Report – 31 December 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)

Half-year ended 31 December 2019	Industrial	Motors	Logistics	Others	Total
Geographical location					
Malaysia	500	1,788	–	15	2,303
China	2,018	5,559	119	2	7,698
Other countries in Asia	391	2,540	–	2	2,933
Australasia	4,792	1,563	–	–	6,355
	<u>7,701</u>	<u>11,450</u>	<u>119</u>	<u>19</u>	<u>19,289</u>
Timing of revenue recognition					
At a point in time	6,107	9,813	–	12	15,932
Over time	1,594	1,637	119	7	3,357
	<u>7,701</u>	<u>11,450</u>	<u>119</u>	<u>19</u>	<u>19,289</u>

A8. Capital Commitments

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

	As at 31 December 2020	As at 30 June 2020
Contracted:		
- Property, plant and equipment	144	150
- Other capital expenditure	2	2
	<u>146</u>	<u>152</u>

A9. Significant Related Party Transactions

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

	Half-year ended 31 December	
	2020	2019
a. Transactions with joint ventures and associates		
Purchase of products and services from Sitech Construction Systems Pty Ltd	9	5
Contribution paid to Yayasan Sime Darby	–	10
Loans to Weifang Sime Darby West Port Co Ltd ¹	36	–
Loans repaid by Weifang Sime Darby West Port Co Ltd ¹	36	–

¹ Relates to exercise to effect change in the lending entity

SIME DARBY BERHAD
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Explanatory Notes on the Quarterly Report – 31 December 2020
 Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions (continued)

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

	Half-year ended 31 December	
	2020	2019
b. Transactions between subsidiaries and non-controlling interests		
Contract assembly service provided by Inokom Corporation Sdn Bhd (“ICSB”) to Mazda Malaysia Sdn Bhd	40	52
Rental income received by ICSB from Mazda Malaysia Sdn Bhd	1	– ²
Sale of motor vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	15	16

² 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 31 December 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:

	Half-year ended 31 December	
	2020	2019
Sales, servicing and leasing of equipment and vehicles	13	10
Rental income	5	3
Royalty income charged	2	2
Foreign currency payment arrangement	54	57

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 19 February 2021, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

Significant changes in the composition of the Group are as follows:

1. Disposal of associate

On 18 December 2020, Sime Darby Allied Products Berhad, an indirect wholly-owned subsidiary of the Group, completed the disposal of its entire 30% equity interest in Tesco Stores (Malaysia) Sdn Bhd (“Tesco Malaysia”) for a total cash consideration of RM300 million. Gain on disposal before and after tax recognised during the quarter, after including transaction costs, amounted to RM294 million and RM272 million respectively. Most of these costs have not been paid as at 31 December 2020.

2. Disposal of subsidiaries

On 15 December 2020, Sime Darby Overseas (HK) Limited, an indirect wholly-owned subsidiary of the Group, completed the disposal of its entire 70% equity interest in Jining Sime Darby Port Co., Ltd, Jining Sime Darby Longgong Port Co., Ltd and Jining Sime Darby Taiping Port Co., Ltd for a total consideration of RMB293.9 million (approximately RM183 million). Part of the consideration was subsequently used to subscribe to 49% equity interest in Jining Port and Shipping Services Co Ltd (“JPSPS”). As the transactions are inter-conditional, they are reported as one transaction. The equity interest in JPSPS is recognised as a financial asset at fair value through profit or loss (“FVTPL”) as the Group would not have significant influence in JPSPS. JPSPS would be divested over 3 years for a total consideration of RMB213.7 million (approximately RM132 million).

Details of net assets and net cash inflow arising from the disposal of the subsidiaries are as follows:

Net assets	250
Non-controlling interest	(75)
Total share of net assets disposed	175
Loss on disposal of subsidiaries	(2)
Less: net exchange gain included in the loss on disposal	(4)
Proceeds from disposal, net of transaction costs	169
Less: reinvestment of proceeds in financial assets at FVTPL	(118)
Less: balance consideration receivable after 3 years	(23)
Less: cash and cash equivalents of subsidiaries disposed	(9)
Net cash inflow from disposal of subsidiaries	19

3. Acquisition of non-controlling interests

On 25 December 2020, the Group's wholly-owned subsidiary, Bow Ma Motors (South China) Limited completed the acquisition of the remaining 35% equity interest in Guangdong Deda Bow Ma Motor Service Co Ltd (“GDDD”) for a consideration of RMB126 million (approximately RM78 million), resulting in GDDD becoming a wholly-owned subsidiary of the Group.

