

QUARTERLY REPORT

On the consolidated results for the third quarter ended 31 March 2021

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 March | | % +/(-) | Three quarters ended 31 March | | % +/(-) |
|---|------|---------------------------|---------|------------|----------------------------------|----------|------------|
| | | 2021 | 2020 | | 2021 | 2020 | |
| Revenue | A7 | 11,021 | 8,428 | 30.8 | 33,141 | 28,113 | 17.9 |
| Operating expenses | | (10,640) | (8,170) | | (31,981) | (27,099) | |
| Other operating income | | 72 | 37 | | 206 | 108 | |
| Other gains and losses | | (13) | (4) | | 307 | (16) | |
| Operating profit | | 440 | 291 | 51.2 | 1,673 | 1,106 | 51.3 |
| Share of results of joint ventures | | (6) | 10 | | 22 | 34 | |
| Share of results of associates | | 29 | (36) | | 58 | (48) | |
| Profit before interest and tax | A7 | 463 | 265 | 74.7 | 1,753 | 1,092 | 60.5 |
| Finance income | | 11 | 10 | | 32 | 33 | |
| Finance costs | | (28) | (51) | | (89) | (136) | |
| Profit before tax | B5 | 446 | 224 | 99.1 | 1,696 | 989 | 71.5 |
| Taxation | B6 | (121) | (96) | | (397) | (305) | |
| Profit for the period | | 325 | 128 | 153.9 | 1,299 | 684 | 89.9 |
| Attributable to owners of: | | | | | | | |
| - the Company | | 300 | 115 | 160.9 | 1,214 | 643 | 88.8 |
| - non-controlling interests | | 25 | 13 | | 85 | 41 | |
| Profit for the period | | 325 | 128 | 153.9 | 1,299 | 684 | 89.9 |
| | | Sen | Sen | | Sen | Sen | |
| Basic earnings per share attributable to owners of the Company | B12 | 4.4 | 1.7 | 158.8 | 17.8 | 9.5 | 87.4 |

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 March | | Three quarters ended 31 March | |
|---|---------------------------|--------------|----------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit for the period | <u>325</u> | <u>128</u> | <u>1,299</u> | <u>684</u> |
| Other comprehensive income/(loss): | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | |
| Currency translation differences | 205 | (185) | 414 | (362) |
| Share of other comprehensive income/(loss) of joint ventures and associates | 11 | (9) | 13 | (20) |
| Net changes in fair value of cash flow hedges | (12) | (15) | 9 | – |
| Tax credit/(expense) | 3 | 3 | (2) | – |
| | <u>207</u> | <u>(206)</u> | <u>434</u> | <u>(382)</u> |
| Reclassified to profit or loss currency translation differences on repayment of net investment and disposal of subsidiaries and associate | 1 | – | (5) | 1 |
| Reclassified changes in fair value of cash flow hedges to profit or loss and inventories | 25 | 3 | 9 | 3 |
| Tax expense | (7) | (2) | (3) | (2) |
| | <u>226</u> | <u>(205)</u> | <u>435</u> | <u>(380)</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>226</u> | <u>(205)</u> | <u>437</u> | <u>(379)</u> |
| Total comprehensive income/(loss) for the period | <u>551</u> | <u>(77)</u> | <u>1,736</u> | <u>305</u> |
| Attributable to owners of: | | | | |
| - the Company | 521 | (101) | 1,640 | 260 |
| - non-controlling interests | 30 | 24 | 96 | 45 |
| Total comprehensive income/(loss) for the period | <u>551</u> | <u>(77)</u> | <u>1,736</u> | <u>305</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 March 2021 | Audited As at 30 June 2020 |
|---|-------|-------------------------------------|----------------------------------|
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | | 6,099 | 6,010 |
| Right-of-use assets | | 2,288 | 2,395 |
| Investment properties | | 291 | 296 |
| Intangible assets | | 1,651 | 1,596 |
| Joint ventures and associates | | 1,316 | 1,344 |
| Financial assets at fair value through profit or loss | | 141 | 22 |
| Deferred tax assets | | 599 | 613 |
| Tax recoverable | | 43 | 46 |
| Receivables and other assets | | 277 | 230 |
| | | 12,705 | 12,552 |
| <u>Current assets</u> | | | |
| Inventories | | 7,942 | 8,346 |
| Receivables, contract assets and other assets | | 4,276 | 4,096 |
| Prepayments | | 978 | 423 |
| Tax recoverable | | 56 | 56 |
| Derivative assets | B9(a) | 8 | 3 |
| Bank balances, deposits and cash | | 2,603 | 1,694 |
| | | 15,863 | 14,618 |
| Assets held for sale | | 3 | 103 |
| Total assets | | 28,571 | 27,273 |
| <u>Equity</u> | | | |
| Share capital | | 9,302 | 9,300 |
| Reserves | | 6,349 | 5,697 |
| Attributable to owners of the Company | | 15,651 | 14,997 |
| Non-controlling interests | | 389 | 416 |
| Total equity | | 16,040 | 15,413 |
| <u>Non-current liabilities</u> | | | |
| Borrowings | B8 | 26 | 110 |
| Lease liabilities | | 1,476 | 1,438 |
| Payables, contract liabilities and other liabilities | | 210 | 168 |
| Government grants | | 70 | 153 |
| Provisions | | 22 | 22 |
| Deferred tax liabilities | | 333 | 331 |
| | | 2,137 | 2,222 |
| <u>Current liabilities</u> | | | |
| Borrowings | B8 | 1,508 | 2,121 |
| Lease liabilities | | 413 | 376 |
| Derivative liabilities | B9(a) | 12 | 6 |
| Payables and other liabilities | | 5,642 | 4,317 |
| Contract liabilities | | 1,753 | 2,128 |
| Provisions | | 422 | 417 |
| Tax payable | | 236 | 273 |
| Dividend payable | | 408 | - |
| | | 10,394 | 9,638 |
| Total liabilities | | 12,531 | 11,860 |
| Total equity and liabilities | | 28,571 | 27,273 |
| Net assets per share attributable to owners of the Company (RM) | | 2.30 | 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 |
|--|---------------|---------------------|-----------------|---------------|-----------------|------------------|------------------|----------|---------------------------------------|---------------------------|--------------|
| Three quarters ended 31 March 2021 | | | | | | | | | | | |
| 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 | - | - | - | - | 13 | 411 | 1,216 | 1,640 | 1,640 | 96 | 1,736 |
| Dividend payable | - | - | - | - | - | - | (408) | (408) | (408) | - | (408) |
| 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 | - | 12 | - | - | - | - | - | 12 | 12 | - | 12 |
| Issuance of shares under the performance-based employee share scheme | 2 | (2) | - | - | - | - | - | (2) | - | - | - |
| Transfer between reserves | - | - | (18) | 9 | - | - | 9 | - | - | - | - |
| At 31 March 2021 | 9,302 | 25 | 215 | 120 | 16 | 589 | 5,384 | 6,349 | 15,651 | 389 | 16,040 |

