

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



SIME DARBY BERHAD
(Registration No.: 200601032645 (752404-U))
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO**

PART A

- (I) **PROPOSED ACQUISITION BY SIME DARBY ENTERPRISE SDN BHD (“SDESB”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF SIME DARBY BERHAD (“SIME DARBY” OR “COMPANY”), OF 714,813,100 ORDINARY SHARES IN UMW HOLDINGS BERHAD (“UMW”) (“UMW SHARE(S)”), REPRESENTING APPROXIMATELY 61.18% EQUITY INTEREST IN UMW FOR A TOTAL CASH CONSIDERATION OF RM3,574,065,500 (“PROPOSED ACQUISITION”); AND**
- (II) **PROPOSED MANDATORY TAKE-OVER OFFER TO ACQUIRE ALL THE REMAINING UMW SHARES NOT ALREADY OWNED BY SDESB AND SIME DARBY SUBSEQUENT TO THE PROPOSED ACQUISITION (“PROPOSED MGO”)**

(COLLECTIVELY TO BE REFERRED TO AS THE “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER FROM AMINVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A



CIMB Investment Bank Berhad
(Registration No. 197401001266 (18417-M))

Independent Adviser for Part B



AmInvestment Bank
AmInvestment Bank Berhad
(Registration No. 197501002220 (23742-V))
(A Participating Organisation of Bursa Securities)

The resolution in respect of the above Proposals will be tabled at the Extraordinary General Meeting (“**EGM**”) of the Company to be conducted virtually through live streaming from the broadcast venue at Function Room, Ground Floor, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 16 November 2023 at 12.30 p.m., or after the conclusion of the Seventeenth Annual General Meeting of the Company or at any adjournment thereof, whichever is later. Please follow the procedures provided in the Administrative Guide for the EGM in order to register, participate and vote remotely via Remote Participation and Voting facilities which are available on the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd’s (“**Tricor**”) TIH Online website at <https://tiah.online>. The Notice of the EGM of the Company together with the Proxy Form, Administrative Guide and this Circular are available online and may be downloaded from the Company’s website at <https://www.simedarby.com/investor/agmegm>.

You are entitled to vote at the EGM. If you are unable to attend the EGM, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. In such event, you should complete and deposit the relevant Proxy Form(s) at Tricor’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or at the Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 24 hours before the time appointed for the taking of the poll or no later than Wednesday, 15 November 2023 at 12.30 p.m.. Alternatively, you may also submit your electronic Proxy Form via Tricor’s TIH Online website at <https://tiah.online>. For electronic lodgement, please follow the procedures as set out in the Administrative Guide.

Last date and time for lodging of the Proxy Form for the EGM : Wednesday, 15 November 2023 at 12.30 p.m.
Date and time for EGM : Thursday, 16 November 2023 at 12.30 p.m., or after the conclusion of the Seventeenth Annual General Meeting of the Company or at any adjournment thereof, whichever is later

This Circular is dated 1 November 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016
AmInvestment Bank or Independent Adviser	:	AmInvestment Bank Berhad (Registration No.: 197501002220 (23742-V))
ART	:	AmanahRaya Trustees Berhad (Registration No.: 200701008892 (766894-T))
ASB	:	Amanah Saham Bumiputera
Australasia	:	Consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Island
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of Sime Darby
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Cavpower Group	:	Entire share capital of Kuxton Pty Limited and 98.9% share capital of Kagera Pty Limited
CGU	:	Cash generating unit
CIMB or Principal Adviser	:	CIMB Investment Bank Berhad (Registration No. 197401001266 (18417-M))
Circular	:	This circular to shareholders of Sime Darby dated 1 November 2023 in relation to the Proposals
CMSA	:	Capital Markets & Services Act 2007
Completion Date	:	The second (2nd) Market Day immediately after the Transaction Date, on which the Proposed Acquisition shall be deemed completed
Conditions Precedent	:	The conditions as set out in Schedule 3 (Conditions Precedent) of the SPA of which the salient terms are summarised in Appendix III of this Circular
Dissenting Shareholder(s)	:	Holders of Offer Shares who have not accepted the Proposed MGO and/or who failed or refused to transfer their Offer Shares to SDESB
EGM	:	Extraordinary General Meeting
EPF	:	Employees Provident Fund
EPS	:	Earnings per share
EV	:	Electric vehicle
FPE	:	Financial period(s) ended/ending
FYE	:	Financial year(s) ended/ending

DEFINITIONS *(Cont'd)*

GDP	:	Gross Domestic Product
HVM Park	:	High Value Manufacturing Park
IAL	:	Independent adviser letter from AmlInvestment Bank in relation to the Proposed Acquisition as set out in Part B of this Circular
Interested Directors	:	Refer to the following directors who are deemed interested in the Proposed Acquisition by virtue of them being the nominee directors of PNB in our Company: <ul style="list-style-type: none">(i) Tan Sri Samsudin Bin Osman, the Non-Independent Non-Executive Chairman of our Company;(ii) Dato' Lee Cheow Hock Lawrence, the Non-Independent Non-Executive Director of our Company;(iii) Mohamad Idros Bin Mosin, the Non-Independent Non-Executive Director of our Company; and(iv) Edree Bin Ahmad, the Alternate Director to Mohamad Idros Bin Mosin.
Interested Shareholders	:	Collectively, <ul style="list-style-type: none">(i) PNB;(ii) UT Funds – Sime Darby including ASB; and(iii) Yayasan Pelaburan Bumiputra.
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	13 October 2023, being the latest practicable date prior to the date of this Circular
LTD	:	23 August 2023, being the last trading date prior to the signing of the SPA
MAA	:	Malaysian Automotive Association
Main Market	:	The Main Market of Bursa Securities
Market Day	:	A day on which the stock market of Bursa Securities is open for trading in securities
MFRS	:	Malaysian Financial Reporting Standards
MGO	:	Mandatory take-over offer
NA	:	Net assets
Notice	:	The notice of the Proposed MGO to be served by SDESB on the board of directors of UMW in accordance with Paragraph 9.10(1) of the Rules
Offer Document	:	The document outlining the terms and conditions of the Proposed MGO
Offer Price	:	Cash offer price of RM5.00 per Offer Share

DEFINITIONS *(Cont'd)*

Offer Share(s)	:	The remaining UMW Shares not already owned by SDESB and Sime Darby after the Proposed Acquisition
Official List	:	Means a list specifying all securities listed on the Main Market
PACs	:	Persons acting in concert with SDESB and Sime Darby in relation to the Proposed MGO in accordance with Subsection 216(2) and 216(3) of the CMSA
Parties	:	The parties to the SPA, being SDESB, SDHB, PNB and ART collectively, and "Party" shall mean any one of them
PATNCI	:	Profit after tax for the financial year attributable to equity holders of the company
PBR	:	Price-to-book ratio
PER	:	Price-to-earnings ratio
Perodua	:	Perusahaan Otomobil Kedua Sdn. Bhd. (Registration No.: 198001001012 (54795-V))
Perodua Group	:	Perodua and its subsidiaries as well as associates
PNB	:	Permodalan Nasional Berhad (Registration No.: 197801001190 (38218-X))
PRC	:	People's Republic of China
Proposals	:	The Proposed Acquisition and Proposed MGO, collectively
Proposed Acquisition	:	The proposed acquisition by SDESB for the Sale Shares from PNB and ART, for the Purchase Consideration
Proposed MGO	:	The proposed MGO to acquire the Offer Shares
Purchase Consideration	:	A total cash consideration of RM3,574,065,500 or RM5.00 per UMW Share to be paid by SDESB to the Sellers pursuant to the Proposed Acquisition
RPT	:	Related party transaction as defined in subparagraph 10.02(k) of the Listing Requirements
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
Sale Shares	:	The aggregate of 714,813,100 UMW Shares, held by the Sellers in relation to the Proposed Acquisition representing approximately 61.18% equity interest in UMW
SC	:	Securities Commission Malaysia
SDESB	:	Sime Darby Enterprise Sdn Bhd (Registration No.: 202301022601 (1516524-U))
SDHB	:	Sime Darby Holdings Berhad (Registration No.: 198001003867 (57651-D))

DEFINITIONS *(Cont'd)*

Sellers	:	Collectively, PNB and ART
Serendah Land	:	UMW Group's 861 acres of land in Serendah, Selangor
Sime Darby Group or Group	:	Sime Darby and its subsidiaries
Sime Darby or Company	:	Sime Darby Berhad (Registration No.: 200601032645 (752404-U))
Sime Darby Share(s)	:	Ordinary shares in Sime Darby
SPA	:	The conditional share purchase agreement dated 24 August 2023 entered into by the Parties for the Proposed Acquisition
TICO	:	Toyota Industries Corporation
TIV	:	Total Industry Volume
Total Consideration	:	An aggregate amount of RM5,841.5 million for the Proposals, being the sum of the Purchase Consideration and the consideration amount for the Proposed MGO assuming full acceptances amounting to approximately RM2,267.4 million
Transaction Date	:	The third (3rd) Market Day immediately after the Unconditional Date, such other later date as may be agreed in writing between the Parties
TS Ahmad Badri	:	Tan Sri Ahmad Badri Bin Mohd Zahir
UMW	:	UMW Holdings Berhad (Registration No.: 198201010554 (90278-P))
UMW Development	:	UMW Development Sdn Bhd (Registration No.:198201013979 (93742-U))
UMW Group	:	UMW and its subsidiaries (and as the context requires, includes its associates and joint ventures), collectively
UMW Share(s)	:	Ordinary shares in UMW
UMW Toyota	:	UMW Toyota Motor Sdn. Bhd. (Registration No.: 198001006792 (60576-K))
UMW Toyota Group	:	UMW Toyota and its subsidiaries
Unconditional Date	:	The date on which the last of the Conditions Precedent is fulfilled, deemed fulfilled or waived in accordance with the salient terms as summarised in Section 3 of Appendix III of this Circular
UT Funds – Sime Darby	:	The unit trust funds of ART which hold shares in our Company as set out in Sections 10(ii) and (iii) of Part A of this Circular
UT Funds - UMW	:	The unit trust funds of ART which hold part of the Sale Shares as set out in Section 2.1 of Part A of this Circular
VWAMP	:	Volume weighted average market price

DEFINITIONS *(Cont'd)*

Currency

AUD	:	Australian Dollar, the lawful currency of Australia
HKD	:	Hong Kong Dollar, the lawful currency of Hong Kong
IDR	:	Indonesian Rupiah, the lawful currency of the Republic of Indonesia
INR	:	Indian Rupee, the lawful currency of India
PGK	:	Papua New Guinean Kina, the lawful currency of Papua New Guinea
RM and sen	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
RMB	:	Renminbi, the lawful currency of the PRC
SGD	:	Singapore Dollar, the lawful currency of Singapore
USD	:	United States Dollar, the lawful currency of the United States of America
VND	:	Vietnamese Dong, the lawful currency of Vietnam

All references to “**our Company**” in this Circular are to Sime Darby and references to “**our Group**” means Sime Darby and its subsidiaries. References to “**we**”, “**us**” and “**our**” are to our Company and where the context requires, our Group.

All references to “**you**” and “**your**” in this Circular are to the shareholders of our Company.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group’s plans and objectives will be achieved.

Any discrepancy in the figures included in this Circular between the amounts stated and the actual amount thereof is due to rounding.

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	vii
PART A	
LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS CONTAINING:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE FOR AND BENEFITS OF THE PROPOSALS	10
4. OUTLOOK AND PROSPECTS	11
5. FUTURE PLANS	14
6. RISK FACTORS	15
7. EFFECTS OF THE PROPOSALS	18
8. APPROVAL OR CONSENT REQUIRED	22
9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	23
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED	23
11. DIRECTORS' STATEMENT	25
12. INDEPENDENT ADVISER	25
13. GOVERNANCE & AUDIT COMMITTEE'S STATEMENT	26
14. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS	26
15. ESTIMATED TIMEFRAME FOR COMPLETION	26
16. HIGHEST PERCENTAGE RATIO	27
17. EGM	27
18. FURTHER INFORMATION	27
PART B	
INDEPENDENT ADVICE LETTER FROM AMINVESTMENT BANK TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION	28
APPENDICES	
APPENDIX I INFORMATION ON UMW GROUP	71
APPENDIX II AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022	91
APPENDIX III SALIENT TERMS OF THE SPA	249
APPENDIX IV DETAILS OF THE SELLERS	252
APPENDIX V COMPARABLE TRADING MULTIPLES	254
APPENDIX VI FURTHER INFORMATION	256
NOTICE OF EGM	ENCLOSED
PROXY FORM	ENCLOSED

EXECUTIVE SUMMARY

This Executive Summary provides a brief summary of the pertinent information on the Proposals as set out in this Circular. It does not contain all the information that may be important to you. You are advised to read and carefully consider the contents of this whole Circular before voting on the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.

Salient information	Description	Reference to this Circular	
Details of the Proposals	(i) The Proposals	Sections 1, 2.1 2.2 and 2.3 and 7.2 of Part A	
	(a) <u>Proposed Acquisition</u>		
	<p>On 24 August 2023, SDESB and SDHB entered into a SPA with the Sellers for SDESB to acquire approximately 61.18% equity interest in UMW for a total cash consideration of RM3,574,065,500 or RM5.00 per UMW Share.</p> <p>Both SDESB and SDHB are our wholly-owned subsidiaries. Under the SPA, SDHB acts as a warrantor, to jointly and severally warrant the warranties and undertakings given by SDESB as well as its completion obligations as set out in the SPA.</p>		
(b) <u>Proposed MGO</u>	<p>On the date the SPA becomes unconditional, SDESB will be obliged to extend a MGO to acquire all the remaining UMW Shares not already owned by SDESB and Sime Darby pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules.</p> <p>Under the Proposed MGO, the Offer Price for each Offer Share is RM5.00, which is equivalent to the price to be paid for each Sale Share pursuant to the Proposed Acquisition.</p>		
(ii) Funding	<p>Depending on the level of acceptances under the Proposed MGO, our Group expects to fund up to RM5,241.5 million which represents approximately 90% of the Total Consideration of RM5,841.5 million with external borrowings and the remaining via internally generated funds. Our gearing will increase from 0.49 times to 0.78 times as illustrated in Section 7.2 of Part A of this Circular.</p>		
(iii) RPT	<p>The Proposed Acquisition is deemed as a RPT pursuant to the Listing Requirements. Accordingly, AmInvestment Bank has been appointed as the Independent Adviser on 3 July 2023 to advise our non-interested directors and non-interested shareholders on the Proposed Acquisition.</p>		

EXECUTIVE SUMMARY (Cont'd)

Salient information	Description	Reference to this Circular								
Information on UMW	<p>UMW is listed on the Main Market of Bursa Securities and the UMW Group is principally involved in the businesses relating to automotive, equipment, manufacturing and engineering, aerospace and property development and management.</p> <p>The automotive segment contributed more than 80% revenue and profit before zakat and taxation to UMW Group for the FYE 31 December 2021 and FYE 31 December 2022. For each of the calendar years from 2019 to 2022, the sales volume of Toyota vehicles (through UMW Toyota, a 51% subsidiary of UMW) and Perodua vehicles (through Perodua, a 38% associate of UMW) collectively commanded more than 50% market share in Malaysia.</p> <p>Key audited financial information of UMW Group for the FYE 31 December 2022:</p> <table border="1"><thead><tr><th></th><th style="text-align: right;">RM'000</th></tr></thead><tbody><tr><td>Revenue</td><td style="text-align: right;">15,814,431</td></tr><tr><td>Profit after tax attributable to the equity holders</td><td style="text-align: right;">415,046</td></tr><tr><td>NA attributable to equity holders</td><td style="text-align: right;">4,350,016</td></tr></tbody></table>		RM'000	Revenue	15,814,431	Profit after tax attributable to the equity holders	415,046	NA attributable to equity holders	4,350,016	Appendix I
	RM'000									
Revenue	15,814,431									
Profit after tax attributable to the equity holders	415,046									
NA attributable to equity holders	4,350,016									
Basis of and justification for the Purchase Consideration	<p>The Purchase Consideration together with the terms of the SPA, were agreed commercially on a willing-buyer willing-seller basis through a competitive bidding process conducted by PNB with respect to the Sale Shares.</p> <p>The Purchase Consideration is at premiums to the VWAMP of UMW Shares up to and including the LTD. The Purchase Consideration is viewed as justifiable after taking into consideration the following:</p> <ul style="list-style-type: none">(i) The implied PER of RM14.1 times and implied PBR of 1.3 times are within the range of the trading PER and PBR of the comparable companies respectively as at the LTD;(ii) the level of consolidated cash and cash equivalents and the net cash / (debt) position of UMW as compared to the comparable companies;(iii) UMW Group being the market leader of the Malaysia automotive industry, commanding more than 50% market share in terms of sales volume through Toyota and Perodua cars since 2019;(iv) historical financial information of UMW Group;(v) rationale for and benefits of the Proposals;(vi) prospects of the UMW Group; and(vii) financial effects of the Proposals to our enlarged Group.	Section 2.1.1 of Part A								