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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:

	As at 31 December 2020	As at 30 June 2020
Performance guarantees and advance payment guarantees to customers of the Group	2,169	2,100
Guarantees in respect of credit facilities granted to certain joint ventures	<u>212</u>	<u>212</u>
	<u>2,381</u>	<u>2,312</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 31 December 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 RM298 million (30 June 2020: RM324 million).

b) Claims

	As at 31 December 2020	As at 30 June 2020
Potential claims	<u>9</u>	<u>15</u>

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

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

B1. Review of Group Performance

	Quarter ended 31 December			Half-year ended 31 December		
	2020	2019	% +/(-)	2020	2019	% +/(-)
Revenue	<u>11,243</u>	<u>10,209</u>	10.1	<u>22,120</u>	<u>19,685</u>	12.4
Segment results:						
Industrial	256	287	(10.8)	452	547	(17.4)
Motors	282	143	97.2	505	277	82.3
Logistics	3	7	(57.1)	9	13	(30.8)
Healthcare	11	17	(35.3)	25	32	(21.9)
Others	319	4	>100.0	332	(12)	>100.0
	<u>871</u>	<u>458</u>	90.2	<u>1,323</u>	<u>857</u>	54.4
Foreign exchange (loss)/gain from repayment of net investments	(8)	3		2	(1)	
Corporate expenses	(20)	(14)		(35)	(29)	
Profit before interest and tax	<u>843</u>	<u>447</u>	88.6	<u>1,290</u>	<u>827</u>	56.0
Finance income	9	12		21	23	
Finance costs	(28)	(46)		(61)	(85)	
Profit before tax	<u>824</u>	<u>413</u>	99.5	<u>1,250</u>	<u>765</u>	63.4
Taxation	(156)	(116)		(276)	(209)	
Profit for the period	<u>668</u>	<u>297</u>	>100.0	<u>974</u>	<u>556</u>	75.2
Non-controlling interests	(35)	(15)		(60)	(28)	
Profit attributable to owners of the Company	<u>633</u>	<u>282</u>	>100.0	<u>914</u>	<u>528</u>	73.1

An analysis of the results for the quarter ended 31 December 2020 against the quarter ended 31 December 2019 is as follows:

The Group's profit attributable to owners of the Company ("Net Profit") increased by 124.5% mainly due to the gain on disposal of the Group's 30% equity interest in Tesco Malaysia of RM272 million (net of tax) in the current quarter. Excluding this gain, the Group's Net Profit would have increased by 28.0% mainly due to the strong performance of the Motors division.

a) Industrial

Profit decreased by 10.8% to RM256 million in the current quarter mainly due to lower profit from the Australasia and China operations. Profit before interest and tax ("PBIT") from the Australasian operations declined 7.8% mainly due to lower equipment deliveries and part sales in Australia in the current year. Despite higher revenue, PBIT from the China operations declined 21.4% mainly due to lower margins as a result of strong competition and reversal of impairment of receivables and risk sharing provision in the previous corresponding period.

B1. Review of Group Performance (continued)

An analysis of the results for the quarter ended 31 December 2020 against the quarter ended 31 December 2019 is as follows: (continued)

b) Motors

The division recorded an increase in profit by 97.2% to RM282 million in the current quarter, mainly due to the strong performance of the Greater China region, where PBIT more than doubled from RM90 million to RM186 million with higher revenue and margins.