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 |
|--|---------------|---------------------|-----------------|---------------|-----------------|------------------|------------------|----------|---------------------------------------|---------------------------|--------------|
| Three quarters ended 31 March 2020 | | | | | | | | | | | |
| 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 | – | – | – | – | 1 | (385) | 644 | 260 | 260 | 45 | 305 |
| Dividends payable | – | – | – | – | – | – | (136) | (136) | (136) | – | (136) |
| 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 | – | 11 | – | – | – | – | – | 11 | 11 | – | 11 |
| Issuance of shares under the performance-based employee share scheme | 1 | (1) | – | – | – | – | – | (1) | – | – | – |
| At 31 March 2020 | 9,300 | 16 | 231 | 99 | (5) | (335) | 4,998 | 5,004 | 14,304 | 436 | 14,740 |

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 | Three quarters ended 31 March | |
|---|------|----------------------------------|----------------|
| | | 2021 | 2020 |
| Cash flow from operating activities | | | |
| Profit for the period | | 1,299 | 684 |
| Adjustments for: | | | |
| Share of results of joint ventures and associates | | (80) | 14 |
| Finance income | | (32) | (33) |
| Finance costs | | 89 | 136 |
| Taxation | | 397 | 305 |
| Loss/(gain) on disposal of subsidiaries | | 2 | (2) |
| Net gain on disposal of associates | | (293) | – |
| Net gain on disposal of other assets | | (3) | (3) |
| Depreciation and amortisation | | 869 | 774 |
| (Reversal of impairments)/impairments and write offs of property, plant and equipment | | (1) | 9 |
| (Reversal of impairments)/impairments and write offs of receivables (net) | | (7) | 10 |
| Inventory write-down and provision (net) | | 32 | 136 |
| Fair value loss on financial assets at fair value | | 2 | 11 |
| Other non-cash items | | (8) | 23 |
| | | <u>2,266</u> | <u>2,064</u> |
| Changes in working capital: | | | |
| Inventories | | 1,047 | (30) |
| Rental assets | | (531) | (467) |
| Trade, other receivables and prepayments | | (562) | 242 |
| Trade, other payables and provisions | | 704 | (528) |
| | | <u>2,924</u> | <u>1,281</u> |
| Cash generated from operations | | | |
| Tax paid | | (440) | (166) |
| Dividends received from associates and joint ventures | | 110 | 115 |
| | | <u>2,594</u> | <u>1,230</u> |
| Net cash from operating activities | | | |
| Cash flow from investing activities | | | |
| Finance income received | | 18 | 24 |
| Purchase of property, plant and equipment and intangible assets | | (390) | (389) |
| 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) | (8) |
| Proceeds from sale of subsidiaries | A11 | 19 | 10 |
| Proceeds from sale of associates | A11 | 388 | – |
| Proceeds from sale of property, plant and equipment | | 135 | 23 |
| Net loans to joint ventures | | (28) | (17) |
| Capital repayment by an associate | | – | 20 |
| | | <u>113</u> | <u>(1,239)</u> |
| Net cash from/(used in) investing activities | | | |