EXECUTIVE SUMMARY (Cont'd)

Salient information	Description	Reference to this Circular
Rationale for and benefits of the Proposals	<p>The automotive segment is UMW Group's largest business. UMW's subsidiary is the sole distributor of Toyota and Lexus car models in Malaysia. Its associate, Perodua, in which UMW Group is the largest shareholder, is amongst Malaysia's largest automotive manufacturer.</p> <p>Essentially the Proposals will create, via our Company, Malaysia's largest automotive player with a strong presence in Asia Pacific. In addition, the Proposals are expected to bring forth the following benefits to our Group:-</p> <ul style="list-style-type: none">(i) scale up and strengthen our Group's motors business;(ii) achieve greater resilience with a diversified geographical and business portfolio;(iii) enhance sustainable returns by entering into new brand ecosystem;(iv) strengthen other segments of our Company's automotive business; and(v) expand into the fast-growing material handling business.	Section 3 of Part A
Outlook and prospects	<p>Sales of new motor vehicles in Malaysia continued to grow strongly in the first half of 2023, with TIV rising by 10.3% to 366,037 units from 331,746 units in the corresponding period in 2022. MAA has revised upwards its TIV forecast for the full year 2023, from its original forecast of 650,000 units to 725,000 units.</p> <p>Year-to-date September 2023, Toyota and Perodua have registered higher sales compared with the same period in 2022. The new models launched (such as Toyota Alphard, Toyota Vellfire, Toyota Corolla and Perodua Axia) and expected to be launched by Toyota and Perodua in 2023, coupled with their strong brand reputation and broad appeal to the mass market, would bode well in attracting sales for Toyota and Perodua.</p> <p>Our Board has taken a long-term view on the prospects of UMW Group as it considers UMW Group to be a strategic fit to our Group's businesses. The Proposals will contribute positively to the future financial performance of our Group.</p>	Section 4 of Part A
Future plans	<p>Upon completion of the Proposals, our Group intends to undertake a comprehensive review of various businesses within UMW Group to determine the strategic plans for the integration of UMW Group into our Group. As part of the comprehensive review, our Group also intends to identify strategic options with regard to the non-automotive businesses of UMW Group and this may lead to the divestment of businesses which are deemed non-core to and/or competing with our current businesses</p> <p>Subject to the foregoing, our Group does not have any immediate plan to introduce any major change to the existing business of UMW Group after the completion of the Proposals.</p>	Section 5 of Part A

EXECUTIVE SUMMARY (Cont'd)

Salient information	Description	Reference to this Circular
Risk factors	<p>The risk factors which may arise from the Proposals, include but are not limited to the following:</p> <ul style="list-style-type: none">(i) completion risk;(ii) acquisition risk;(iii) integration risks; and(iv) impairment of goodwill and assets. <p>As part of the integration exercise upon completion of the Proposals, we will assess whether a dominant position has been attained. Where necessary, our Group will establish monitoring mechanisms to ensure we adhere to the Malaysian competition laws and prevent any actions that could potentially be seen as anti-competitive. We will also engage with the Malaysian competition authorities to ensure transparency and compliance with regulatory requirements, when required.</p>	Section 6 of Part A
Interests of directors, major shareholders and/or person connected	<p>By virtue of PNB and ART being the Sellers under the SPA, the following persons are deemed interested in the Proposals:</p> <ul style="list-style-type: none">(i) Interested Shareholders which consist of PNB, UT Funds – Sime Darby including ASB and Yayasan Pelaburan Bumiputra;(ii) Interested Directors being Tan Sri Samsudin Bin Osman, Dato' Lee Cheow Hock Lawrence, Mohamad Idros Bin Mosin and Edree Bin Ahmad (Alternate Director to Mohamad Idros Bin Mosin); and(iii) EPF (the other major shareholder of our Company), as a person connected to PNB as a result of a commercial arrangement between EPF and PNB in a joint venture company. Accordingly, TS Ahmad Badri, EPF's nominee Director on our Board, is also deemed connected. <p>In this connection, at the request of EPF, our Company had made an application to Bursa Securities, seeking a waiver from categorising EPF and PNB as "persons connected" for the Proposals ("Proposed Waiver") and to allow EPF to exercise its voting rights in the EGM. As at the LPD, the decision from Bursa Securities in respect of the Proposed Waiver is still pending.</p>	Section 10 of Part A

EXECUTIVE SUMMARY *(Cont'd)*

Salient information	Description	Reference to this Circular
Directors' statement	<p>Our Board (save for our Interested Directors and TS Ahmad Badri who have abstained from deliberating and voting on the Proposals), is of the opinion that the Proposals are in the best interest of our Company, fair, reasonable and on normal commercial terms and not detrimental to the interest of the non-interested shareholders of our Company.</p> <p>Accordingly, our Board (save for our Interested Directors and TS Ahmad Badri) recommends that you vote IN FAVOUR of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.</p>	Section 11 of Part A

(the remainder of this page is intentionally left blank)

PART A
LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS



SIME DARBY BERHAD
(Registration No.: 200601032645 (752404-U))
(Incorporated in Malaysia)

Registered Office
Level 9, Menara Sime Darby
Oasis Corporate Park
Jalan PJU 1A/2, Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1 November 2023

Board of Directors

Tan Sri Samsudin Bin Osman (Non-Independent Non-Executive Chairman)
Thayaparan S Sangarapillai (Senior Independent Non-Executive Director)
Tan Sri Ahmad Badri Bin Mohd Zahir (Non-Independent Non-Executive Director)
Tan Sri Muhammad Shahrul Ikram Bin Yaakob (Independent Non-Executive Director)
Mohamad Idros Bin Mosin (Non-Independent Non-Executive Director)
Dato' Lee Cheow Hock Lawrence (Non-Independent Non-Executive Director)
Moy Pui Yee (Independent Non-Executive Director)
Dato' Dr. Nirmala Menon (Independent Non-Executive Director)
Scott William Cameron (Independent Non-Executive Director)
Tengku Dato' Sri Azmil Zahrudin Bin Raja Abdul Aziz (Independent Non-Executive Director)
Dato' Jeffri Salim Davidson (Group Chief Executive Officer)
Edree Bin Ahmad (Alternate Director to Mohamad Idros Mosin)

To: Our Shareholders

Dear Sir/Madam,

- (i) PROPOSED ACQUISITION; AND**
 - (ii) PROPOSED MGO**
- (COLLECTIVELY, THE "PROPOSALS")**
-

1. INTRODUCTION

On 24 August 2023, CIMB had, on behalf of our Board, announced that SDESB and SDHB, both wholly-owned subsidiaries of Sime Darby, had on even date entered into a SPA with the Sellers for the Proposed Acquisition. Under the SPA, SDESB acts as the purchaser. While SDHB (the direct holding company of SDESB) acts as a warrantor to jointly and severally warrants the warranties and undertakings given by SDESB as well as its completion obligations as set out in the SPA.

Upon completion of the Proposed Acquisition, SDESB's shareholdings in UMW will increase from nil to approximately 61.18%. Accordingly, on the date the SPA becomes unconditional, SDESB will be obliged to extend a MGO to acquire all the remaining UMW Shares not already owned by SDESB and Sime Darby pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules.

The Proposed Acquisition is deemed as a RPT pursuant to Paragraph 10.08 of the Listing Requirements. Details of the interests of our Interested Directors, major shareholder and persons connected with them are set out in Section 10 of Part A of this Circular. Accordingly, AmInvestment Bank has been appointed as the Independent Adviser on 3 July 2023 to advise our non-interested directors and non-interested shareholders on the Proposed Acquisition.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE IAL TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Acquisition

On 24 August 2023, the Parties have reached a mutual agreement on the terms of the SPA, leading SDESB and SDHB to enter into a SPA with the Sellers for the Proposed Acquisition.

The Proposed Acquisition will involve the acquisition by SDESB of the Sale Shares from the Sellers for the Purchase Consideration. The Purchase Consideration shall be satisfied in cash in accordance with the terms of the SPA. The number of Sale Shares and the corresponding percentage interest held in UMW by each of the Sellers are as follows:

Sellers	Number of Sale Shares	%⁽¹⁾
PNB	47,857,500 ⁽²⁾	4.10
ART as trustee for the following unit trust funds:		
• ASB	525,262,600	44.96
• Amanah Saham Malaysia 3	36,136,200	3.09
• Amanah Saham Malaysia 2 - Wawasan	35,520,500	3.04
• Amanah Saham Malaysia	30,443,900	2.61
• Amanah Saham Bumiputera 2	17,898,700	1.53
• Amanah Saham Bumiputera 3 - Didik	14,600,400	1.25
• ASN Equity 3	1,962,000	0.17
• Amanah Saham Nasional	1,489,900	0.13
• ASN Imbang (Mixed Asset Balanced) 2	1,369,000	0.12
• ASN Equity 2	1,279,000	0.11
• ASN Imbang (Mixed Asset Balanced) 1	993,400	0.09
Grand total	714,813,100	61.18

Notes:

- (1) Any discrepancy in the figures between the amounts stated and the actual amount thereof is due to rounding.
- (2) Includes 200,000 UMW Shares held by Permodalan Nasional Berhad – Bumiputera Wealth Fund.

The Sale Shares will be acquired free from any encumbrances and with all rights, benefits and entitlements attached to them with effect from the Completion Date of the Proposed Acquisition.

Pursuant to the terms and conditions of the SPA, if UMW undertakes any distribution to its shareholders, including any dividend distribution, of which the relevant entitlement date(s) is prior to the completion of the SPA, the Purchase Consideration shall be adjusted downwards by an amount equivalent to the actual amount received by the Sellers pursuant to such distribution.

Details on the other salient terms of the SPA are set out in Appendix III of this Circular.

2.1.1 Basis of and justification for the Purchase Consideration

The Purchase Consideration together with the terms of the SPA, were agreed commercially on a willing-buyer willing-seller basis through a competitive bidding process conducted by PNB with respect to the Sale Shares.

The Purchase Consideration represents the following:

- (i) premiums over the last transacted price and VWAMP of UMW Shares up to and including LTD, as follows:

	<u>Price</u>	<u>Premium</u>	
	RM	RM	%
Last transacted price of the UMW Shares as at the LTD:	4.5500	0.4500	9.89
<u>Up to and including the LTD as follows:</u>			
5-day VWAMP of the UMW Shares	4.5524	0.4476	9.83
1-month VWAMP of the UMW Shares	4.3327	0.6673	15.40
3-month VWAMP of the UMW Shares	4.1754	0.8246	19.75
6-month VWAMP of the UMW Shares	4.0545	0.9455	23.32
1-year VWAMP of the UMW Shares	3.8489	1.1511	29.91

(Source: Bloomberg)

For information, the premiums over the last transacted price and VWAMP of UMW Shares up to and including LPD are as follows:

	<u>Price</u>	<u>Premium</u>	
	RM	RM	%
Last transacted price of the UMW Shares as at the LPD:	4.7800	0.2200	4.60
<u>Up to and including the LPD as follows:</u>			
5-day VWAMP of the UMW Shares	4.7466	0.2534	5.34
1-month VWAMP of the UMW Shares	4.7544	0.2456	5.17
3-month VWAMP of the UMW Shares	4.6158	0.3842	8.32
6-month VWAMP of the UMW Shares	4.5031	0.4969	11.03
1-year VWAMP of the UMW Shares	4.2299	0.7701	18.21

(Source: Bloomberg)

In assessing the reasonableness of the Purchase Consideration, our Board (save for our Interested Directors and TS Ahmad Badri) had also taken into consideration, amongst others, the following and is of the view that the Purchase Consideration is justifiable:

- (i) based on the Total Consideration and UMW's latest audited consolidated PATNCI of RM415.0 million for the FYE 31 December 2022, the implied PER is 14.1 times. Further, based on the audited consolidated NA attributable to equity holders of UMW of RM4,350.0 million for the FYE 31 December 2022, the implied PBR is 1.3 times. The implied PER and PBR are within the range of the trading PER and PBR of the comparable companies as at the LTD. For the purpose of evaluating the Total Consideration, the comparable companies (as detailed in Appendix V of this Circular) were selected based on the following criteria:
 - (a) the principal activities of the comparable companies are broadly comparable to the primary business of UMW, being the automotive business (i.e. more than 60% of revenue is derived from the automotive business based on the latest audited consolidated financial statements of the respective companies as at the LTD); and
 - (b) the comparable companies are listed on Bursa Securities.
- (ii) Additionally, our Company has also considered the Total Consideration, after adjusting to exclude the estimated net realisable value of HVM Park, being the development properties of UMW Development. This is because the businesses of UMW Development do not fall within the core businesses of our Group and the development properties are carried at historical costs or book values. The implied adjusted PER and PBR after excluding the estimated net realisable value of HVM Park are 13.5 times and 1.3 times respectively. Kindly refer to Appendix V of this Circular for more details.

- (iii) the level of consolidated cash and cash equivalents and the net cash / (debt) position of UMW as compared to the comparable companies as follows:

Name of company	Audited consolidated financial statements for the FYE ⁽¹⁾	Cash and cash equivalents ⁽²⁾	Total borrowings ⁽³⁾	Net cash / (debt) ⁽⁴⁾
		RM'million	RM'million	RM'million
		[a]	[b]	[a] – [b]
UMW	31 December 2022	3,004	1,604	1,400
Bermaz Auto Berhad	30 April 2023	538	182	356
DRB-HICOM Berhad	31 December 2022	3,629	8,210	(4,581)
MBM Resources Berhad	31 December 2022	285	4	281
Tan Chong Motor Holdings Berhad	31 December 2022	559	1,364	(805)

Notes:

- (1) *The figures in the table were extracted from the latest audited consolidated financial statements announced by the respective comparable companies on Bursa Securities as at the LTD.*

For Bermaz Auto Berhad, in assessing the reasonableness of the Purchase Consideration as at the LTD, we had previously relied on the figures in the company's Unaudited Quarterly (Q4) Interim Financial Report for the FYE 30 April 2023. This is because the company's audited consolidated financial statements for the FYE 30 April 2023 was not available on Bursa Securities as at the LTD. For information, the figures based on Bermaz Auto Berhad's Unaudited Quarterly (Q4) Interim Financial Report for the FYE 30 April 2023 is not materially different from the audited consolidated financial statements for the FYE 30 April 2023.