PBIT for Australasia also more than doubled from RM20 million to RM43 million, with higher contribution from the new Sydney dealerships and recognition of incentives and wage subsidies. The South East Asian operations (excluding Malaysia) recorded a PBIT of RM15 million compared to a loss of RM2 million mainly due to the improved performance of the used car operations in Singapore as a result of higher sales and improved margins.

c) Logistics

Profit decreased by 57.1% to RM3 million mainly due to lower port throughput arising from increase in shipping freight charges and environmental restrictions. The division also recognised a loss on disposal of Jining Ports of RM2 million. This was partly offset by higher foreign exchange gain of RM7 million (foreign exchange gain of RM1 million in the previous corresponding period).

d) Healthcare

The lower profit in the current quarter was mainly due to lower patient volumes in Malaysia following the resurgence of the coronavirus outbreak during the quarter.

e) Others

The results for current quarter include the gain on disposal of Tesco Malaysia of RM294 million (before tax) and reversal of impairment of the Group's investment in Eastern & Oriental Berhad ("E&O") of RM12 million (previous corresponding period: share of loss and impairment of RM6 million).

f) Finance costs

Finance costs was lower mainly due to lower average borrowings in the current quarter.

B1. Review of Group Performance (continued)

An analysis of the results for the half-year ended 31 December 2020 against the half-year ended 31 December 2019 is as follows:

The Group's Net Profit increased by 73.1% mainly due to the gain on disposal of Tesco Malaysia of RM272 million (net of tax) in the current period. Excluding this, the Group's Net Profit would have increased by 21.6% mainly due to the strong performance of the Motors division.

a) Industrial

Profit decreased by 17.4% to RM452 million in the current period mainly due to a 20.3% decline in PBIT from the Australasian operations from RM380 million to RM303 million as a result of lower equipment and parts revenue. Profit from the Singapore and Malaysia operations were also impacted by the restrictions placed by the local governments to control COVID-19.

b) Motors

Profit increased by 82.3% to RM505 million mainly due to the strong performance of the Greater China operations. The improvement in the profitability of the Greater China, Australia and Singapore operations are as explained in the performance for the quarter.

c) Logistics

Profit decreased by 30.8% mainly due to lower throughput as explained in the performance for the quarter. This was partly offset by a foreign exchange gain of RM12 million (loss of RM1 million in the previous corresponding period).

d) Others

The results for current period include the gain on disposal of Tesco Malaysia of RM294 million (before tax) and reversal of impairment of the Group's investment in E&O of RM12 million (previous corresponding period: share of loss and impairment of RM22 million).

The variance for Healthcare and finance costs are as explained in notes (d) and (f) of the results for the quarter ended 31 December 2020.

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

	Quarter ended		
	31 December 2020	30 September 2020	% +/(–)
Revenue	<u>11,243</u>	<u>10,877</u>	3.4
Segment results:			
Industrial	256	196	30.6
Motors	282	223	26.5
Logistics	3	6	(50.0)
Healthcare	11	14	(21.4)
Others	<u>319</u>	<u>13</u>	>100.0
	871	452	92.7
Foreign exchange (loss)/gain from repayment of net investments	(8)	10	
Corporate expenses	<u>(20)</u>	<u>(15)</u>	
Profit before interest and tax	843	447	88.6
Finance income	9	12	
Finance costs	<u>(28)</u>	<u>(33)</u>	
Profit before tax	824	426	93.4
Taxation	<u>(156)</u>	<u>(120)</u>	
Profit for the period	668	306	>100.0
Non-controlling interests	<u>(35)</u>	<u>(25)</u>	
Profit attributable to owners of the Company	633	281	>100.0

An analysis of the results for the quarter ended 31 December 2020 against the quarter ended 30 September 2020 is as follows:

The Group's Net Profit increased by 125.3% against the preceding quarter mainly due to the gain on disposal of Tesco Malaysia of RM272 million (net of tax) in the current quarter. Excluding this, the Group's Net Profit would have increased by 28.5% mainly due to stronger performance of the Industrial and Motors divisions.

a) Industrial

Profit increased by 30.6% to RM256 million mainly due to higher profit from the Australasian operations. PBIT of the Australasian operations was higher mainly due to higher margins, lower inventory provisions and reversal of impairment of receivables.

b) Motors

Profit increased by 26.5% to RM282 million in the current quarter mainly attributable to the higher profit from the Greater China operations, where PBIT was higher by 43.1% as a result of higher margins.

c) Logistics

Profit decreased by 50.0% to RM3 million, mainly due to loss on disposal of the Jining ports of RM2 million and weaker performance of the joint ventures.