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

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

| | Note | Three quarters ended 31 March | |
|--|------|----------------------------------|--------------|
| | | 2021 | 2020 |
| Cash flow from financing activities | | | |
| Finance costs paid | | (35) | (95) |
| Net borrowings (repaid)/raised | | (745) | 1,387 |
| Repayment of lease liabilities | | (370) | (319) |
| 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 | | (1,798) | 411 |
| Net increase in cash and cash equivalents | | | |
| | | 909 | 402 |
| Foreign exchange differences | | 13 | 17 |
| Cash and cash equivalents at beginning of the period | | 1,650 | 1,629 |
| Cash and cash equivalents at end of the period | | 2,572 | 2,048 |
| For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following: | | | |
| Bank balances, deposits and cash | | 2,603 | 2,085 |
| Less: | | | |
| Bank overdrafts | B8 | (31) | (37) |
| | | 2,572 | 2,048 |

¹ Dividends paid to other shareholders of non-wholly owned subsidiaries. The amount paid in 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 April 2021

- Amendments to MFRS 16 Leases ‘COVID-19-Related Rent Concessions beyond 30 June 2021’

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’
- Amendments to MFRS 101 ‘Disclosure of Accounting Policies’
- Amendments to MFRS 108 ‘Definition of Accounting Estimates’

- 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’.

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 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 and B2, 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.

An interim dividend of 2.0 sen per share amounting to RM136 million and a special dividend of 4.0 sen per share amounting to RM272 million for the financial year ending 30 June 2021 which totalled RM408 million was paid by way of cash on 11 May 2021.

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

Explanatory Notes on the Quarterly Report – 31 March 2021
Amounts in RM million unless otherwise stated

A7. Segment Information

| Three quarters ended 31 March 2021 | Industrial | Motors | Logistics | Healthcare | Others | Corporate/ Intra-group adjustments | Total |
|--|---------------|---------------|------------|------------|------------|--|---------------|
| Segment revenue: | | | | | | | |
| External | 11,678 | 21,274 | 139 | – | 50 | – | 33,141 |
| Inter-segment | 2 | 10 | – | – | 4 | (16) | – |
| | <u>11,680</u> | <u>21,284</u> | <u>139</u> | <u>–</u> | <u>54</u> | <u>(16)</u> | <u>33,141</u> |
| Profit/(loss) before interest and tax | <u>663</u> | <u>755</u> | <u>9</u> | <u>19</u> | <u>354</u> | <u>(47)</u> | <u>1,753</u> |
| Net finance costs | | | | | | | (57) |
| Taxation | | | | | | | (397) |
| Profit for the period | | | | | | | <u>1,299</u> |

| Three quarters ended 31 March 2020 | Industrial | Motors | Logistics | Healthcare | Others | Corporate/ Intra-group adjustments | Total |
|--|---------------|---------------|------------|------------|-------------|--|---------------|
| Segment revenue: | | | | | | | |
| External | 11,693 | 16,210 | 168 | – | 42 | – | 28,113 |
| Inter-segment | 7 | 7 | – | – | 4 | (18) | – |
| | <u>11,700</u> | <u>16,217</u> | <u>168</u> | <u>–</u> | <u>46</u> | <u>(18)</u> | <u>28,113</u> |
| Profit/(loss) before interest and tax | <u>763</u> | <u>380</u> | <u>7</u> | <u>45</u> | <u>(62)</u> | <u>(41)</u> | <u>1,092</u> |
| Net finance costs | | | | | | | (103) |
| Taxation | | | | | | | (305) |
| Profit for the period | | | | | | | <u>684</u> |

| As at 31 March 2021 | Industrial | Motors | Logistics | Healthcare | Others | Corporate/ Intra-group adjustments | Total |
|-------------------------------------|--------------|--------------|--------------|------------|--------------|--|---------------|
| Segment assets | 12,159 | 11,462 | 1,990 | 665 | 192 | 1,405 | 27,873 |
| Segment liabilities | (3,407) | (4,192) | (145) | – | (388) | (407) | (8,539) |
| Segment invested capital | <u>8,752</u> | <u>7,270</u> | <u>1,845</u> | <u>665</u> | <u>(196)</u> | <u>998</u> | <u>19,334</u> |
| Net tax assets | | | | | | | 129 |
| Borrowings and lease liabilities | | | | | | | (3,423) |
| Total Equity | | | | | | | <u>16,040</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>15,413</u> |

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

Explanatory Notes on the Quarterly Report – 31 March 2021
Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Revenue comprise the following:

| | Three quarters ended 31 March | |
|---------------------------------------|----------------------------------|---------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | 32,549 | 27,561 |
| Rental income | 592 | 552 |
| | 33,141 | 28,113 |