- (2) *Total cash and cash equivalents include cash and bank balances, deposits with financial institutions and short-term investments (where applicable).*

- (3) *Total borrowings include bank borrowings and lease liabilities.*

- (4) *Net cash /(debt) is calculated based on the total cash and cash equivalents less the total borrowings of the respective companies.*

- (iv) UMW Group being the market leader of the Malaysia automotive industry, commanding more than 50% market share in terms of sales volume through Toyota and Perodua cars since 2019 based on the UMW's annual reports for the FYE 31 December 2019 to FYE 31 December 2022;
- (v) historical financial information of UMW Group as set out in Appendix I of this Circular;
- (vi) rationale for and benefits of the Proposals as set out in Section 3 of Part A of this Circular;
- (vii) prospects of the UMW Group as set out in Section 4.3 of Part A of this Circular; and
- (viii) financial effects of the Proposals to our enlarged Group as set out in Sections 7.2 and 7.3 of Part A of this Circular.

2.1.2 Information on UMW Group

Details of UMW Group are set out in Appendix I of this Circular.

2.1.3 Information on the Sellers

Details of the Sellers are set out in Appendix IV of this Circular.

2.2 Details of the Proposed MGO

By virtue of Section 216(3)(a) of CMSA, the Sellers are deemed PACs with SDESB. Although SDESB's shareholding in UMW will increase from nil to approximately 61.18% upon completion of the Proposed Acquisition, the effective shareholding of SDESB, our Company, and our PACs (which includes the Sellers), collectively, remain unchanged.

For shareholders' information, as at the LPD, the shareholdings of SDESB, our Company and PACs in UMW are as follows:

Name	Relationship with our Company	Direct shareholdings		Indirect shareholdings	
		No. of UMW Shares	%	No. of UMW Shares	%
<u>Ultimate Offeror</u>					
Sime Darby	-	-	-	-	-
<u>Offeror</u>					
SDESB	<ul style="list-style-type: none"> An indirect wholly-owned subsidiary of our Company 	-	-	-	-
<u>PACs</u>					
PNB	<ul style="list-style-type: none"> A substantial shareholder of our Company; and the investment manager of ASB, the major shareholder of our Company with more than 20% voting interest 	47,857,500 ⁽¹⁾	4.10	-	-
ART (held via the following UT Funds - UMW):	<ul style="list-style-type: none"> A trustee for unit trust funds including ASB which are managed by the unit trust management company of PNB 				
• ASB	-	525,262,600	44.96	-	-
• Amanah Saham Malaysia 3	-	36,136,200	3.09	-	-
• Amanah Saham Malaysia 2 - Wawasan	-	35,520,500	3.04	-	-
• Amanah Saham Malaysia	-	30,443,900	2.61	-	-
• Amanah Saham Bumiputera 2	-	17,898,700	1.53	-	-
• Amanah Saham Bumiputera 3 - Didik	-	14,600,400	1.25	-	-
• ASN Equity 3	-	1,962,000	0.17	-	-

Name	Relationship with our Company	Direct shareholdings		Indirect shareholdings	
		No. of UMW Shares	%	No. of UMW Shares	%
• Amanah Saham Nasional	-	1,489,900	0.13	-	-
• ASN Imbang (Mixed Asset Balanced) 2	-	1,369,000	0.12	-	-
• ASN Equity 2	-	1,279,000	0.11	-	-
• ASN Imbang (Mixed Asset Balanced) 1	-	993,400	0.09	-	-
Total		714,813,100	61.18	-	-

Note:

(1) Includes 200,000 UMW Shares held by PNB – Bumiputera Wealth Fund.

Upon the SPA becoming unconditional, pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, SDESB will be obliged to extend the MGO at the Offer Price. The Offer Price is the same price per UMW Share pursuant to the Proposed Acquisition. The Proposed MGO will also be extended to our PACs, where applicable, as allowed under the Rules.

For the avoidance of doubt, the completion of the SPA is subject to certain Conditions Precedent as set out in Appendix III of this Circular and there is no certainty that the Proposed MGO will materialise. In the event the SPA does not become unconditional or is terminated, SDESB will not be obliged to extend the Proposed MGO.

Upon the SPA becoming unconditional, SDESB will serve the Notice to the board of directors of UMW, in accordance with Paragraph 9.10(1) of the Rules. Subsequently, the Offer Document will be despatched to the shareholders of UMW within 21 days from the date of the Notice in accordance with Paragraph 11.02(1) of the Rules.

Kindly refer to Section 15 of Part A of this Circular for details on the tentative timeline regarding the timing of when the SPA will become unconditional as well as the implementation of the Proposed MGO.

2.2.1 Consideration for the Proposed MGO

The Offer Price of RM5.00 per Offer Share is equivalent to the price to be paid for each Sale Share pursuant to the Proposed Acquisition.

If UMW declares, makes and/or pays any dividend and/or other distribution of any nature whatsoever (collectively, the “**Distribution**”) on or after the date of the SPA but prior to the closing of the Proposed MGO and the holders of UMW Shares are entitled to retain such Distribution, the Offer Price will be reduced by an amount equivalent to the net Distribution for each UMW Share which such holders are entitled to retain. For the avoidance of doubt, no adjustment shall be made to the Offer Price in the event the entitlement date for the Distribution is after the closing of the Proposed MGO.

For information purpose, assuming SDESB receives full acceptances under the Proposed MGO, SDESB will be required to pay a total consideration of approximately RM2,267.4 million for the Offer Shares.

Notwithstanding the above, if SDESB, our Company or PACs purchase or agree to purchase the Offer Shares during the offer period at a consideration that is higher than the Offer Price, in accordance with Paragraph 6.03(1) of the Rules, SDESB must increase the cash consideration for the Proposed MGO to an amount not less than the highest price (excluding stamp duty and commission) paid or agreed to be paid by SDESB, our Company or PACs for the Offer Shares during the offer period.

2.2.2 Condition of the Proposed MGO

The Proposed MGO will not be conditional upon any minimum level of valid acceptances of the Offer Shares. This is because SDESB will hold more than 50% of the voting shares in UMW upon completion of the Proposed Acquisition.

2.2.3 Listing status of UMW

Pursuant to Paragraph 8.02(1) of the Listing Requirements, a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public security holders ("**Public Spread Requirement**"). SDESB does not intend to maintain the listing status of UMW on the Main Market. As such, SDESB will not be taking any steps to address any shortfall in the public shareholding spread of UMW in the event UMW does not meet the Public Spread Requirement.

If SDESB receives valid acceptances under the Proposed MGO or acquires Offer Shares resulting in SDESB, our Company and our associates holding in aggregate 90% or more of the listed UMW Shares, SDESB will procure UMW to take the requisite steps to withdraw its listing from the Official List in accordance with Paragraph 16.07 of the Listing Requirements.

However, if SDESB receives valid acceptances under the Proposed MGO and/or acquires Offer Shares resulting in SDESB, our Company and our associates holding in aggregate more than 75% but less than 90% of UMW Shares, SDESB may request UMW to make the necessary application to withdraw its listing status from the Official List pursuant to Paragraph 16.06 of the Listing Requirements.

2.2.4 Compulsory acquisition

In the event SDESB receives valid acceptances of not less than nine-tenths (9/10) in the nominal value of the Offer Shares (excluding UMW Shares already held by SDESB, our Company and PACs as at the date of the Proposed MGO) on or prior to the closing date of the Proposed MGO, SDESB intends to invoke the provisions of Section 222(1) of the CMSA to compulsorily acquire any remaining Offer Shares from the Dissenting Shareholders. In such instance, all the Offer Shares that are compulsorily acquired will, subject to Section 224(1) of the CMSA, be acquired on the same terms and conditions of the Offer Document and in accordance with Section 222(1) of the CMSA.

Notwithstanding the above and subject to Section 224 the CMSA, Section 223 of the CMSA provides that if SDESB has, by virtue of valid acceptances from the holders of the Offer Shares, acquired some (but not all) of the Offer Shares resulting in SDESB, our Company and PACs holding not less than nine-tenths (9/10) in the value of the UMW Shares (including the UMW Shares already held by SDESB, our Company and PACs as at the date of the Proposed MGO) on or before the closing date of the Proposed MGO, a Dissenting Shareholder may exercise his/her or its rights under Section 223(1) of the CMSA, by serving a notice on SDESB to require SDESB to acquire his/her or its Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed between SDESB and the Dissenting Shareholder concerned.

In accordance with Section 224(3) of the CMSA, when a Dissenting Shareholder exercises his/her or its rights under Section 223(1) of the CMSA, the court may, on an application made by such Dissenting Shareholder or by SDESB, order that the terms on which SDESB shall acquire such Offer Shares shall be as the court thinks fit.

2.3 Source of funding

Depending on the level of acceptances under the Proposed MGO, our Group expects to fund up to RM5,241.5 million which represents approximately 90% of the Total Consideration with external borrowings and the remaining via internally generated funds. The final proportions on the source of funding will be determined at a later date after taking into consideration, among others, the internal cash requirements, gearing levels, interest cost and market conditions.

After the completion of the Proposals, it is our Group's intention to further pare down some of the borrowings utilised to finance the Proposals with proceeds from the disposal of non-core assets. We regard the motors and industrial segments as our Group's core businesses. Our assets and/or businesses which fall outside of these business segments are considered as non-core businesses to our Group. These include:

- (i) approximately 1,382.2 acres and 1,281.8 acres of land located in the Malaysia Vision Valley area in Labu, Negeri Sembilan proposed to be disposed by Kumpulan Sime Darby Berhad, an indirect wholly-owned subsidiary of our Company, to NS Corporation. Based on our Company's announcement on Bursa Securities on 24 August 2022 and 23 September 2022, the cash considerations for the proposed disposals are RM460 million and RM445 million respectively. The proposed disposals are expected to be completed in the FYE 30 June 2024 and FYE 30 June 2025 respectively, subject to further extension as may be mutually agreed. The total balance cash proceeds expected to be received upon the completion of the proposed disposals is RM814.5 million. Please refer to Section 9 of Part A of this Circular for further details on the abovementioned disposals; and
- (ii) our investment in Ramsay Sime Darby Health Care Sdn Bhd. On 28 June 2023, our Company announced that together with our Company's partner, Ramsay Health Care Limited, a decision has been made to explore the possibility of realising a sale of our Company's 50:50 joint venture in Ramsay Sime Darby Health Care Sdn Bhd.

Nevertheless, at this stage, there is no assurance that the sale process will result in a transaction. Our Company will make the necessary announcement on Bursa Securities if and when there is a definite corporate proposal.

2.4 Liabilities to be assumed

Save for the borrowings to be utilised to finance the Proposals and the liabilities of UMW Group that would be consolidated as a consequence of UMW becoming our subsidiary following the completion of the Proposed Acquisition, there are no liabilities, including any contingent liabilities and/or guarantees, to be assumed by our Group arising from the Proposals.

2.5 Additional financial commitment required

Our Group does not expect to incur any additional financial commitment to put the assets/business of UMW Group on-stream as the businesses of UMW Group are already on-going.

3. RATIONALE FOR AND BENEFITS OF THE PROPOSALS

The automotive segment is UMW Group's largest business contributing 84.16% of UMW Group's total revenue for the FYE 31 December 2022. UMW's subsidiary is the sole distributor of Toyota and Lexus car models in Malaysia while its associate, Perodua, in which UMW Group is the largest shareholder, is amongst Malaysia's largest automotive manufacturer.

The Proposals will create, via our Company, Malaysia's largest automotive player with a strong presence in Asia Pacific. In addition, the Proposals are expected to bring forth the following benefits to our Group's operations in the motors and industrial business segments which are our core businesses:

- (i) **Scale up and strengthen our Group's motors business** – The Proposals will scale up our Group's operations in Malaysia, positioning our Company as a leading automotive player with more than 50% market share in Malaysia. Our Group will be able to leverage on this stronger foothold in Malaysia to tap into increased market opportunities and customer base and to unlock potential for revenue growth and operational efficiencies;
- (ii) **Achieve greater resilience with a diversified geographical and business portfolio** – The Proposals will accord our Company full presence across the automotive spectrum by adding high-volume mass market brands (Toyota and Perodua) to complement our existing premium to luxury portfolio (BMW, Rolls-Royce, Jaguar, Land Rover and Porsche). With increased contribution from our Group's automotive business in Malaysia, the revenue mix of our Group will be further diversified geographically with more balanced revenue contributions from Malaysia, along with China (consists of China, Hong Kong, Macau and Taiwan) and Australasia, which are currently the key markets of our Group. For illustrative purposes, the percentage revenue contribution from Malaysia and other markets to the existing Sime Darby Group, existing UMW Group and on a combined basis are as follows:

% revenue contribution⁽¹⁾	Malaysia	Other Markets
Existing Sime Darby Group	15.83%	84.17% ⁽²⁾
Existing UMW Group	95.00%	5.00% ⁽³⁾
Combined Sime Darby Group and UMW Group ⁽⁴⁾	35.36%	64.64%

Notes:

- (1) *The percentage revenue contribution of Sime Darby Group and UMW Group were calculated based on the latest audited consolidated financial statements for the FYE 30 June 2023 and FYE 31 December 2022 respectively.*
- (2) *Consists of China (Mainland China, Hong Kong, Macau and Taiwan), Australasia and other countries of Asia, in which their percentage revenue contributions are 35.59%, 36.99% and 11.59% respectively.*
- (3) *Consists of markets outside of Malaysia, of which a detailed breakdown is not readily available based on the latest audited consolidated financial statements of UMW for the FYE 31 December 2022.*
- (4) *Computed based on the sum of revenue from the respective markets by Sime Darby Group and UMW Group for the FYE 30 June 2023 and the FYE 31 December 2022 respectively divided by the sum of the revenue of Sime Darby Group and UMW Group for the FYE 30 June 2023 and the FYE 31 December 2022 respectively.*

- (iii) **Enhancing sustainable returns by entering into new brand ecosystem** – The Proposals will add another coveted marque to our Company’s stable of brands and grant our Group access into Toyota’s extensive ecosystem, paving the way for possible future collaboration, synergies and potential growth. In addition, the Proposals would also accord our Company a substantial stake in Perodua, a household brand which has consistently delivered healthy margins, due to it being the manufacturer and distributor of Perodua cars. For information, Perodua had registered an average profit before interest, zakat and taxation margin of 6.1% for the FYE 31 December 2020 to FYE 31 December 2022 as compared to the average profit before interest and tax margin of our Group’s motors segment of 3.6% for the FYE 30 June 2021 to FYE 30 June 2023. This diversification of our Group’s brand portfolio will strengthen our competitive position and sets the stage for sustained profitability. Kindly refer to Section 5 of Appendix I of this Circular for further details of the financial performance of the UMW Group’s automotive segment for the past three (3) FYEs 31 December 2020, 2021 and 2022;
- (iv) **Strengthening other segments of our Company’s automotive business** – The Proposals may also yield additional benefits to our Group by adding manufacturing and distribution capabilities to complement our existing assembly and retail businesses. Furthermore, by broadening our earnings base and presence in other parts of the automotive value chain, our Group will be able to create resilience against changing retail models and market dynamics; and
- (iv) **Expansion into the fast-growing material handling business** – The Proposals will bring TICO forklifts, a leading player in the forklifts market, into our Group’s industrial segment portfolio. Through this, our Group will gain exposure to the materials handling business while complementing its existing mining and construction equipment business. The addition of TICO to the industrial segment portfolio of our Group will also diversify our Group’s offerings, provide additional revenue stream and position our Group to capitalise on the growing demand for material handling equipment fuelled by e-commerce growth.

4. OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded moderately in the second quarter of 2023 (Q2 2023: 2.9%; Q1 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages.

Meanwhile, investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government. Continued recovery in inbound tourism partially offset the slower goods export growth. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when the economy experienced strong growth from reopening effects and policy measures.

On the supply side, the services and construction sectors continued to support growth. Meanwhile, production in the agriculture and mining sectors were affected by hot weather and plant maintenance. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (Q1 2023: 0.9%).