The variance for Healthcare and Others are as explained in B1 under notes (d) and (e) of the results for the quarter ended 31 December 2020.

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B3. Prospects

As vaccination programmes for COVID-19 begin in countries around the world, the global economy is expected to progressively recover from the sharp economic downturn experienced in most countries in 2020. Nonetheless, there are still uncertainties in the timing in achieving widespread vaccinations globally with virus mutations and new strains being reported. Additionally, the risk of trade tensions remains high, which may lead to supply chain disruptions or changes in purchasing preference that can adversely impact the Group.

The rebound in motor vehicle sales has generally been strong in most countries especially in China where consumer demand for luxury goods has been relatively resilient. Despite this, there is still the risk of disruptions to supply chains that may limit the availability of certain new models. In addition, a resurgence in COVID-19 in certain countries may adversely impact vehicle sales as a result of movement restrictions being implemented to contain the spread of the virus.

Countries such as China continue to support growth through fiscal stimulus measures which are expected to support equipment sales for the Industrial division. However, the import restrictions by China on certain Australian exports such as coal would adversely impact equipment sales in Australia.

The impact of the COVID-19 pandemic in the remaining months of the financial year cannot be accurately estimated at this juncture given the uncertainties mentioned above. However, based on the financial year to date results, the Board is optimistic that the Group's financial performance for the financial year ending 30 June 2021 would be an improvement from that of the previous financial year.

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

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

B5. Profit before tax

	Quarter ended 31 December		Half-year ended 31 December	
	2020	2019	2020	2019
Included in operating profit are:				
Depreciation and amortisation	(287)	(268)	(581)	(503)
Reversal of inventory provision/(Inventory writedown and provision) (net)	–	(34)	(28)	(95)
(Impairments)/reversal of impairments and write offs of receivables (net)	(1)	(1)	1	(4)
Impairments/(Reversal of impairments) and write offs of property, plant and equipment	1	(9)	1	(9)
(Loss)/gain on disposal of subsidiaries	(2)	1	(2)	1
Gain on disposal of associate	294	–	294	–
Net gain on disposal of other assets	–	1	2	2
Net foreign exchange gain/(loss)	14	5	28	(5)
Fair value loss on financial assets at fair value	(1)	(5)	(2)	(9)
Net loss on derivatives	(2)	(5)	(1)	(3)
Compensation income for fixed assets	–	11	–	11
Included in share of associate results is:				
Reversal of impairment/(Impairment) of associates (net)	12	(3)	12	(19)

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B6. Taxation

	Quarter ended 31 December		Half-year ended 31 December	
	2020	2019	2020	2019
Current tax:				
- current year	136	117	241	191
- previous years	(4)	2	(3)	6
	<u>132</u>	<u>119</u>	<u>238</u>	<u>197</u>
Deferred tax:				
- origination and reversal of temporary differences and other deferred tax adjustments	24	(3)	38	12
	<u>156</u>	<u>116</u>	<u>276</u>	<u>209</u>

The effective tax rate excluding share of results of associates and joint ventures for the current quarter and half-year ended 31 December 2020 of 19.8% and 23.1% were lower than the applicable tax rate for both the current quarter and half-year ended 31 December 2020 of 24.9%. The lower effective tax rate was mainly due to the lower Real Property Gains Tax rate applicable to the gain on disposal of Tesco Malaysia.

B7. Status of Corporate Proposals

There were no corporate proposals announces but not completed as at 19 February 2021.

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B8. Group Borrowings

The breakdown of the borrowings as at 31 December 2020 is as follows:

	Secured	Unsecured	Total
<u>Long-term</u>			
Term loans	29	–	29
Islamic financing	–	5	5
	<u>29</u>	<u>5</u>	<u>34</u>
<u>Short-term</u>			
Term loans due within one year	9	–	9
Islamic financing due within one year	–	10	10
Short term loans ¹	–	436	436
Bank overdrafts	–	32	32
Short term Islamic financing	–	4	4
Revolving credits, bankers acceptances, trade facilities and other short-term borrowings	–	808	808
	<u>9</u>	<u>1,290</u>	<u>1,299</u>
Total borrowings	<u>38</u>	<u>1,295</u>	<u>1,333</u>

¹ Short term loans consist of borrowings raised to finance the acquisition of Gough Group Limited.