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

| Three quarters ended 31 March 2021 | Industrial | Motors | Logistics | Others | Total |
|---|---------------|---------------|------------|-----------|---------------|
| Major goods and services | | | | | |
| Sale of equipment and vehicles | 6,081 | 17,730 | – | – | 23,811 |
| Sale of parts, assembly charges and provision of after-sales services | 4,961 | 3,055 | – | – | 8,016 |
| Engineering services | 209 | – | – | – | 209 |
| Port and related charges | – | – | 139 | – | 139 |
| Commission, handling fees and others | – | 337 | – | 37 | 374 |
| | 11,251 | 21,122 | 139 | 37 | 32,549 |
| Geographical location | | | | | |
| Malaysia | 686 | 3,278 | – | 31 | 3,995 |
| China | 3,484 | 10,500 | 139 | 2 | 14,125 |
| Other countries in Asia | 454 | 4,009 | – | 4 | 4,467 |
| Australasia | 6,627 | 3,335 | – | – | 9,962 |
| | 11,251 | 21,122 | 139 | 37 | 32,549 |
| Timing of revenue recognition | | | | | |
| At a point in time | 9,115 | 18,342 | – | 24 | 27,481 |
| Over time | 2,136 | 2,780 | 139 | 13 | 5,068 |
| | 11,251 | 21,122 | 139 | 37 | 32,549 |

| Three quarters ended 31 March 2020 | Industrial | Motors | Logistics | Others | Total |
|---|---------------|---------------|------------|-----------|---------------|
| Major goods and services | | | | | |
| Sale of equipment and vehicles | 5,828 | 13,327 | – | – | 19,155 |
| Sale of parts, assembly charges and provision of after-sales services | 5,204 | 2,477 | – | – | 7,681 |
| Engineering services | 274 | – | – | – | 274 |
| Port and related charges | – | – | 168 | – | 168 |
| Commission, handling fees and others | – | 253 | – | 30 | 283 |
| | 11,306 | 16,057 | 168 | 30 | 27,561 |

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

Explanatory Notes on the Quarterly Report – 31 March 2021
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)

| Three quarters ended 31 March 2020 | Industrial | Motors | Logistics | Others | Total |
|---|-------------------|---------------|------------------|---------------|---------------|
| Geographical location | | | | | |
| Malaysia | 726 | 2,612 | – | 24 | 3,362 |
| China | 2,737 | 7,374 | 168 | 2 | 10,281 |
| Other countries in Asia | 578 | 3,584 | – | 4 | 4,166 |
| Australasia | 7,265 | 2,487 | – | – | 9,752 |
| | <u>11,306</u> | <u>16,057</u> | <u>168</u> | <u>30</u> | <u>27,561</u> |
| Timing of revenue recognition | | | | | |
| At a point in time | 9,030 | 13,725 | – | 18 | 22,773 |
| Over time | 2,276 | 2,332 | 168 | 12 | 4,788 |
| | <u>11,306</u> | <u>16,057</u> | <u>168</u> | <u>30</u> | <u>27,561</u> |

A8. Capital Commitments

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

| | As at 31 March 2021 | As at 30 June 2020 |
|---------------------------------|--------------------------------|-------------------------------|
| Contracted: | | |
| - Property, plant and equipment | 270 | 150 |
| - Other capital expenditure | 1 | 2 |
| | <u>271</u> | <u>152</u> |

A9. Significant Related Party Transactions

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

| | Three quarters ended 31 March | |
|--|--|-------------|
| | 2021 | 2020 |
| a. Transactions with joint ventures and associates | | |
| Purchase of products and services from Sitech Construction Systems Pty Ltd | 12 | 7 |
| Contribution paid to Yayasan Sime Darby | 10 | 20 |
| Loans to Weifang Sime Darby West Port Co Ltd ¹ | 36 | – |
| Loans repaid by Weifang Sime Darby West Port Co Ltd ¹ | 36 | – |
| Loans to Weifang Sime Darby Liquid Terminal Co Ltd | 28 | 20 |
| Loans repaid by Weifang Sime Darby Liquid Terminal Co Ltd | – | 3 |

¹ Relates to exercise to effect change in the lending entity

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A9. Significant Related Party Transactions (continued)

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

| | Three quarters ended 31 March | |
|---|--|-------------|
| | 2021 | 2020 |
| b. Transactions between subsidiaries and non-controlling interests | | |
| Contract assembly service provided by Inokom Corporation Sdn Bhd (“ICSB”) to Mazda Malaysia Sdn Bhd | 63 | 80 |
| Rental income received by ICSB from Mazda Malaysia Sdn Bhd | 1 | 1 |
| Sale of motor vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd | 18 | 23 |

c. Transactions with shareholders and their related companies

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad together, as at 31 March 2021, own approximately 52% 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:

| | Three quarters ended 31 March | |
|--|--|-------------|
| | 2021 | 2020 |
| Sales, servicing and leasing of equipment and vehicles | 18 | 15 |
| Rental income | 8 | 6 |
| Royalty income charged | 2 | 2 |
| Foreign currency payment arrangement | 54 | 87 |

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 May 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 associates

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. The gain on disposal before and after tax, after including transaction costs, amounted to RM294 million and RM272 million respectively.