(Source: Press release by BNM dated 18 August 2023)

According to the Asian Development Bank, the economic outlook for the rest of 2023 is somewhat weaker than forecast in the Asian Development Outlook April 2023 report. Domestic demand will continue to drive growth with positive developments in the labour market and continuing income support from government policy measures. Stronger tourism is evident as tourist arrivals from major tourism markets improve. Growth in commodities and manufacturing for export remains a key constraint, hampered by weaker external demand for manufactures. This could be partly a lag effect from a weaker external outlook that has since improved. In contrast, fading growth factors are expected to slow growth further with a lower base effect in the second half of 2023. The GDP growth forecast in 2023 is lowered to 4.5% compared to the 4.7% made in April 2023, while the 2024 GDP growth forecast is maintained at 4.9%.

Private spending will continue to support economic growth. Household spending will be supported by greater employment opportunities, increased incomes, and lower inflationary pressures. The realization of approved investments the previous year may translate to job opportunities this year. An increase in the minimum wage from RM1,200 to RM1,500 in July 2023 is expected to improve household incomes and support further growth of private spending in the latter part of the year.

(Source: Asian Development Outlook (ADO) April 2023 and September 2023; Asian Development Bank)

4.2 Overview and outlook of the Malaysian automotive industry

Market review for the 1H2023 Malaysian automotive industry

Sales of new motor vehicles continued to grow strongly in the first half of 2023, with TIV rising by 10.3% to 366,037 units from 331,746 units in the corresponding period in 2022. The new vehicles market has not only returned to pre-pandemic levels, but it even surpasses that pre-pandemic levels, rebounding strongly last year and again during the first half of 2023.

The annual TIV in 2022 of 720,658 units was an all-time high achieved in the history of the local automotive industry and the industry was able to maintain its growth trajectory for 1H2023, fuelled by several factors, namely:

- (a) Fulfilment of bookings received during the PENJANA (Pelan Jana Semula Ekonomi Negara) sales tax exemption period last year, a majority of which were registered before 31 March 2023;
- (b) A fair number of these bookings were also carried over and registered from April to June 2023;
- (c) Robust sales driven mainly by national makes;
- (d) Resilient domestic economy; the country GDP expanded by 5.6% in the first quarter of 2023;
- (e) New model launches with many attractive features and design, and very competitive prices helped to spur sales; and
- (f) Improved industry supply chain environment.

Outlook for full year 2023 Malaysian automotive industry

The MAA has revised upwards its TIV forecast for the full year 2023, from its original forecast of 650,000 units to 725,000 units, in view of the following factors:

- (a) Stable economic outlook. The Malaysian economy is projected to expand between 4% and 5% for full year 2023, driven by domestic demand;
- (b) Sustainability of the market performance will depend on Malaysia's economic indicators, which in turn will impact market buying sentiment;

- (c) New model launches particularly exciting newer models and very affordable models by national makes have been well received. MAA members recorded healthy sales orders;
- (d) MAA members' continuation of aggressive promotional strategies and providing value-added services and more options to customers to improve demand;
- (e) Further improvement in the automotive industry supply chain environment;
- (f) BNM's decision to maintain the Overnight Policy Rate at 3% at its May 2023 Monetary Policy Committee meeting; and
- (g) Consumers' spending softening in the remaining months, weighed down by worries over rising costs of living, shrinking disposal income, weakening Ringgit against major foreign currencies, and uncertainties about the domestic and global economic environment.

TIV forecast for 2023 to 2027

Year	2023	2024	2025	2026	2027
TIV	725,000	700,000	707,000	721,140	736,300

(Source: MAA Market Review for 1H2023 dated 20 July 2023)

4.3 Prospects of UMW Group

Year-to-date September 2023, Toyota and Perodua registered higher sales compared with the same period in 2022. Toyota registered 76,511 units, representing a 8.0% growth compared with 70,872 units registered in the corresponding period of 2022, while Perodua registered 233,227 units, 18.8% higher than 196,354 units delivered in the same period in 2022.

Additionally, Toyota recorded sales of 9,228 units in September 2023, which is marginally lower compared to the units sold by Toyota of 9,233 units, during the corresponding period in 2022 (in which the sales and service tax exemption was in place). On the other hand, Perodua recorded sales of 28,995 units in September 2023, which is 17.7% higher compared to the units sold by Perodua of 24,626 units during the corresponding period in 2022.

The MAA expects the upward momentum shown in the 1H2023 TIV to continue for the rest of the year and revised upwards its TIV forecasts over the next 5 years.

The new models launched (such as Toyota Alphard, Toyota Vellfire, Toyota Corolla, and Perodua Axia) and expected to be launched by Toyota and Perodua in 2023, coupled with their strong brand reputation and broad appeal to the mass market, would bode well in attracting sales for Toyota and Perodua.

In addition to the recent reports by reputable international financial news agency regarding the support from the Japanese government to Toyota of up to 117.8 billion yen (approximately USD841 million) in subsidies for its investment in EV battery production, Toyota also aims to introduce 10 additional EV models by 2026, with a target to achieve annual sales of 1.5 million units in 2026 and 3.5 million units in 2030.

The reopening of the economies in the countries in which the Equipment Division operates is expected to sustain demand. In the Industrial Equipment segment in Malaysia, ongoing expansion in the services, manufacturing and primary sectors will support demand for material handling equipment. The Malaysian Investment Development Authority ("**MIDA**") reported that Malaysia had attracted RM264.6 billion approved investments in 2022, with 58% contributed by the services sector. Further, the increasing demand for efficient logistics and warehousing solutions fuelled by the e-commerce growth is expected to drive the growth of material handling business across the region as companies are in need of reliable and technologically advanced material handling equipment to optimise their operations.

In Malaysia, the Manufacturing & Engineering Division's automotive components and lubricants sub-segments are expected to continue driving growth in 2023, leveraging on improving demand. Meanwhile, the Aerospace Division anticipates higher demand for fan cases in 2023, due to additional new aircraft orders from airlines, combined with the order backlog. On 10 April 2023, it was announced that UMW Aerospace Sdn Bhd won a new contract from Rolls-Royce to produce rear cases for the Rolls-Royce Trent 1000 and Trent 7000 aircraft engines, valued at about RM1 billion for 15 years.

(Source: UMW's 2022 annual report, UMW's website, MAA Market Review for 1H2023 dated 20 July 2023, Toyota Malaysia's website, Toyota Motor Corporation's website, Perodua's website, Reuters article dated 16 June 2023, Japan Times article dated 7 April 2023, MIDA 2022 Malaysia Investment Performance report)

Our Board has taken a long-term view on the prospects of UMW Group as it considers UMW Group to be a strategic fit to our Group's businesses as the businesses of UMW Group are similar and/or complementary to the core businesses of our Group as detailed as follows:

- (i) For its automotive segment, UMW's key automotive brands, namely Toyota and Perodua which are leaders in the mass volume segment, will complement the existing automotive brand portfolio of our Group, which largely consists of brands in the premium and luxury segment. The consistently healthy sales volume from UMW automotive brands may also pave the way for more opportunities in our adjacent businesses such as in the used car segment, after-sales services, fleet services etc;
- (ii) For its equipment segment, UMW will bring a portfolio of equipment brands that provide us with exposure to different industries (such as TICO for the materials handling business). This will broaden our industry exposure besides our existing exposures centered around natural resources and construction; and
- (iii) For the other businesses of UMW (as set out in Section 1(ii)(b) to (d) of Appendix I of this Circular), our Group will look to operate these businesses independently as we undertake further assessment on such businesses.

In view of the above as well as the rationale for and benefits of the Proposals as set out in Section 3 of Part A of this Circular, our Board (excluding our Interested Directors and TS Ahmad Badri) is of the view that the Proposals will contribute positively to the future financial performance of our Group.

5. FUTURE PLANS

Upon completion of the Proposals, our Group intends to undertake a comprehensive review of various businesses within UMW Group to determine the strategic plans for the integration of UMW Group into our Group.

The key objectives of the integration plan are to ensure continuity of all UMW Group's businesses, formulate action plans (including determining the time frame and the financial resources required) to realise anticipated synergies, harmonisation of systems and policies as well as aligning organisational cultures. As part of the comprehensive review, our Group also intends to identify strategic options with regard to the non-automotive businesses of UMW Group. This may lead to the divestment of businesses which are deemed non-core to and/or competing with our current businesses. In respect of the foregoing, our Company wishes to highlight that the aforementioned divestment plan, if pursued, shall be explored at the appropriate time and subject to acceptable terms.

Subject to the foregoing, our Group does not have any immediate plan to introduce or effect any major change to the existing businesses of UMW Group after the completion of the Proposals.

With regards to the increasing popularity of EV adoption in the automotive industry, our Group's existing automotive brands (such as BMW, Porsche, Volvo, Hyundai and BYD) have released their respective EV models, allowing our Group to capitalise on the electrification trend. Further, Toyota and Perodua are also actively pursuing EV agendas. Toyota aims to introduce 10 additional EV models by 2026, while Perodua is exploring ways to introduce EVs to the mass market. Currently, Perodua views EVs as being complementary to internal combustion engine ("ICE") vehicles, but believes that EVs will play a greater role in the local automotive industry as the Malaysian government has pledged its commitment to the carbon neutrality agenda by 2030.

(Source: Japan Times article dated 7 April 2023, The Edge Malaysia article dated 29 August 2023)

Notwithstanding the above, our Group is of the view that while the momentum for the demand of EVs is growing, challenges still persist in achieving mass market adoption of EVs in the short term. Challenges include amongst others, the affordability of EVs, the maturity and rate of EV infrastructure roll-out and the rate of technology advancement to reduce the production costs of EVs vis-à-vis ICE vehicles. Consequently, the demand for ICE vehicles is expected to sustain in the short to medium term.

UMW Group's Toyota and Perodua cars are targeting primarily consumers in the bottom 40% income group and the middle 40% income group of the Malaysian population in the entry to middle-market segment. Hence, we believe consumer spending in these segments are less affected by the development of EV until such time there is mass adoption of EVs. Given the popularity of Toyota and Perodua cars in Malaysia, our Group's earnings profile is expected to strengthen as the Proposals will accord our Company full presence across the automotive spectrum by adding high-volume mass market brands (Toyota and Perodua) to complement our existing premium to luxury portfolio.

6. RISK FACTORS

The Proposals are not expected to materially change the risk profile of our Group because the automotive segment is the largest business of both UMW Group and our Group. Our Group will continue to be exposed to business, operational and financial risks relating to the automotive industry upon the completion of the Proposals. These risks, amongst others, include changes in general economic conditions, changes in government regulations, fluctuation in foreign exchange rates, changing consumer preference and spending trend (such as increasing popularity and adoption of EV) and financing risk.

However, there are certain risks that may arise from or are associated with the Proposals, including:

6.1 Completion risk

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent as set out in Section 2 of Appendix III of this Circular being fulfilled. Some conditions are beyond our Group's control such as your approval of the Proposals, consents from our Group's brand partners and consents or waivers (as applicable) from the key partners and/or counterparties to the material contracts of UMW Group. Our Company will procure SDESB to monitor the status and progress of the Proposed Acquisition and endeavour, to the extent possible, to meet and fulfil all the terms and conditions of the SPA. However, there is no assurance that all the Conditions Precedent can be fulfilled on or before the Cut-Off Date (as referred to in Appendix III of this Circular) to the satisfaction of the Parties. In the event the Conditions Precedent are not fulfilled, waived and/or extension of time is not agreed upon between SDESB, SDHB and the Sellers and/or the Parties are unable to perform their obligations in accordance with the terms of the SPA, the Proposed Acquisition will not be completed.

6.2 Acquisition risk

There is no assurance that the anticipated benefits of the Proposals will be realised or that our Group will be able to generate sufficient returns from the Proposals to offset the associated acquisition costs incurred. These include changes in the cash flow profile arising from borrowings incurred to finance the Proposals and the potential capital or operational expenditure to be committed in future.

Our Group however is substantially operating in the same business and industry in which UMW Group operates. Therefore, we are familiar with the risks involved and the business environment.

6.3 Integration risks

Our enlarged Group's business operations and financial position could be materially affected if the existing businesses of our Group and UMW Group are not integrated effectively or in a timely manner. This may result in the expected benefits and synergies of the Proposals being lesser than estimated.

Any failure to achieve expected synergies may impact upon our enlarged Group's financial performance in the future.

Potential factors that may influence a successful integration include:

- (i) disruption to business continuity and ongoing operations which could affect our enlarged Group's ability to deliver its products and services to its customers, timeliness in responding to competition and ability to maintain its market position;
- (ii) higher than anticipated integration complexities and costs, for example related to integration of information technology platforms and systems;
- (iii) unintended loss of key personnel or skilled or technical personnel or reduced employee effectiveness and productivity due to uncertainties during the integration phase; and
- (iv) unexpected challenges or issues that may lead to integration execution taking longer time or costing more than anticipated.

Additionally, some of UMW Group's businesses are in direct competition with our Group. Considering that we will, as a Condition Precedent to the SPA, seek the necessary consents, approval and/or waivers (as applicable) as required for the sale and purchase of the Sale Shares from the relevant brand owners. Notwithstanding, there is no certainty that further business conflicts will not arise in the future with any of these brands owners as well as key partners of UMW Group. Consequently, there is no certainty that there will be no material negative implication arising from such conflicts to our Group. Any possible discontinuation of business relationship, partnership and/or joint venture with any of these brands owners may have material impact on our Group.

At the appropriate time, our enlarged Group may undertake the necessary efforts, including undertaking proper studies to formulate and implement integration initiatives, and if necessary, establish a management team to oversee and ensure the successful integration exercise.

The integration includes our Group undertaking a comprehensive self-assessment to determine whether a dominant position has been attained. If after the completion of the Proposals, it is determined that our enlarged Group is in a dominant position in the Malaysian automotive industry and has abused such dominant position, the penalty prescribed under the Competition Act 2010 could entail amongst others, a fine of no more than RM10 million or imprisonment for a term not exceeding 5 years.

Where necessary, our Group will establish monitoring mechanisms to ensure that our Group adheres to the Malaysian competition laws and prevent any actions that could potentially be seen as anti-competitive, and to engage with the Malaysian competition authorities to ensure transparency and compliance with regulatory requirements, when required.

6.4 Impairment of goodwill and assets

According to MFRS 3 Business Combinations issued by the Malaysian Accounting Standards Board, our enlarged Group is expected to recognise goodwill arising from the Proposals. Goodwill represents the excess of the consideration over the Group's share of the fair value of the identifiable net assets acquired.

Goodwill is tested for impairment annually or if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, goodwill is allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the Proposed Acquisition. The goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Whilst the management expects the goodwill to be supported by the post-acquisition performance of the UMW Group, any material changes or events arising that may adversely affect the business prospects and/or assets of UMW Group, may result in an impairment of the goodwill. In the event the goodwill is impaired, the profitability of our enlarged Group may be adversely affected and that may have a corresponding effect on shareholders' value.

(the remainder of this page is intentionally left blank)

7. EFFECTS OF THE PROPOSALS

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on our Company's issued share capital and substantial shareholders' shareholdings as it does not involve any issuance of new Sime Darby Shares.