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

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	5	34	39
Australian dollar	–	346	346
Chinese renminbi	–	100	100
Hong Kong dollar	–	8	8
New Zealand dollar	–	476	476
Pacific franc	29	10	39
Thailand baht	–	93	93
United States dollar	–	208	208
Singapore dollar	–	24	24
Total borrowings	<u>34</u>	<u>1,299</u>	<u>1,333</u>

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

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B9. Financial Instruments

a) Derivatives

The Group uses forward foreign exchange contracts to primarily manage its exposure to foreign exchange risk. The fair values of these contracts as at 31 December 2020 are as follows:

	Classification in Statement of Financial Position		Net fair value
	Assets Current	Liabilities Current	
Forward foreign exchange contracts	<u>11</u>	<u>(17)</u>	<u>(6)</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 31 December 2020, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional amount	Net fair value liabilities
- less than 1 year	<u>1,682</u>	<u>(6)</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 19 February 2021 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 RM319 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 18 February 2021. In view of the Movement Control Order declared by the Government being extended until 18 February 2021, the court hearing dates on 2, 3, 4, 17 and 18 February 2021 have been postponed. The Court has not fixed the new hearing dates.

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 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 19 February 2021 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 RM307 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 an execution application against ONGC to seek recovery of the arbitration award. The warrant of attachment which was expected to be issued by the Court on 15 January 2021 has been deferred to a later date which has yet to be confirmed by the Court.

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 (RM732 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 (RM463 million).

On 20 December 2019, WPS received the final Court’s decision which ordered WPS to pay the sum of RMB711 million (approximately RM445 million) (“Outstanding Sum”), costs of RMB3.6 million (equivalent to approximately RM2 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 with Weifang Binhai Seaport Economic Zone Development Service Co., Ltd. (“WBSE”) and Weifang Binhai Tourism Group Co., Ltd. (“WBTG”) wherein WBSE and WBTG will assume the liability to pay the Outstanding Sum to the Plaintiff in 3 instalments, which settlement agreement has been registered in Court. In view of the settlement, the enforcement proceedings against WPS and WPG have been suspended.

The 1st instalment of RMB100 million (approximately RM63 million) was paid on 18 September 2020 and the 2nd instalment of RMB300 million (approximately RM188 million) was paid on 22 October 2020. WPS paid RM130 million on 31 December 2020. There is still an unpaid amount of RMB198 million (approximately RM124 million) (“Remaining Sum”).

The Binhai Government is negotiating with the Plaintiff on extending the payment term. If parties fail to reach an agreement, the Plaintiff has the right to either (1) Request WBSE or WBTG to repay the Remaining Sum; (2) Submit an application to the Qingdao Maritime Court to freeze WBSE and/or WBTG’s bank account for the purpose of repaying the Remaining Sum.

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B11. Dividend

An interim dividend of 2.0 sen per share and a special dividend of 4.0 sen per share in respect of the financial year ending 30 June 2021, which are not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967, have been declared and will be paid on 11 May 2021. The entitlement date for the dividend payment is 26 April 2021.

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

- (i) shares transferred into the depositor's securities account before 4.30 p.m. on 26 April 2021 in respect of transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The interim dividend declared for the previous corresponding period was 2.0 sen per share.

B12. Earnings Per Share

	Quarter ended 31 December		Half-year ended 31 December	
	2020	2019	2020	2019
Basic earnings per share attributable to owners of the Company are computed as follows:				
Profit attributable to owners of the Company	<u>633</u>	<u>282</u>	<u>914</u>	<u>528</u>
Weighted average number of ordinary shares in issue (million)	<u>6,802</u>	<u>6,801</u>	<u>6,802</u>	<u>6,801</u>
Basic earnings per share (sen)	<u>9.3</u>	<u>4.1</u>	<u>13.4</u>	<u>7.8</u>

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