On 26 March 2021, Sime Darby Nominees Sendirian Berhad, an indirect wholly-owned subsidiary of the Group, completed the disposal of its entire 10.89% equity interest in Eastern & Oriental Berhad (“E&O”), for a total cash consideration of RM93.5 million. The Group recognised share of results (including reversal of impairment) of RM34 million in the 9 months ended 31 March 2021 and a loss on disposal (arising from reclassification of exchange loss in exchange reserves to profit or loss) of RM1 million.

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 | <u>175</u> |
| Loss on disposal of subsidiaries | (2) |
| Less: net exchange gain included in the loss on disposal | <u>(4)</u> |
| 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 | <u>(9)</u> |
| Net cash inflow from disposal of subsidiaries | <u><u>19</u></u> |

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 March 2021 | As at 30 June 2020 |
|---|--------------------------------|-------------------------------|
| Performance guarantees and advance payment guarantees to customers of the Group | 2,202 | 2,100 |
| Guarantees in respect of credit facilities granted to certain joint ventures | 204 | 212 |
| | <u>2,406</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 March 2021, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM443 million (30 June 2020: RM324 million).

b) Claims

| | As at 31 March 2021 | As at 30 June 2020 |
|------------------|--------------------------------|-------------------------------|
| Potential claims | 13 | 15 |

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

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

B1. Review of Group Performance

| | Quarter ended 31 March | | | Three quarters ended 31 March | | |
|--|---------------------------|--------------|------------|----------------------------------|---------------|------------|
| | 2021 | 2020 | % +/(-) | 2021 | 2020 | % +/(-) |
| Revenue | <u>11,021</u> | <u>8,428</u> | 30.8 | <u>33,141</u> | <u>28,113</u> | 17.9 |
| Segment results: | | | | | | |
| Industrial | 211 | 216 | (2.3) | 663 | 763 | (13.1) |
| Motors | 250 | 103 | >100.0 | 755 | 380 | 98.7 |
| Logistics | – | (6) | >100.0 | 9 | 7 | 28.6 |
| Healthcare | (6) | 13 | >(100.0) | 19 | 45 | (57.8) |
| Others | 22 | (50) | >100.0 | 354 | (62) | >100.0 |
| | <u>477</u> | <u>276</u> | 72.8 | <u>1,800</u> | <u>1,133</u> | 58.9 |
| Foreign exchange gain/(loss) from repayment of net investments | – | – | | 2 | (1) | |
| Corporate expenses and eliminations | (14) | (11) | | (49) | (40) | |
| Profit before interest and tax | <u>463</u> | <u>265</u> | 74.7 | <u>1,753</u> | <u>1,092</u> | 60.5 |
| Finance income | 11 | 10 | | 32 | 33 | |
| Finance costs | (28) | (51) | | (89) | (136) | |
| Profit before tax | <u>446</u> | <u>224</u> | 99.1 | <u>1,696</u> | <u>989</u> | 71.5 |
| Taxation | (121) | (96) | | (397) | (305) | |
| Profit for the period | <u>325</u> | <u>128</u> | >100.0 | <u>1,299</u> | <u>684</u> | 89.9 |
| Non-controlling interests | (25) | (13) | | (85) | (41) | |
| Profit attributable to owners of the Company | <u>300</u> | <u>115</u> | >100.0 | <u>1,214</u> | <u>643</u> | 88.8 |

An analysis of the results for the quarter ended 31 March 2021 against the quarter ended 31 March 2020 is as follows:

The Group's profit attributable to owners of the Company ("Net Profit") increased by 160.9% mainly due to the strong performance of the Motors division.

a) Industrial

Profit decreased by 2.3% to RM211 million in the current quarter mainly due to lower profit from the Australasia operations. Profit before interest and tax ("PBIT") from the Australasian operations declined 7.8% mainly due to lower equipment and parts revenue. This was partly offset by the higher PBIT from the China operations which was adversely impacted by the COVID-19 outbreak in the previous corresponding period.

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B1. Review of Group Performance (continued)

An analysis of the results for the quarter ended 31 March 2021 against the quarter ended 31 March 2020 is as follows: (continued)

b) Motors

The division recorded an increase in profit of 142.7% to RM250 million in the current quarter, mainly due to the strong performance of the Greater China region, where PBIT more than tripled from RM37 million to RM125 million with higher revenue and margins. The Greater China operations were adversely impacted by the COVID-19 outbreak in the previous corresponding period.