7.2 NA, NA per share and gearing

For illustrative purposes only, based on:

- (i) the latest available audited consolidated statement of financial positions of our Company as at 30 June 2023;
- (ii) the latest available audited consolidated statement of financial positions of UMW as at 31 December 2022; and
- (iii) assuming the Total Consideration is funded by borrowings of RM5,241.5 million (approximately 90% of the Total Consideration) and cash of RM600.0 million (approximately 10% of the Total Consideration),

the effects of the Proposals on the NA, NA per share and gearing of our Group are as follows:

	(I)	(II)	(III)	
	Audited as at 30 June 2023	After the completion of the MVV Transaction (as defined in Note (3))	After (I) and the Proposed Acquisition ⁽¹⁾	After (I), (II) and the Proposed MGO ⁽²⁾
	RM'million	RM'million	RM'million	RM'million
Share capital	9,330	9,330	9,330	9,330
Reserves	1,119	1,119	1,119	1,119
Retained earnings	6,477	6,728 ⁽³⁾	6,711 ⁽⁴⁾	6,120 ⁽⁵⁾⁽⁶⁾
Consolidated NA/Equity attributable to the owners of Sime Darby	16,926	17,177	17,160	16,569
Non-controlling interests	357	357	3,738 ⁽⁷⁾	2,049
Perpetual sukuk	-	-	1,098	1,098
Total equity	17,283	17,534	21,995	19,716
No. of Sime Darby Shares in issue (million)	6,816	6,816	6,816	6,816
NA per Sime Darby Share (RM) ⁽⁸⁾	2.48	2.52	2.52	2.43
Total borrowings ⁽⁹⁾	8,454	8,454	13,032 ⁽¹⁰⁾	15,300 ⁽¹¹⁾
Bank balances, deposits and cash	3,086	3,338 ⁽¹²⁾	5,529 ⁽⁴⁾⁽¹³⁾	5,517 ⁽⁵⁾
Net borrowings ⁽¹⁴⁾	5,368	5,116	7,503	9,783
Gearing ratio (times) ⁽¹⁵⁾	0.49	0.48	0.59	0.78
Net gearing ratio (times) ⁽¹⁵⁾⁽¹⁶⁾	0.31	0.29	0.34	0.50

Notes:

- (1) The financial results of UMW have been consolidated by extracting the latest audited consolidated financial statements of UMW for the FYE 31 December 2022, which are prepared in accordance with the MFRS.

- (2) Assuming full acceptances under the Proposed MGO.
- (3) After taking into consideration the estimated gain on disposal amounting to RM251 million, from the disposal of approximately 760.12 acres of land located in the Malaysia Vision Valley area in Labu, Negeri Sembilan by Kumpulan Sime Darby Berhad, an indirect wholly-owned subsidiary of our Company, which was completed on 7 August 2023 (“**MVV Transaction**”).
- (4) After taking into consideration the estimated expenses relating to the Proposed Acquisition of approximately RM17.1 million, the breakdown of the estimated expenses are as follows:

Nature of expenses	Estimated amount
	RM'million
Professional fees	12.6
Fees payable to the relevant authorities	-*
Financing fees	3.3
Others [^]	1.2
Total	17.1

* Represents RM0.03 million fees payable to the relevant authorities.

[^] Others include expenses pertaining to amongst others, printing and despatch costs of this Circular, hosting of the EGM, booking of the advertisement, brokerage fees and other incidental expenses.

- (5) After taking into consideration the estimated expenses relating to the Proposed MGO of approximately RM11.9 million, the breakdown of the estimated expenses are as follows:

Nature of expenses	Estimated amount
	RM'million
Professional fees	7.4
Fees payable to the relevant authorities	1.1
Financing fees	2.5
Others [^]	0.9
Total	11.9

[^] Others include expenses pertaining to amongst others, printing and despatch costs of the Offer Document, brokerage and transfer fees as well as other incidental expenses.

Assumes the audited consolidated NA attributable to equity holders of UMW as at 31 December 2022 amounting to RM4,350.0 million is the fair value of the NA acquired on completion of the Proposed Acquisition and that the Proposed MGO is treated as an equity transaction with the non-controlling shareholders of UMW after the Proposed Acquisition. As such, the difference between the consideration for the Proposed MGO and our Group's share of fair value of NA of UMW of approximately RM578.9 million is recognised as a reduction to retained earnings.

- (6) The actual fair value of the NA of UMW would be determined based on the purchase price allocation exercise to be undertaken. As such, the impact on retained earnings may differ from that in the illustration above.
- (7) After taking into consideration the assumed fair value of NA of UMW not held by our Group after the Proposed Acquisition of RM1,688.5 million (derived based on the remaining equity interest in UMW not held by our Group after the Proposed Acquisition multiplied by the audited consolidated NA attributable to equity holders of UMW as at 31 December 2022 amounting to RM4,350.0 million) and the non-controlling interests of UMW Group as at 31 December 2022 of RM1,692.1 million as extracted from the audited consolidated financial statements of UMW for the FYE 31 December 2022.
- (8) Computed as the consolidated NA/equity attributable to the owners of our Company and divided by the number of Sime Darby Shares in issue as at 30 June 2023.
- (9) Total borrowings include bank borrowings and lease liabilities.

- (10) Includes UMW Group's total borrowings amounting to approximately RM1,604.2 million as at 31 December 2022 and additional borrowings amounting to approximately RM2,974.1 million by our Group to part finance the consideration for the Proposed Acquisition.
- (11) Assumes additional borrowings amounting to approximately RM2,267.4 million by our Group to finance the consideration for the Proposed MGO.
- (12) Includes the balance cash proceeds amounting to RM252.0 million, in relation to the MVV Transaction.
- (13) Includes UMW Group's bank balances, deposits and cash amounting to approximately RM2,808.1 million as at 31 December 2022 less our Group's internally generated funds amounting to approximately RM600.0 million to part finance the consideration for the Proposed Acquisition.
- (14) Computed as total borrowings less bank balances, deposits and cash.
- (15) The gearing and net gearing ratios have not taken into consideration the effects arising from the following transactions:

- (i) proposed acquisition of Cavpower Group by Sime Darby Allied Operations Pty Ltd, an indirect wholly-owned subsidiary of our Company. For your information, the acquisition of Cavpower Group is intended to be financed through external borrowings and internal funds, the proportion of which has not been finalised as at the LPD. Based on the illustrative effects of this proposed acquisition as set out in our Company's announcement on Bursa Securities on 14 August 2023, the proposed acquisition is assumed to be financed entirely with external borrowings of AUD515.0 million (RM1,539.6 million), inclusive of transaction costs as well as to extinguish Cavpower Group's existing borrowings. The acquisition is expected to be completed by the second quarter of FYE 30 June 2024. Please refer to Section 9 of Part A of this Circular for further details on the abovementioned acquisition; and
- (ii) proposed disposals of approximately 1,382.2 acres and 1,281.8 acres of land located in the Malaysia Vision Valley area in Labu, Negeri Sembilan by Kumpulan Sime Darby Berhad, an indirect wholly-owned subsidiary of our Company. Based on our Company's announcement on Bursa Securities on 24 August 2022 and 23 September 2022, the cash considerations for the proposed disposals are RM460 million and RM445 million respectively. The proposed disposals are expected to be completed in the FYE 30 June 2024 and FYE 30 June 2025 respectively, subject to further extension as may be mutually agreed. The total balance cash proceeds expected to be received upon the completion of the proposed disposals is RM814.5 million. Please refer to Section 9 of Part A of this Circular for further details on the abovementioned disposals.

Purely for illustration purposes, assuming the borrowings and bank balances, deposits and cash as set out in the table above include the additional borrowings of RM1,539.6 million from item (15)(i) and balance cash proceeds of RM814.5 million from item (15)(ii) above, but without adjusting for the effects of acquisition and disposals, the gearing and net gearing ratios of our Group would be as follows:

	<u>(I)</u>	<u>(II)</u>	<u>(III)</u>
	After the completion of the MVV Transaction	After (I) and the Proposed Acquisition	After (I), (II) and the Proposed MGO
Gearing ratio (times)	0.57	0.66	0.85
Net gearing ratio (times)	0.33	0.37	0.53

- (16) Computed as total net borrowings divided by total equity of our Group.
- (17) The financial effects as set out above have not taken into consideration the effects of the Proposed UT Transaction (as defined in Section 6 of Appendix I of this Circular) by UMW. Please refer to Section 6 of Appendix I of this Circular for further details.

7.3 Earnings and earnings per share

The completion of the Proposals is expected to improve the future consolidated earnings and EPS of our Company. For illustrative purposes only, based on:

- (i) the latest available audited consolidated financial statements of our Company for the FYE 30 June 2023;
- (ii) the latest available audited consolidated financial statements of UMW for the FYE 31 December 2022; and
- (iii) assuming the Proposals had been completed at the beginning of the FYE 30 June 2023 and that the Purchase Consideration is funded through borrowings of RM5,241.5 million (approximately 90% of the Total Consideration) and cash of RM600.0 million (approximately 10% of the Total Consideration),

the effects on the earnings and EPS of our Group for the FYE 30 June 2023 have been prepared based on the following scenarios:

Scenario 1: Assuming SDESB does not receive any valid acceptances under the Proposed MGO and SDESB continues to hold a 61.18% equity interest in UMW after the Proposals; and

Scenario 2: Assuming SDESB receives full acceptances under the Proposed MGO.

	Audited as at 30 June 2023	(I) Scenario 1 ⁽¹⁾⁽²⁾	(II) Scenario 2 ⁽¹⁾⁽²⁾
	RM'million	RM'million	RM'million
Consolidated profit after tax attributable to owners of Sime Darby	1,458	1,458	1,458
Add: UMW Group's PATNCI ⁽⁶⁾	-	254 ⁽³⁾	415 ⁽⁴⁾
Less: Interest expense	-	125 ⁽⁵⁾	220 ⁽⁶⁾
Less: Loss of interest income	-	21 ⁽⁷⁾	21 ⁽⁷⁾
Less: Estimated expenses	-	17	20 ⁽⁸⁾
Estimated consolidated profit after tax attributable to owners of Sime Darby	1,458	1,549	1,612
No. of Sime Darby Shares (million)	6,816	6,816	6,816
EPS (sen)	21.4	22.7	23.7

Notes:

- (1) *The financial results of UMW have been consolidated by extracting the latest audited consolidated financial statements of UMW for the FYE 31 December 2022, which are prepared in accordance with the MFRS. Assumes the audited consolidated NA attributable to equity holders of UMW as at 31 December 2022 is the fair value of the NA acquired. As the actual fair value of the NA of UMW would be determined based on the purchase price allocation exercise to be undertaken, there may be additional adjustments to the financial results of UMW that are consolidated by our Company, which may differ from that in the illustration above.*
- (2) *Excludes the estimated gain on disposal in relation to the MVV Transaction amounting to RM251 million as the MVV Transaction was completed on 7 August 2023, which is after the FYE 30 June 2023.*

- (3) *Consolidation of 61.18% of the audited consolidated PATNCI of UMW for the FYE 31 December 2022 of RM415.0 million.*
- (4) *Consolidation of 100% of the audited consolidated PATNCI of UMW for the FYE 31 December 2022 of RM415.0 million.*
- (5) *Interest expense of approximately RM124.9 million is based on the additional borrowings to be utilised by our Group amounting to approximately RM2,974.1 million to part finance the Proposals, at an assumed interest rate of 4.2% per annum.*
- (6) *Interest expense of approximately RM220.1 million is based on the additional borrowings to be utilised by our Group amounting to approximately RM5,241.5 million to part finance the Proposals, at an assumed interest rate of 4.2% per annum.*
- (7) *Loss of interest income of approximately RM21.0 million is based on RM600.0 million of our Group's internally generated funds to be utilised to part finance the Proposals, at an assumed interest rate of 3.5% per annum.*
- (8) *Sum of the estimated expenses for the Proposed Acquisition of RM17.1 million and the estimated financing fees for the Proposed MGO of RM2.5 million. The estimated expenses does not include the remaining RM9.4 million estimated expenses for the Proposed MGO as they are recognised as a reduction to the retained earnings. This is because the Proposed MGO is treated as an equity transaction with non-controlling shareholders of UMW.*
- (9) *The financial effects as set out above have not taken into consideration any effects of the Proposed UT Transaction by UMW. Please refer to Section 6 of Appendix I of this Circular for further details.*

8. APPROVAL OR CONSENT REQUIRED

The Proposals are subject, amongst others, to the following approvals, consents and/or waiver:

8.1 To be procured by SDESB:

- (i) your approval for the Proposals at the EGM to be convened;
- (ii) the receipt of a waiver(s) and/or consent(s) from the SC, for (a) the appointment of up to three (3) persons nominated by SDESB as directors of UMW and (b) the resignation of the existing nominee directors of PNB from their directorships and/or offices in UMW, both effective on the Completion Date, of which an application to the SC was made on 3 October 2023 and the approval by the SC has been obtained vide its letter dated 18 October 2023.

8.2 To be procured by the Sellers:

- (i) the receipt of written consent(s) or waiver(s) (as applicable) from governmental authorities whose consents or waivers are required in connection with a change of control of UMW under the terms of relevant material licences (where applicable) of the UMW or its material subsidiary and associate companies, to which SDESB has received written confirmation from the Sellers that no governmental authorities' consents or waivers are required in respect of the above.

For further details on other Conditions Precedent to the SPA, please refer to Section 2 of Appendix III of this Circular.

The Proposed Acquisition is not conditional upon the Proposed MGO. However, the Proposed MGO is conditional upon the Proposed Acquisition and the SPA becoming unconditional.

The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by our Company.

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the below, our Board confirms that there are no other outstanding corporate exercises that have been announced through Bursa Securities, which is pending completion prior to the printing of this Circular.

On 24 August 2022 and 23 September 2022, our Board announced that our indirect wholly-owned subsidiary, Kumpulan Sime Darby Berhad, had entered into sale and purchase agreements with NS Corporation for the proposed disposals of approximately 1,382.2 acres and 1,281.8 acres of land respectively, located in the Malaysia Vision Valley area in Labu, Negeri Sembilan. The cash considerations for the abovementioned disposals are RM460 million and RM445 million respectively. The disposals are subject to the fulfilment of conditions precedent stipulated in the respective sale and purchase agreements, which as at the LPD, have yet to be fulfilled. Further, the disposals are expected to be completed in the FYE 30 June 2024 and FYE 30 June 2025 respectively, subject to further extension as may be mutually agreed.

Furthermore, on 14 August 2023, our Board announced that our indirect wholly-owned subsidiary, Sime Darby Industrial Machinery Australasia Pty Ltd, had on even date entered into a share sale agreement to acquire Cavpower Group for a cash consideration of AUD500.0 million (approximately RM1,494.8 million), on a cash-free and debt-free basis and subject to customary adjustments for working capital, capital expenditure and stocktake. The abovementioned acquisition is subject to the fulfilment of conditions precedent stipulated in the share sale agreement, which as at the LPD, have yet to be fulfilled. Further, the acquisition is expected to be completed by the second quarter of the FYE 30 June 2024.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save as disclosed below, none of the Directors, major shareholders of our Company and/or persons connected with them have any interest, direct or indirect, in the Proposals:

Interested Shareholders:

- (i) PNB is a direct shareholder of our Company with a shareholding of 5.11% as at the LPD. PNB is deemed interested in the Proposed Acquisition by virtue of PNB being one of the Sellers and is a person connected with ASB, a unit trust fund which is a major shareholder of our Company. PNB is the investment manager of ASB and the holding company of Amanah Saham Nasional Berhad, the unit trust management company of the ASB;
- (ii) ASB is the major shareholder of our Company with a shareholding of 37.73% as at the LPD. ASB is deemed interested in the Proposals by virtue of it being one of the UT Funds - UMW and PNB being a person connected with ASB;
- (iii) In addition to ASB, PNB is also a person connected with the following unit trust funds which are the shareholders of our Company (collectively known as “**UT Funds – Sime Darby**”) as at the LPD:

<u>UT Funds - Sime Darby other than ASB</u>	<u>No. of Sime Darby Shares</u>	<u>%</u>
Amanah Saham Malaysia 2 - Wawasan	88,975,300	1.31
Amanah Saham Malaysia	75,994,800	1.12
Amanah Saham Malaysia 3	51,634,900	0.76
Amanah Saham Bumiputera 2	28,674,300	0.42
Amanah Saham Bumiputera 3 - Didik	24,064,600	0.35
ASN Umbrella for ASN Equity 3	10,000,000	0.15

UT Funds - Sime Darby other than ASB	No. of Sime Darby Shares	%
Amanah Saham Nasional	6,500,000	0.10
ASN Umbrella for ASN Sara (Mixed Asset Conservative) 1	6,223,700	0.09
ASN Sara (Mixed Asset Conservative) 2	3,000,000	0.04
ASN Equity 2	1,300,000	0.02
ARB for Yayasan Tun Ismail Mohamed Ali (Berdaftar)	442,679	0.01
Bumiputera Wealth Fund	230,600	Negligible
ASN Equity Malaysia	155,350	Negligible
ASN Umbrella for ASN Imbang (Mixed Asset Balanced) 2	67,700	Negligible

- (iv) Yayasan Pelaburan Bumiputra is an indirect substantial shareholder of our Company, via its 99.99% equity interest in PNB.

Interested Directors:

The following directors are deemed interested in the Proposed Acquisition by virtue of them being the nominee directors of PNB in our Company:

- (a) Tan Sri Samsudin Bin Osman, the Non-Independent Non-Executive Chairman of our Company;
- (b) Dato' Lee Cheow Hock Lawrence, the Non-Independent Non-Executive Director of our Company;
- (c) Mohamad Idros Bin Mosin, the Non-Independent Non-Executive Director of our Company; and
- (d) Edree Bin Ahmad, the Alternate Director to Mohamad Idros Bin Mosin.

Our Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant meetings of our Board.

Additionally, our Interested Shareholders and Interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposals to be tabled at the EGM. They have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposals to be tabled at the EGM.

As at the LPD, none of our Interested Directors has any direct and/or indirect shareholdings in our Company.

EPF and TS Ahmad Badri:

Separately, TS Ahmad Badri, being our Non-Independent Non-Executive Director, has also abstained from voting on the resolution pertaining to the Proposals at the relevant meetings of our Board. He will also continue to abstain from all deliberations and decisions at our Board meetings relating to the Proposals. As at the LPD, he did not have any direct and/or indirect shareholdings in our Company. TS Ahmad Badri is a nominee director of EPF on our Board.

EPF is a major shareholder of our Company with an aggregate shareholding of 14.77%, comprising 11.62% direct and 3.15% indirect shareholdings in our Company as at the LPD. EPF is also a substantial shareholder of UMW with 10.05% direct shareholdings in UMW as at the LPD and has a representative on the board of directors of UMW.

Pursuant to the Listing Requirements, EPF is deemed as a person connected to PNB as a result of a commercial arrangement between EPF and PNB in a joint venture company. Accordingly, EPF is required to abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposals to be tabled at the EGM. In this connection, at the request of EPF, our Company had made an application to Bursa Securities, seeking a waiver from categorising EPF and PNB as “persons connected” for the Proposals (“**Proposed Waiver**”) and to allow EPF to exercise its voting rights in the EGM. As at the LPD, the decision from Bursa Securities in respect of the Proposed Waiver is still pending.

Unless the Proposed Waiver is approved by Bursa Securities prior to the EGM (in which case EPF will be eligible to exercise its voting rights at the EGM), EPF will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposals to be tabled at the EGM. Further development on this matter, if any, will be announced on Bursa Securities, where appropriate. For completeness, TS Ahmad Badri will continue to observe the abstention from deliberations and decisions on the resolution pertaining to the Proposals at the relevant meetings of our Board, irrespective of the outcome of the decision of Bursa Securities on the Proposed Waiver.

11. DIRECTORS’ STATEMENT

Our Board, save for our Interested Directors and TS Ahmad Badri, after taking into consideration all aspects of the Proposals (including but not limited to the basis and justification in arriving at the Purchase Consideration, salient terms of the SPA, rationale, prospects, risk factors and financial effects) as well as the evaluation of the Independent Adviser on the Proposed Acquisition, is of the opinion that the Proposals are:

- (i) in the best interests of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of our Company.

Accordingly, our Board (save for our Interested Directors and TS Ahmad Badri) recommends that you vote **IN FAVOUR** of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.

12. INDEPENDENT ADVISER

The Proposed Acquisition is deemed a RPT in view of the interests of our Interested Shareholders and Interested Directors as set out in Section 10 of Part A of this Circular. Accordingly, AmInvestment Bank has been appointed to act as the Independent Adviser on 3 July 2023 to undertake the following:

- (i) comment as to whether the Proposed Acquisition is:
 - (a) fair and reasonable so far as you are concerned; and
 - (b) to the detriment of the non-interested shareholders of our Company,

and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;

- (ii) advise the non-interested shareholders whether they should vote in favour of the Proposals; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

Please refer to Part B of this Circular for the IAL.

13. GOVERNANCE & AUDIT COMMITTEE'S STATEMENT

The Governance & Audit Committee of our Company, after taking into consideration all aspects of the Proposals (including but not limited to the basis and justification in arriving at the Purchase Consideration, salient terms of the SPA, rationale, prospects, risk factors and financial effects) as well as the evaluation of the Independent Adviser on the Proposed Acquisition, is of the opinion that the Proposals are:

- (i) in the best interests of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of our Company.

14. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

Save for the Proposals, the total amount transacted with our Interested Directors and Interested Shareholders for the 12-month period preceding 30 June 2023 was approximately RM0.9 million which comprises:

- (i) RM0.5 million relates to the transactions with Amanah Saham Nasional Berhad for the sponsorship of Minggu Saham Amanah Malaysia 2022 held from 24 November 2022 to 30 November 2022; and
- (ii) RM0.4 million relates to multiple transactions involving the supply of goods and services to the Interested Shareholders during the FYE 30 June 2023. The supply of goods and services are of nature such as the sale and servicing of security equipment, the rental and servicing of motor vehicles, etc.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed in the 4th quarter of calendar year 2023.

The tentative timeline for the implementation of the Proposals is as follows:

Tentative timeline	Events
16 November 2023	<ul style="list-style-type: none"> • EGM to approve the Proposals
Mid November 2023	<ul style="list-style-type: none"> • SPA becomes unconditional⁽¹⁾ • Serving of Notice
End November 2023	<ul style="list-style-type: none"> • Completion of the Proposed Acquisition
Early December 2023	<ul style="list-style-type: none"> • Despatch of Offer Document to the shareholders of UMW
End December 2023	<ul style="list-style-type: none"> • Closing date of the Proposed MGO⁽²⁾

Notes:

- (1) *Based on the SPA, the Conditions Precedent are to be fulfilled, waived or completed within three (3) months from the date of the SPA, being 24 August 2023, or such other later date as may be agreed in writing between SDESB, SDHB and the Sellers.*
- (2) *Being the first closing date of the Proposed MGO which is at least 21 days from the date of posting of the Offer Document, unless extended or revised in accordance with the Rules and the terms and conditions of the Offer Document as our Group may decide and as CIMB may announce, on our behalf, at least two (2) days before the closing date of the Proposed MGO. Excludes acquisition of UMW Shares pursuant to Section 222 and Section 223 of the CMSA, if applicable.*

16. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements is 41.1%, computed based on the audited consolidated financial statements of our Company for the FYE 30 June 2022 and the audited consolidated financial statements of UMW for the FYE 31 December 2022.

17. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted virtually through live streaming from the broadcast venue at Function Room, Ground Floor, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 16 November 2023 at 12.30 p.m., or after the conclusion of the Seventeenth Annual General Meeting of our Company or at any adjournment thereof, whichever is later, for the purpose of considering and, if thought fit, passing, with or without modifications, the resolution to give effect to the Proposals.

If you are unable to attend and vote at our forthcoming EGM, please complete, sign and deposit the enclosed Proxy Form in accordance with the instructions therein, so as to arrive at Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 24 hours before the time appointed for the taking of poll or no later than Wednesday, 15 November 2023 at 12.30 p.m.. Alternatively, you may submit the Proxy Form by electronic means via Tricor's TIIH Online website at <https://tiah.online>. The lodgement of the Proxy Form will not preclude you from attending and voting at the EGM should you subsequently wish to do so.

18. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board
SIME DARBY BERHAD

Dato' Jeffri Salim Davidson
Group Chief Executive Officer

PART B
**INDEPENDENT ADVICE LETTER FROM AMINVESTMENT BANK TO THE NON-INTERESTED
SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION**

EXECUTIVE SUMMARY

This Executive Summary is prepared for inclusion in the Circular to the shareholders of Sime Darby in relation to the Proposals and should be read in conjunction with the same. All definitions used in this Executive Summary shall have the same meanings as the words and expressions defined in the “Definitions” section in Part A of the Circular, except where the context otherwise defined in this Executive Summary. All references to “we”, “us” or “our” are references to AmlInvestment Bank, being the Independent Adviser for the Proposed Acquisition. All references to “you” and “your” are references to the non-interested shareholders.

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED ACQUISITION. YOU ARE ADVISED TO READ AND UNDERSTAND OUR IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO SHAREHOLDERS IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION. YOU SHOULD NOT RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING AN OPINION ON THE PROPOSED ACQUISITION.

YOU ARE ALSO ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

1. INTRODUCTION

On 24 August 2023, CIMB had, on behalf of the Board, announced that SDESB (as a purchaser) and SDHB (as a warrantor) have entered into a SPA with the Sellers for the Proposed Acquisition. Upon completion of the Proposed Acquisition, SDESB’s shareholding in UMW will increase from nil to approximately 61.18%. Accordingly, pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, SDESB will be obliged to extend the MGO to acquire all the Offer Shares at a cash Offer Price, which is the same price per UMW Share pursuant to the Proposed Acquisition.

Pursuant to Paragraph 10.08 of the Listing Requirements, the Proposed Acquisition is deemed as a RPT. Details of the interests of the Interested Directors, major shareholder and person connected with them are set out in Section 10, Part A of the Circular. Accordingly, AmlInvestment Bank has been appointed as the Independent Adviser on 3 July 2023 to advise the non-interested directors of the Company and the non-interested shareholders of the Company on the Proposed Acquisition.

We have prepared this IAL to provide the non-interested directors and non-interested shareholders of Sime Darby with our independent evaluation as to:

- (i) whether the Proposed Acquisition is fair and reasonable insofar as the non-interested directors and non-interested shareholders are concerned;
- (ii) whether the Proposed Acquisition is detrimental to the non-interested shareholders; and
- (iii) our recommendation on whether the non-interested shareholders should vote in favour or against the ordinary resolution pertaining to the Proposals to be tabled at the forthcoming EGM of the Company, subject to the scope and limitations of our role and evaluation specified herein.

2. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following:

Section in this IAL	Consideration factors	Evaluation
7.1	Evaluation of the Purchase Consideration	<p>In evaluating the fairness of the Purchase Consideration and given the UMW Group's diverse business, whose financials and valuation would be driven by different factors, we have estimated the fair value of the UMW Shares by adopting the sum-of-parts valuation as our primary valuation methodology. Additionally, we have considered the historical share price analysis and comparable company analysis to cross-check the valuation derived from our primary approach.</p> <p>We are of the view that the Purchase Consideration of RM5.00 per UMW Share is fair and reasonable given that:</p> <ul style="list-style-type: none"> (i) it represents a discount of 2.7% to the lower end and 8.1% to the higher end of our estimated value per UMW Share using the sum-of-parts valuation method, which ranges between RM5.14 to RM5.44 per UMW Share respectively; (ii) the premiums offered to the historical share prices of UMW are in line with prevailing market range of premiums offered for securing a controlling stake in a target company; and (iii) the implied PER and PBR multiples fall within the range of the Comparable Companies as at LTD.
7.2	Evaluation of the rationale for and benefits of the Proposals	<p>The Proposals are expected to provide Sime Darby Group an opportunity to expand its automotive business in Malaysia and diversify its revenue contribution geographically. Through the strategic acquisition, Sime Darby Group will establish its position as the largest automotive player in Malaysia.</p> <p>Additionally, the Proposals are also expected to deliver benefits which includes, amongst others, enhanced operational efficiencies, expanded market reach into different customer segments, increase diversification in the automotive value chain and expansion into the fast-growing material handling business.</p> <p>Premised on the above, we are of the opinion that the rationale for and benefits of the Proposed Acquisition are reasonable.</p>
7.3	Evaluation of the salient terms of the SPA	<p>Based on our assessment on the salient terms of the SPA, we are of the view that that the salient terms of the SPA are reasonable and not detrimental to the interest of the non-interested shareholders of Sime Darby.</p>

EXECUTIVE SUMMARY (CONT'D)

Section in this IAL	Consideration factors	Evaluation
7.4	Outlook, prospects and future plans	<p><u>Overview and outlook of the Malaysian economy</u></p> <p>The Malaysian economy expanded moderately in the second quarter of 2023 (Q2 2023: 2.9%; Q1 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages arising from the increase in minimum wage as well as lower inflationary pressures.</p> <p><u>Overview and outlook of the automotive sector in Malaysia</u></p> <p>We note that demand remains robust mainly due to the strong backlogged orders that is expected to continue for the rest of the year. Furthermore, the stable economic outlook for 2023 driven by strong domestic demand, improvements in the automotive industry supply chain environment, and introduction of new models will also contribute to higher TIV. We also note that Bank Negara's monetary stance remains accommodative and supportive of the economy, with the recent Monetary Policy Committee decision to maintain Overnight Policy Rate at 3.00%. However, we understand that the rising cost of living, weakening of the Ringgit against major foreign currencies, and uncertainties about the global economic environment may challenge the sustainability of the Malaysian automotive industry.</p> <p><u>Prospects of UMW Group</u></p> <p>We anticipate the prospects of UMW to be favourable attributed by the encouraging outlook of the Malaysian automotive industry, the reputable brands that UMW Group is partnered with and the access into Toyota's extensive ecosystem which will enable Sime Darby Group to be a market leader in Malaysia's affordable car segment.</p> <p>Further, we take note that Sime Darby will endeavour to realise the anticipated long-term synergies from the strategic acquisition that will lead to a positive impact to its business operations and financial performance. As such, we are of the view that the Proposed Acquisition is reasonable as UMW Group is expected to yield favourable outcomes to Sime Darby Group.</p>
7.5	Risk factors	<p>We note that the risks associated with the Proposals are not to materially differ with Sime Darby Group's existing risk profile given that the automotive segment is the largest business segment for both UMW Group and Sime Darby Group. Upon the completion of the Proposals, Sime Darby Group will continue to be exposed to risks inherent to the automotive industry.</p>

EXECUTIVE SUMMARY (CONT'D)

Section in this IAL	Consideration factors	Evaluation
7.6	Effects of the Proposals	<p>We wish to highlight that although measures and efforts would be taken by the Sime Darby Group to mitigate the risks associated with the Proposals, no assurance can be given that one or a combination of the risk factors as stated in Section 6, Part A of the Circular and Section 7.5 of this IAL will not occur and give rise to material adverse impact on the business operations of the Sime Darby Group, its financial performance, financial position or prospects thereon after the Proposals.</p> <p><u>Issued share capital and substantial shareholders' shareholdings</u></p> <p>No effect as the Proposals does not involve the issuance of new shares in Sime Darby.</p> <p><u>NA, NA per share and gearing</u></p> <p>(i) NA and NA per share of Sime Darby Group as at 30 June 2023 will decrease marginally after the Proposals as a result of among others, the estimated expenses relating to the Proposals of approximately RM29.0 million.</p> <p>(ii) As a result of the bank borrowings to part-finance the Total Consideration and consolidation of the borrowings of UMW Group, the gearing ratio of Sime Darby Group as at 30 June 2023 is expected to increase by approximately 0.29 times to 0.78 times.</p> <p><u>Earnings and earnings per share</u></p> <p>The Proposals are expected to be earnings accretive, enhancing Sime Darby Group's earnings for the FYE 30 June 2023 from RM1,458 million to RM1,612 million and EPS from 21.4 sen to 23.7 sen, upon completion of the Proposals.</p> <p>We note that the financial effects are only for illustration purposes and have not considered the various events that have taken place after 30 June 2023, any potential synergies from the Proposals and cost associated with the merger integration activities.</p> <p>Based on our assessment, we are of the view that the financial effects of the Proposed Acquisition are not detrimental to the interests of the non-interested shareholders of Sime Darby.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Acquisition after taking into consideration the various factors as set out in this IAL. Based on our evaluation of the information available to us up to the LPD on the Proposed Acquisition, we are of the opinion that the Proposed Acquisition is **fair and reasonable** and **not detrimental** to your interests.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution pertaining to the Proposals to be tabled at the forthcoming EGM of Sime Darby.