PBIT for Australasia also more than tripled from RM15 million to RM54 million, with higher revenue and operating margins.

The Singapore operations registered higher PBIT mainly due to a goods and services tax refund of RM39 million in the current quarter. Excluding this, PBIT was lower mainly due to reversal of accruals in the previous corresponding period.

c) Logistics

Results improved as the previous corresponding period included losses from the now divested Jining Ports and now fully impaired Weifang Port Services.

d) Healthcare

The loss in the current quarter was mainly due to dividend withholding tax and write-down of deferred tax assets in the Ramsay Sime Darby Health Care group during the quarter.

e) Others

The results for current quarter include the share of results, net of loss on disposal, relating to the Group's investment in Eastern & Oriental Berhad ("E&O") of RM21 million (previous corresponding period: share of loss and impairment of RM40 million). Foreign exchange loss from the legacy oil and gas operations was also lower in current quarter at RM7 million (previous corresponding period: foreign exchange loss RM14 million).

f) Finance costs

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

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B1. Review of Group Performance (continued)

An analysis of the results for the three quarters ended 31 March 2021 against the three quarters ended 31 March 2020 is as follows:

The Group's Net Profit increased by 88.8% 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 46.5% mainly due to the strong performance of the Motors division.

a) Industrial

Profit decreased by 13.1% to RM663 million in the current period mainly due to a 16.3% decline in PBIT from the Australasia operations from RM560 million to RM469 million as a result of lower equipment and parts revenue. The China operations registered an 7.8% increase in PBIT due to higher revenue but margins were adversely impacted by strong competition.

b) Motors

Profit increased by 98.7% to RM755 million mainly due to the higher profit of the Greater China, Australasia and Singapore operations as explained in the performance for the quarter.

c) Logistics

Profit increased by 28.6% in the current period mainly due to recognition of a foreign exchange gain of RM10 million (previous corresponding period: foreign exchange loss of RM3 million). Excluding this, operating results were weaker due to lower throughput.

d) Others

The results for current period include the gain on disposal of Tesco Malaysia of RM294 million (before tax) and share of results of E&O, net of loss on disposal, of RM33 million (previous corresponding period: share of loss and impairment of RM62 million). Also included under Others is foreign exchange gain from the legacy oil and gas operations of RM8 million (previous corresponding period: foreign exchange loss RM14 million).

The variance for Healthcare and finance costs are as explained in notes (d) and (f) of the results for the quarter ended 31 March 2021.

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

| | Quarter ended | | |
|---|------------------|---------------------|------------|
| | 31 March 2021 | 31 December 2020 | % +/(–) |
| Revenue | <u>11,021</u> | <u>11,243</u> | (2.0) |
| Segment results: | | | |
| Industrial | 211 | 256 | (17.6) |
| Motors | 250 | 282 | (11.3) |
| Logistics | – | 3 | (100.0) |
| Healthcare | (6) | 11 | >(100.0) |
| Others | 22 | 319 | (93.1) |
| | <u>477</u> | <u>871</u> | (45.2) |
| Foreign exchange loss from repayment of net investments | – | (8) | |
| Corporate expenses and eliminations | <u>(14)</u> | <u>(20)</u> | |
| Profit before interest and tax | 463 | 843 | (45.1) |
| Finance income | 11 | 9 | |
| Finance costs | <u>(28)</u> | <u>(28)</u> | |
| Profit before tax | 446 | 824 | (45.9) |
| Taxation | <u>(121)</u> | <u>(156)</u> | |
| Profit for the period | 325 | 668 | (51.3) |
| Non-controlling interests | <u>(25)</u> | <u>(35)</u> | |
| Profit attributable to owners of the Company | 300 | <u>633</u> | (52.6) |

An analysis of the results for the quarter ended 31 March 2021 against the quarter ended 31 December 2020 is as follows:

The Group's Net Profit decreased by 52.6% against the preceding quarter mainly due to the gain on disposal of Tesco Malaysia of RM272 million (net of tax) recorded in the preceding quarter. Excluding this, the Group's Net Profit would have decreased by 16.9% mainly due to lower profit from the Industrial and Motors divisions.

a) Industrial

Profit decreased by 17.6% to RM211 million mainly due to lower profits from the China and Australasia operations. The profits from the China operations were lower in the current quarter mainly due to the lower margins as a result of strong competition. The Australasian operations' PBIT was affected by lower operating margins in the current quarter.

b) Motors

Profit decreased by 11.3% to RM250 million in the current quarter mainly due to lower profit from the Greater China operations as a result of lower margins. This was partly offset by the goods and service tax refund in Singapore as explained in B1.

c) Logistics

The division recorded weaker results mainly due recognition of foreign exchange loss of RM2 million (preceding quarter: foreign exchange gain of RM7 million). The preceding quarter also included losses from the Jining Ports, which were divested in the preceding quarter.

d) Others

The preceding quarter included the gain on disposal of Tesco Malaysia of RM294 million (before tax).