1 November 2023

To: The non-interested shareholders of Sime Darby Berhad

Dear Sir/Madam,

SIME DARBY BERHAD (“SIME DARBY” OR “COMPANY”)

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF SIME DARBY
IN RELATION TO THE PROPOSED ACQUISITION**

This IAL is prepared for inclusion in the Circular to the shareholders of Sime Darby in relation to the Proposals and should be read in conjunction with the same. All definitions used in this IAL shall have the same meanings as the words and expressions defined in the “**Definitions**” section in Part A of the Circular, except where the context otherwise defined in this IAL. All references to “**we**”, “**us**” or “**our**” are references to AmInvestment Bank, being the Independent Adviser for the Proposed Acquisition. All references to “**you**” and “**your**” are references to the non-interested shareholders of Sime Darby.

1. INTRODUCTION

On 24 August 2023, CIMB had, on behalf of the Board, announced that SDESB (as a purchaser) and SDHB (as a warrantor) have entered into a SPA with the Sellers for the Proposed Acquisition. Upon completion of the Proposed Acquisition, SDESB’s shareholding in UMW will increase from nil to approximately 61.18%. Accordingly, pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, SDESB will be obliged to extend the MGO to acquire all the Offer Shares at a cash Offer Price, which is the same price per UMW Share pursuant to the Proposed Acquisition.

Pursuant to Paragraph 10.08 of the Listing Requirements, the Proposed Acquisition is deemed as a RPT. Details of the interests of the Interested Directors, major shareholder and person connected with them are set out in Section 10, Part A of the Circular. Accordingly, AmInvestment Bank has been appointed as the Independent Adviser on 3 July 2023 to advise the non-interested directors of the Company and the non-interested shareholders of the Company on the Proposed Acquisition.

We have prepared this IAL to provide the non-interested directors and non-interested shareholders of Sime Darby with our independent evaluation as to:

- (i) whether the Proposed Acquisition is fair and reasonable insofar as the non-interested directors and non-interested shareholders are concerned;
- (ii) whether the Proposed Acquisition is detrimental to the non-interested shareholders; and
- (iii) our recommendation on whether the non-interested shareholders should vote in favour or against the ordinary resolution pertaining to the Proposals to be tabled at the forthcoming EGM of the Company, subject to the scope and limitations of our role and evaluation specified herein.

AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V))

A member of the AmBank Group

(A Participating Organisation of Bursa Malaysia Securities Berhad)

22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia. P. O. Box 10233, 50708 Kuala Lumpur, Malaysia.

T: +603 2036 2633 **F:** +603 2078 2842 **Telex:** AIGB MA 34124

W: ambankgroup.com

YOU ARE ADVISED TO READ AND UNDERSTAND OUR IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO SHAREHOLDERS IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION. YOU SHOULD NOT RELY SOLELY ON THIS IAL IN FORMING AN OPINION ON THE PROPOSED ACQUISITION.

YOU ARE ADVISED TO CAREFULLY EVALUATE THE RECOMMENDATIONS CONTAINED IN BOTH LETTERS BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF SIME DARBY.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE PROPOSALS

Sime Darby is proposing to undertake the following proposals:

2.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition by SDESB of 714,813,100 Sale Shares, representing 61.18% of the total issued share capital of UMW from the Sellers for a total Purchase Consideration of RM3,574,065,500 or RM5.00 per Sale Share to be satisfied entirely by cash.

The Sale Shares will be acquired free from any encumbrances and with all rights, benefits and entitlements attached to them with effect from the Completion Date of the Proposed Acquisition.

Prior to completion of the SPA, if UMW undertakes any distribution to its shareholders, including any dividend distribution, of which the relevant entitlement date(s) is prior to the completion of the SPA, the Purchase Consideration shall be adjusted downwards by an amount equivalent to the actual amount received by the Sellers pursuant to such distribution.

The breakdown of the Sellers and the number of Sale Shares are as follows:

Sellers	Number of Sale Shares	%(1)
PNB	47,857,500 ⁽²⁾	4.10
ART as trustee for the following unit trust funds:		
• ASB	525,262,600	44.96
• Amanah Saham Malaysia 3	36,136,200	3.09
• Amanah Saham Malaysia 2- Wawasan	35,520,500	3.04
• Amanah Saham Malaysia	30,443,900	2.61
• Amanah Saham Bumiputera 2	17,898,700	1.53
• Amanah Saham Bumiputera 3 - Didik	14,600,400	1.25
• ASN Equity 3	1,962,000	0.17
• Amanah Saham Nasional	1,489,900	0.13
• ASN Imbang (Mixed Asset Balanced) 2	1,369,000	0.12
• ASN Equity 2	1,279,000	0.11
• ASN Imbang (Mixed Asset Balanced) 1	993,400	0.09
Total	714,813,100	61.18

Notes:

- (1) Any discrepancy in the figures between the amounts stated and the actual amount thereof is due to rounding.
- (2) Includes 200,000 UMW Shares held by Permodalan Nasional Berhad – Bumiputera Wealth Fund.

2.2 Proposed MGO

Upon the SPA becoming unconditional, SDESB will be obliged to extend a notice of a mandatory take-over offer to the Board of Directors of UMW to acquire all remaining UMW Shares not already owned by SDESB and Sime Darby pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules. The MGO will be extended at a cash offer price of RM5.00 per Offer Share, in accordance with the price per Sale Share offered from the Proposed Acquisition.

Given that SDESB will hold more than 50% of the voting shares in UMW upon completion of the Proposed Acquisition, the Proposed MGO will not be conditional upon any minimum level of valid acceptances of the Offer Shares. Should UMW make any Distribution on or after the date of the SPA but prior to the closing date of the Proposed MGO and the holders of the UMW Shares are entitled to retain such Distribution, the Offer Price will be reduced by such amount equivalent to the net Distribution for each UMW Share which holders are entitled to retain.

3. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

As disclosed in Section 10, Part A of the Circular, save as shown below, none of the Directors, major shareholders of Sime Darby and/or persons connected with them have any interest, direct or indirect, in the Proposals:

(i) Interested Shareholders

- (a) PNB, being a major shareholder of Sime Darby, and one of the Sellers and a person connected with ASB. PNB acts as the investment manager of ASB and the holding company of Amanah Saham Nasional Berhad, the unit trust management company of ASB;
- (b) ASB, being a major shareholder of Sime Darby and one of the Sellers, in which ASB is a unit trust fund held under ART. ASB is also a person connected with PNB;
- (c) UT Funds – Sime Darby, a combination of various unit trust funds managed by PNB which are shareholders of Sime Darby; and

UT Funds - Sime Darby other than ASB	No. of Sime Darby Shares	%
Amanah Saham Malaysia 2 - Wawasan	88,975,300	1.31
Amanah Saham Malaysia	75,994,800	1.12
Amanah Saham Malaysia 3	51,634,900	0.76
Amanah Saham Bumiputera 2	28,674,300	0.42
Amanah Saham Bumiputera 3 - Didik	24,064,600	0.35
ASN Umbrella for ASN Equity 3	10,000,000	0.15
Amanah Saham Nasional	6,500,000	0.10
ASN Umbrella for ASN Sara (Mixed Asset Conservative) 1	6,223,700	0.09

UT Funds - Sime Darby other than ASB	No. of Sime Darby Shares	%
ASN Sara (Mixed Asset Conservative) 2	3,000,000	0.04
ASN Equity 2	1,300,000	0.02
ARB for Yayasan Tun Ismail Mohamed Ali (Berdaftar)	442,679	0.01
Bumiputera Wealth Fund	230,600	Negligible
ASN Equity Malaysia	155,350	Negligible
ASN Umbrella for ASN Imbang (Mixed Asset Balanced) 2	67,700	Negligible

- (d) Yayasan Pelaburan Bumiputra, an indirect substantial shareholder of Sime Darby, via its 99.99% equity interest in PNB.

(ii) Interested Directors

The following directors are deemed interested in the Proposed Acquisition by virtue of them being the nominee directors of PNB in Sime Darby:

- (a) Tan Sri Samsudin Bin Osman, the Non-Independent Non-Executive Chairman of Sime Darby;
- (b) Dato' Lee Cheow Hock Lawrence, the Non-Independent Non-Executive Director of Sime Darby;
- (c) Mohamad Idros Bin Mosin, the Non-Independent Non-Executive Director of Sime Darby; and
- (d) Edree Bin Ahmad, the Alternate Director to Mohamad Idros Bin Mosin.

The Interested Shareholders and Interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in Sime Darby on the resolution pertaining to the Proposals to be tabled at the EGM. They have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolution pertaining to the Proposals to be tabled at the EGM.

Further, as disclosed in Section 10, Part A of the Circular, we noted that as at LPD, EPF is a major shareholder of Sime Darby with an aggregate shareholding of 14.77% (direct and indirect shareholdings of 11.62% and 3.15% respectively) as well as a substantial shareholder of UMW with 10.05% direct shareholdings in UMW and has a representative on the Board of Directors of UMW.

We also noted that pursuant to the Listing Requirements, EPF is deemed as a person connected to PNB for the Proposals as a result of a commercial arrangement between EPF and PNB in a joint venture company. Accordingly, EPF is required to abstain from voting in respect of their direct and/or indirect shareholdings in Sime Darby on the resolution pertaining to the Proposals to be tabled at the EGM. In this connection, at the request of EPF, Sime Darby had made an application to Bursa Securities, seeking a waiver from categorising EPF and PNB as "persons connected" for the Proposals ("**Proposed Waiver**") and to allow EPF to exercise its voting rights in the EGM. As at the LPD, the decision from Bursa Securities in respect of the Proposed Waiver is still pending. Unless the Proposed Waiver is approved by Bursa Securities prior to the EGM (in which case EPF will be eligible to exercise its voting rights at the EGM), EPF will abstain from voting in respect of their direct and/or indirect shareholdings in Sime Darby on the resolution pertaining to the Proposals to be tabled at the EGM.

4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED ACQUISITION

AmInvestment Bank was not involved in the formulation, deliberation and negotiation of the terms and conditions of the Proposed Acquisition. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements to the independent adviser as set out in paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the assessment of the fairness and reasonableness of the Proposed Acquisition insofar as the non-interested directors and non-interested shareholders are concerned together with our recommendation on whether the non-interested shareholders should vote in favour of the Proposed Acquisition, based on the information and documents made available to us and making enquiries as were reasonable in the circumstances.

Set out below are the sources of information that we have relied upon, while performing our evaluation:

- (i) the information contained in Part A of the Circular and the accompanying appendices;
- (ii) the SPA;
- (iii) discussions with the management and Board of Sime Darby on 23 June 2023, 20 July 2023 and 21 August 2023 as well as other relevant information, supporting documents, confirmations and representations furnished to us by the management of Sime Darby or in reliance by Sime Darby of information obtained from the Sellers; and
- (iv) other publicly available information, including but not limited to the annual reports and research reports on UMW, which we deem relevant.

We have relied on the Board and management of Sime Darby to exercise due care to ensure that all the information, documents, confirmations, and representations provided to us to facilitate our evaluation are accurate, valid, complete and free from material omission as at the LPD.

We have relied on the accuracy of the information and documents furnished to us by the Board and management for the purpose of our evaluation and have not independently verified such information and documents for their validity, reliability, accuracy and/or completeness. After making all reasonable enquiries, we have no reason to believe that the information is unreliable, incomplete, misleading or inaccurate as at the LPD.

The Board has individually and collectively accepted responsibility for the accuracy of the information provided herein (save for our assessment, evaluations and opinions) and confirms that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts or omission of which would make any information provided herein false or misleading.

The responsibility of the Board in respect of the information on UMW is limited to ensuring that such information is accurately reproduced in this IAL.

We have evaluated the Proposed Acquisition, and in rendering our advice, we have considered various factors which we believe are of relevance and of general importance to an assessment of the Proposed Acquisition and would be of general concern to the non-interested directors and non-interested shareholders.

Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested shareholders as a whole and not for any specific group of the non-interested shareholders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situations, risk profiles or particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders. We recommend that any individual non-interested shareholder who is in doubt as to the action to be taken or requires advice in relation to the Proposals in the context of his/her individual investment objectives, financial or tax situation, risk profile or particular needs to consult his/her stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our views expressed in this IAL are, amongst others, based on prevailing economic, market and other conditions, and the information and/or documents made available to us, as at the LPD or such other period as specified herein. It is also based on the assumptions that the parties to the SPA are able to fulfil their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time.

Accordingly, our evaluation and recommendation expressed herein do not take into account of the information, events and conditions arising after the LPD. We shall notify the shareholders of Sime Darby if, after the despatch of this IAL, we become aware of the following:-

- (i) significant change affecting the information contained in this IAL;
- (ii) there are reasonable grounds to believe that the statements in this IAL are misleading/deceptive; and
- (iii) there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent accordingly to the shareholders.

5. CREDENTIALS, EXPERIENCE AND EXPERTISE OF AMINVESTMENT BANK

AmInvestment Bank provides a range of advisory services which include, amongst others, mergers, acquisition and divestures, take-overs/general offers, fund raising and initial public offerings. We have the relevant experience in the independent analysis of transactions and issuing opinions on whether the terms and financial condition of a transaction are deemed fair and reasonable, including those of acquisitions, disposals and general offers. AmInvestment Bank is a holder of a Capital Markets Services License issued by the SC as a principal adviser who is permitted to carry on the regulated activity of advising on the corporate finance under the CMSA.

Our credentials and experience as an independent adviser, include amongst others, the following:

- (i) independent advice letter, dated 28 October 2022, to the non-interested directors and non-interested shareholders of Digi.com Berhad in relation to the proposed merger of Digi.com Berhad and Celom Axiata Berhad for a total consideration of RM17,756,156,250 to be satisfied via a combination of issuance of Digi.com Berhad's Shares and cash consideration to Axiata Group Berhad;
- (ii) independent advice letter, dated 23 September 2022, to the non-interested unitholders of KIP Real Estate Investment Trust for the proposed acquisition of 3 industrial properties for a total cash consideration of RM78,700,000 and proposed leases of the said properties upon completion of the proposed acquisition by Pacific Trustees Berhad, for and on behalf of KIP Real Estate Investment Trust;

- (iii) independent advice letter, dated 17 September 2020, to the non-interested unitholders of Sunway Real Estate Investment Trust for the proposed acquisition of the Pinnacle Sunway (a 24-storey office building with three-storey mezzanine floors and six levels of basement car park) by RHB Trustees Berhad, on behalf of Sunway Real Estate Investment Trust for a cash consideration of RM450.0 million;
- (iv) independent advice circular, dated 3 June 2019, to the shareholders in relation to the unconditional mandatory take-over offer by YTL Cement Berhad through Maybank Investment Bank Berhad to acquire all the remaining ordinary shares in Lafarge Malaysia Berhad not already owned by YTL Cement Berhad for a cash offer price of RM3.75 per offer share;
- (v) independent advice letter, dated 22 March 2019, to the non-interested unitholders of Sunway Real Estate Investment Trust for the proposed acquisition by RHB Trustees Berhad, on behalf of Sunway Real Estate Investment Trust, of the subject lands and buildings from Sunway Destiny Sdn Bhd, for a cash consideration of RM550.0 million;
- (vi) independent advice circular, dated 29 October 2018, to the shareholders in relation to the proposed voluntary withdrawal of Hovid Berhad's listing from the official list of the main market of Bursa Securities pursuant to paragraph 16.06 of the Listing Requirements and the exit offer; and
- (vii) independent advice circular, dated 4 November 2016, to the shareholders of Mieco Chipboard Berhad in relation to the unconditional mandatory take-over offer by Dato' Sri Ng Ah Chai through RHB Investment Bank Berhad to acquire all the remaining ordinary shares in Mieco Chipboard Berhad not already held by Dato' Sri Ng Ah Chai at a cash consideration of RM0.90 per offer share.