The variance for Healthcare is as explained in B1 under note (d) of the results for the quarter ended 31 March 2021.

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B3. Prospects

While many economies are expecting to register stronger growth in 2021, there are still significant uncertainties arising from the on-going COVID-19 pandemic and trade tensions. The pace of COVID-19 vaccinations is globally uneven while new virus strains continue to fuel outbreaks in various locations. In terms of trade tensions, the relationship between China and Australia have yet to show signs of improvement.

The rebound in motor vehicle sales has generally been strong in most countries, especially in China. However, the Motors division is experiencing supply shortages for certain new models, partly due to semiconductor chip shortages. This is expected to improve in the coming months.

Fiscal stimulus measures to support growth in countries such as China are expected to continue supporting equipment sales for the Industrial division. However, strong competition and changes in product mix would unfavourably impact margins. In addition, the China's import restrictions on some Australian exports such as coal may adversely impact equipment sales in Australia.

The Group's Net Profit for the 9 months ended 31 March 2021 has exceeded the Net Profit achieved in the financial year ended 30 June 2020. Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group would register a strong set of results in the last quarter of the current 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 March | | Three quarters ended 31 March | |
|---|---------------------------|-------|----------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Included in operating profit are: | | | | |
| Depreciation and amortisation | (288) | (271) | (869) | (774) |
| Inventory write-down and provision (net) | (4) | (41) | (32) | (136) |
| Reversal of impairments/(impairments) and write offs of receivables (net) | 6 | (6) | 7 | (10) |
| Reversal of impairments/impairments and write offs of property, plant and equipment | – | – | 1 | (9) |
| Gain/(loss) on disposal of subsidiaries and business | – | 1 | (2) | 2 |
| (Loss)/gain on disposal of associates (net) | (1) | – | 293 | – |
| Net gain on disposal of other assets | 1 | 1 | 3 | 3 |
| Net foreign exchange (loss)/gain | (14) | (16) | 14 | (21) |
| Fair value loss on financial assets at fair value | – | (2) | (2) | (11) |
| Net gain/(loss) on derivatives | 1 | 7 | – | 4 |
| Compensation income for fixed assets | – | 5 | – | 16 |
| Included in share of associate results is: | | | | |
| Reversal of impairment/(impairment) of associates (net) | 22 | (42) | 34 | (61) |

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B6. Taxation

| | Quarter ended 31 March | | Three quarters ended 31 March | |
|--|---------------------------|------------|----------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Current tax: | | | | |
| - current year | 151 | 104 | 392 | 295 |
| - previous years | 10 | 1 | 7 | 7 |
| | <u>161</u> | <u>105</u> | <u>399</u> | <u>302</u> |
| Deferred tax: | | | | |
| - origination and reversal of temporary differences and other deferred tax adjustments | (40) | (9) | (2) | 3 |
| | <u>(40)</u> | <u>(9)</u> | <u>(2)</u> | <u>3</u> |
| | <u>121</u> | <u>96</u> | <u>397</u> | <u>305</u> |

The effective tax rate excluding share of results of associates and joint ventures for the current quarter ended 31 March 2021 of 28.6% was higher than the applicable tax rate of 25.5%. This was mainly due to dividend withholding taxes and the impact of tax expense relating to prior years.

The effective tax rate excluding share of results of associates and joint ventures for the three quarters ended 31 March 2021 of 24.6% was lower than the applicable tax rate of 25.1%. The lower effective tax rate was mainly due to the difference in Real Property Gains Tax (RPGT) rate and the applicable tax rate upon the disposal of Tesco Malaysia, partly offset by the impact of withholding taxes and prior year tax.

B7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 19 May 2021.

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B8. Group Borrowings

The breakdown of the borrowings as at 31 March 2021 is as follows:

| | Secured | Unsecured | Total |
|--|------------------|---------------------|---------------------|
| <u>Long-term</u> | | | |
| Term loans | <u>26</u> | <u>–</u> | <u>26</u> |
| | 26 | – | 26 |
| <u>Short-term</u> | | | |
| Term loans due within one year | 9 | – | 9 |
| Islamic financing due within one year | – | 12 | 12 |
| Short term loans ¹ | – | 435 | 435 |
| Bank overdrafts | – | 31 | 31 |
| Revolving credits, bankers acceptances, trade facilities and other short-term borrowings | <u>–</u> | <u>1,021</u> | <u>1,021</u> |
| | 9 | 1,499 | 1,508 |
| Total borrowings | <u>35</u> | <u>1,499</u> | <u>1,534</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 | – | 34 | 34 |
| Australian dollar | – | 340 | 340 |
| Chinese renminbi | – | 290 | 290 |
| Hong Kong dollar | – | 8 | 8 |
| New Zealand dollar | – | 552 | 552 |
| Pacific franc | 26 | 10 | 36 |
| Thailand baht | – | 65 | 65 |
| United States dollar | – | 143 | 143 |
| Singapore dollar | <u>–</u> | <u>66</u> | <u>66</u> |
| Total borrowings | <u>26</u> | <u>1,508</u> | <u>1,534</u> |

Secured borrowings are secured by fixed and floating charges over property, plant and equipment and inventories in a New Caledonian 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 March 2021 are as follows:

| | Classification in Statement of Financial Position | | Net fair value |
|------------------------------------|--|--------------------------------|---------------------------|
| | Assets Current | Liabilities Current | |
| Forward foreign exchange contracts | <u>8</u> | <u>(12)</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 31 March 2021, 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>1,554</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 19 May 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 RM326 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 to 20 – 22 October 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 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 May 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 RM314 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.

On 16 October 2020, SDE and Swiber filed an execution application against ONGC to seek recovery of the arbitration award. The warrant of attachment for movable properties was issued by the Court and the Court’s bailiff executed the warrant on 5 April 2021. On 19 April 2021, ONGC deposited a sum of INR 447 million (approximately RM25 million), which includes costs and interest, to the Court and the Consortium’s warrant of attachment against ONGC has been stayed until 21 June 2021 when the Court will hear ONGC’s application to set aside 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 (RM751 million), of which approximately RMB711 million (RM457 million) was outstanding. 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 plus interests. On 20 December 2019, the Court ruled in favour of the Plaintiff.

On 11 September 2020, a settlement (“Original Settlement”) was entered into between the Plaintiff, WPS, WPG, Weifang Binhai Seaport Economic Zone Development Service Co., Ltd. (“WBD”) and Weifang Binhai Tourism Group Co., Ltd. (“WBT”) of which the parties agreed that the total sum payable to the Plaintiff was RMB728 million (RM467 million) (“Settlement Sum”) comprising the outstanding sum, interests and legal costs (which was to be paid in three instalments). The final instalment was to be paid before 10 December 2020. Under the Original Settlement, the Plaintiff also agreed to waive the remaining late payment interest of RMB158 million (RM101 million) which had accrued on the condition that the instalments were paid on time.

WBD and WBT, wholly-owned subsidiaries of the Weifang Binhai Government, had assumed joint and several liability and had provided a guarantee under the Original Settlement. If the parties default in paying the instalments, the Plaintiff would have the right to apply to the court to resume enforcement proceedings against WPS, WBD and WBT. In addition, the waived interests of RMB158 million (RM101 million) and any interest incurred after 1 August 2020 would also need to be paid.

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

Explanatory Notes on the Quarterly Report – 31 March 2021
Amounts in RM million unless otherwise stated

B10. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 19 May 2021 are as follows: (continued)

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

Pursuant to the Original Settlement, WBD had paid, on behalf of WPS, the first and second instalments (RMB400 million in total) on time. WBD further paid RMB130 million on 31 December 2020 and the remaining RMB198 million on 15 April 2021, upon which the Settlement Sum has been paid in full.

However, as the final instalment was only made after the agreed date of 10 December 2020, the Plaintiff is now claiming the previously waived interest of RMB158 million (RM101 million) and the interest incurred after 1 August 2020 (collectively, the “Additional Interests”). The total Additional Interests is approximately RMB187 million (RM120 million).

On 15 April 2021, the Plaintiff, WPS, WBD and WBT entered into a new settlement agreement (“New Settlement Agreement”). Pursuant to the New Settlement Agreement, WPS, WBD and WBT agreed to settle the Additional Interests before 20 November 2021. If the parties default in paying the Additional Interests, the Plaintiff has the right to apply to the court to resume enforcement proceedings against WPS, WBD and WBT.

The New Settlement Agreement and Additional Interests are not expected to have a material impact on the earnings and the net assets of the Sime Darby Berhad Group for the financial year ending 30 June 2021, as the Group’s investment in WPS has been fully impaired in the previous financial year.

B11. Dividend

An interim dividend of 2.0 sen per share amounting to RM136 million and a special dividend of 4.0 sen per share amounting to RM272 million which totalled RM408 million for the financial year ending 30 June 2021 was declared on 25 February 2021 and paid by way of cash on 11 May 2021.

B12. Earnings Per Share

| | Quarter ended 31 March | | Three quarters ended 31 March | |
|---|---------------------------|--------------|----------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2021 |
| Basic earnings per share attributable to owners of the Company are computed as follows: | | | | |
| Profit attributable to owners of the Company | <u>300</u> | <u>115</u> | <u>1,214</u> | <u>643</u> |
| Weighted average number of ordinary shares in issue (million) | <u>6,803</u> | <u>6,801</u> | <u>6,802</u> | <u>6,801</u> |
| Basic earnings per share (sen) | <u>4.4</u> | <u>1.7</u> | <u>17.8</u> | <u>9.5</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.

Petaling Jaya
25 May 2021

By Order of the Board
Noor Zita Hassan
Group Secretary