Premised on the above, we have displayed that we are capable and competent, and have the relevant experience in carrying out our role and responsibilities as the Independent Adviser to advise you in relation to the Proposed Acquisition.

6. DECLARATION OF CONFLICT OF INTEREST

AmInvestment Bank, is a wholly-owned subsidiary of AMMB Holdings Berhad ("**AMMB**"). AMMB, its subsidiaries and its related and associated companies (collectively, the "**AmBank Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with the Sime Darby Group or UMW Group (collectively, the "**Companies**"). AmBank Group has engaged and may in the future, engage in transactions with and perform services for the Companies in addition to AmInvestment Bank's role as the Independent Adviser for the Proposed Acquisition.

Furthermore, in the ordinary course of business, any member of the AmBank Group may at any time offer or provide its services to or engage in any transactions (whether on its own account or otherwise) with any member of the Companies, hold long or short positions in the securities offered by any member of the Companies, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of the Companies.

As at the LPD, AmBank Group has extended certain credit facilities amounting to approximately RM25.68 million in aggregate, to the Companies as well as deposits placed by the Companies with the bank. The said facilities represent approximately 0.02% compared to the audited consolidated loans, advances and financing of AmBank Group as at 31 March 2023. Additionally, we wish to highlight that Dr Veerinderjeet Singh A/L Tejwant Singh, who is an Independent Non-Executive Director of AmBank (M) Berhad, also sits on the board of UMW as the Senior Independent Non-Executive Director. Additionally, he holds 66 UMW Shares as at LPD. Nonetheless, he is not involved in the day-to-day operations of AmBank (M) Berhad and UMW, and was not involved in any of the deliberation relating to the Proposed Acquisition.

Notwithstanding the above, AmInvestment Bank, as part of AmBank Group confirms that there is no conflict of interest that exist or is likely to exist in relation to our role as the independent adviser for the Proposed Acquisition, in view of the following:

- (i) AmInvestment Bank is a licensed investment bank and our appointment as the Independent Adviser for the Proposed Acquisition is in our ordinary course of business. AmInvestment Bank does not have any interest in the Proposed Acquisition other than acting as an Independent Adviser based on the terms of engagement that are mutually agreed between both parties. Further, AmInvestment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to our appointment as the Independent Adviser for the Proposed Acquisition;
- (ii) the Corporate Finance Department of AmInvestment Bank (“AmCF”) is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and BNM governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of independent committees to review its business operations. In any event, our team in charge for this transaction is independent from the team handling the credit facilities. Further, there is no involvement by AmCF in respect of any credit application process undertaken by other departments within AmBank Group;
- (iii) the conduct of AmBank Group in its banking business is strictly regulated by the Financial Services Act 2013, the CMSA and AmBank Group’s own internal controls and checks which includes, segregation of reporting structures, where its activities are monitored and reviewed by independent parties and committees; and
- (iv) AmBank Group does not hold any substantial shares nor have any board representatives in the Companies and the Companies do not have any representatives on the board of directors of AmBank Group.

Save for our appointment by Sime Darby as the Independent Adviser for the Proposed Acquisition as well as the credit facilities extended by AmBank Group to the Companies and deposits placed by the Companies with AmBank Group, we do not have any other professional relationship with the Companies within the past 2 years preceding the LPD.

7. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following:

Consideration factors	Sections of this IAL
EVALUATION OF THE PURCHASE CONSIDERATION	7.1
RATIONALE FOR AND BENEFITS OF THE PROPOSALS	7.2
SALIENT TERMS OF THE SPA	7.3
OUTLOOK, PROSPECTS AND FUTURE PLANS	7.4
RISK FACTORS	7.5
EFFECTS OF THE PROPOSALS	7.6

7.1 EVALUATION OF THE PURCHASE CONSIDERATION

Overview of UMW Group's Business

UMW Group operates in various lines of businesses, with a primary focus on the automotive segment.

Based on the performance review section as set out in UMW's FYE 31 December 2022 annual report, the following segments were highlighted:

No	Segments	Description
1.	Automotive	The automotive segment predominantly comprises of UMW Toyota Motor Sdn. Bhd. (" UMW Toyota ") (a 51% subsidiary) and Perodua (a 38% associate company), which are principally engaged in the import, manufacturing, assembly, marketing/distribution of "Toyota", "Lexus" and "Perodua" brands passenger and commercial vehicles and related spares.
2.	Equipment	The equipment segment is involved in the trading and leasing of a wide range of light and heavy equipment including related spares for use in the industrial, construction, mining, warehousing and logistics, and agricultural sectors.
3.	Manufacturing and Engineering	The manufacturing and engineering segment is involved in the manufacturing, assembly and trading of automotive parts, blending, packaging, marketing and distribution of lubricants, and other established agency lines in the automotive field.
4.	Aerospace	The aerospace segment is a single source manufacturer of bespoke fan cases and the 1st Malaysian company to become a Tier 1 engine component manufacturer for Rolls-Royce.
5.	Property Development	UMW Development Sdn Bhd (" UMWD "), a wholly-owned subsidiary of UMW, is engaged in the businesses of property investment and development, project management consultancy services and facilities management services, notably on Serendah Land. The Serendah Land is being developed as HVM Park, which is a high-value industrial manufacturing park on a managed and guarded concept, with a holistic ecosystem and environmental sustainability plan, offering the latest in Industry 4.0 enabled innovation and advanced manufacturing infrastructure.

In addition to the above, UMW Group, through its other subsidiaries and associate companies, is also involved in:

- (a) information technology;
- (b) provision of lease and hire purchase financing for both conventional and Islamic;
- (c) management and corporate services and various professional services; and
- (d) research and development.

The contribution of the above business divisions to the UMW Group's revenue and PBT are as follows:

Segments	Audited FYE 31 December 2022				Audited FYE 31 December 2021			
	Revenue		PBT		Revenue		PBT	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automotive	13,309,945	84.2	774,914	86.4	9,030,308	81.6	476,732	98.8
Remaining businesses	2,504,486	15.8	121,544	13.6	2,030,495	18.4	6,018	1.2
Total	15,814,431	100.0	896,458	100.0	11,060,803	100.0	482,750	100.0

Our Approach to Valuation

Given UMW Group's diverse business above, whose financials and valuation would be driven by different factors, we have adopted the sum-of-parts valuation ("**SOPV**") method as the most appropriate method.

However, as UMW is not a party to the SPA, we have relied only on limited publicly available information (i.e. annual & quarterly reports, public presentations and equity research reports on UMW Group as well as annual audited accounts of the relevant subsidiaries and associated companies), and adopted the following components for the SOPV together with the appropriate valuation methodology for each component:

Components	Relevant Entities	Rationale	Valuation method	Section Reference
Automotive Segment	(i) UMW Toyota (ii) Perodua	<ul style="list-style-type: none"> Most significant component contributing more than 80% of revenue and PBT 	Discounted cash flow (" DCF ")	7.1.1
Property Segment	UMWD	<ul style="list-style-type: none"> Distinct business driven by real property valuations 	Realisable net asset value (" RNAV ")	7.1.2
Holding company cash and debt	(i) UMW (ii) UMW Corporation Sdn Bhd (" UMWC "), a direct wholly-owned subsidiary of UMW (collectively " HoldCos ")	<ul style="list-style-type: none"> Identifiable balance sheet items whose carrying value would be a good representation of the fair value and which is fully attributable to UMW's shareholders (i.e. no minority interest) 	Carrying value	7.1.3
Others Segment	Other remaining subsidiaries and associated companies within UMW Group Including the Equipment, Manufacturing & Engineering, Aerospace segments as well as HoldCos operating cost	<ul style="list-style-type: none"> Aggregated as a single segment in view of the multitude of entities involved (including foreign entities for which historical financial information is publicly unavailable). Hence, the historical financial information is derived by carving out the 3 aforementioned components from UMW Group's historical consolidated audited financial statements. 	DCF	7.1.1

7.1.1 Automotive Segment and Others Segment

For the assessment of the fair values of the Automotive Segment and Others Segment, we have adopted the DCF method as our valuation method. The DCF valuation approach is a financial analysis method that assesses the value of an investment or a business by estimating the present value of projected future cash flows, while applying a discount rate that reflects the risk and time value of money.

As highlighted, we have relied on publicly available information to formulate our key bases and assumptions for projecting the future financial information of UMW Group's Automotive Segment ("**Automotive Future Financials**") and the future financial information of UMW Group's Others Segment ("**Others Future Financials**").

The key bases and assumptions adopted in the preparation of the Automotive Future Financials and Others Future Financials are as follows:

- (i) the Automotive Future Financials and Others Future Financials are projected over a 10-year period from forecasted FYE 31 December 2023 to FYE 31 December 2032 ("**Projection Period**"), and will continue its operations on a going-concern basis;
- (ii) in respect of the Automotive Segment, the total new vehicle sales or TIV is based on the following:
 - (a) the latest projections by MAA up to 2027 as set out below:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
TIV projections	725,000	700,000	707,000	721,140	736,300

Source: MAA's Market Review 1H 2023 dated 20 July 2023

- (b) for remaining Projection Period thereafter, TIV is assumed to grow in line with historical pre-pandemic long term TIV trend (for the period from 2005 to 2019 based on the annual TIV data as published on MAA's website) as follows:

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
TIV projections	709,569	717,263	724,956	732,650	740,344

The revenue for the Automotive Future Financials is premised on sustained historical market share (computed based on MAA's published unit sales divided by TIV) of Toyota (including Lexus) and Perodua, which ranges from 11.1% to 14.2% (average of 12.4%) and 35.5% to 41.6% (average of 38.6%), as well as research analysts' consensus (where available) on unit sales for the period from 2022 to 2025. On such premise, the unit sales for Toyota (including Lexus) ranges from approximately 88,000 to 92,000 per annum and for Perodua, it ranges from approximately 278,000 to 304,000 per annum during the Projection Period as follows:

Unit sales ('000)	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
Toyota (incl. Lexus)	90.5	90.1	88.8	90.3	92.0	88.4	89.1	89.9	90.8	91.8
Perodua	304.4	297.7	284.5	287.8	291.3	278.4	279.0	279.5	282.5	285.5

- (iii) the revenue for the Others Segment is based on historical pre-pandemic revenue growth trends (with a compounded annual growth rate of 7.4% from 2017 to 2019) normalising to 2.5% p.a by 2030. For FYE 31 December 2022, it is estimated that revenue of the Other Segments is RM2.37 billion;

- (iv) the Automotive Segment and Others Segment would be able to sustain historical cost margins and working capital cycles and there will not be any significant or material increase in capital expenditure which are expected to have a material adverse effect on the financial results, cash flows or business prospects of the Automotive Segment and Others Segment. For the period from 2017 to 2022, the indicative average EBITDA margin for Toyota, Perodua and the Others Segment is 4.1%, 3.3% and 11.8% respectively, which have been adopted for the Projection Period;
- (v) there will not be any major disruptions to the business operations which have a material adverse impact on the financial results, cash flows, or business prospects of the Automotive Segment and Others Segment;
- (vi) sufficient funds will be available or obtainable to finance the working capital requirements and capital expenditure of the Automotive Segment and Others Segment without any material adverse effect on its financial results, cash flows or business prospects;
- (vii) there will not be any significant or material changes to the agreements, contracts, licenses and regulations governing the Automotive Segment's and Others Segment's operations;
- (viii) the current accounting policies adopted will remain relevant and there will not be any significant changes in the accounting policies which have a material adverse impact on the financial performance and financial position of the Automotive Segment and Others Segment; and
- (ix) there will not be any significant or material changes in political, social and/or economic conditions, monetary and fiscal policies, inflation and regulatory requirements in any of the industry that the UMW Group operates.

(The remainder of this page is intentionally left blank)

In deriving the fair value of the Automotive Segment and Others Segment, the expected future free cash flow to the firm (“FCFF”) to be generated from the Automotive Segment and Others Segment are discounted at an appropriate Weighted Average Cost of Capital (“WACC”) which represents the required rate of return by the providers of capital for the business. The resulting present value of FCFF of each segment is known as the enterprise value. The enterprise value is adjusted for the net debt and UMW Group’s effective stake (estimated in the case of Others Segment) to derive the equity value for each segment. The formula for equity value is as follows:

$$\text{Equity Value} = \text{Enterprise Value} - \text{Debt} - \text{Minority Interest} + \text{Cash and Cash Equivalents}$$

Our key bases and assumptions for the valuation parameters, are as follows:

Key Valuation Assumptions

No	Parameters	Adopted variable	Basis and assumptions
1	FCFF	Automotive Future Financials from FYE 31 December 2023 to FYE 31 December 2032 Others Future Financials from FYE 31 December 2023 to FYE 31 December 2032	FCFF is the free cash flows from operations available to the providers of capital for a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows. Kindly refer to Section 7.1.1 above in respect of the key assumptions used including but not limited to the unit sales of the Automotive Segment and revenue growth for the Others Segment, coupled with the corresponding assumed EBITDA margins.
2	Cost of equity (“ K_e ”)	K_e for the Automotive Segment of 9.89% K_e for the Others Segment of 10.68%	The cost of equity represents the expected or required rate of return on equity by the equity holders. The cost of equity is derived using the capital asset pricing model as shown below: $K_e = R_f + \beta (R_m - R_f)$
3	Risk-free rate of return (“ R_f ”)	3.81%	The risk-free rate of return represents the expected rate of return from a risk-free investment. We have adopted the 3-months average yield of the 10-year Malaysian Government Securities up to and including the LTD as extracted from Bloomberg, as this represents the closest available approximation of a risk-free investment in Malaysia.

No	Parameters	Adopted variable	Basis and assumptions
4	Expected market rate of return (" R_m ")	9.94%	The expected market rate of return represents the expected rate of return of investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. We have relied on the 3-months average expected market rate of return in Malaysia up to the LTD as extracted from Bloomberg.
5	Debt to Equity Ratio	Debt to Equity Ratio for the Automotive Segment of 35.80% Debt to Equity Ratio for Others Segment of 71.40%	Debt to Equity Ratio is used to measure a business's financial leverage. The Debt to Equity Ratio of the Automotive Segment and Others Segment are estimated based on the average Debt to Equity Ratio of the Automotive Peers and Others Peers (as defined below) as at the LTD, respectively.
6	Beta (" β ")	Re-levered beta for the Automotive Segment of 0.99 Re-levered beta for the Others Segment of 1.12	Beta represents the sensitivity of an asset's returns to the changes in market returns. It measures the volatility or systematic risk between the said asset and the market. A beta of more than 1 indicates that the asset is riskier compared to the market and beta of lower than 1 indicates that the asset is less risky as compared to the market. In deriving the estimated beta of Automotive Segment and Others Segment, we have relied on the average of 10-year historical beta up to the LTD of the Automotive Segment's comparable companies (" Automotive Peers ") and the average of 10-year historical beta up to the LTD of Others Segment's comparable companies (" Others Peers ") as extracted from Bloomberg, respectively. We have selected the Automotive Peers based on the following criteria: <ul style="list-style-type: none"> (i) principally involved in the automotive business (i.e. more than 60% of revenue is derived from such business), with a significant presence in Malaysia; (ii) listed on Bursa Securities; and (iii) positive earnings.

No	Parameters	Adopted variable	Basis and assumptions				
			No. Comparable companies	Market capitalisation as at the LTD (RM' million)	10-year historical beta	Latest FYE	Revenue contribution from automotive business
			1. Sime Darby	14,313	1.009	30-Jun-2022	65%
			2. UMW	5,316	1.259	31-Dec-2022	84%
			3. DRB-Hicom Berhad	2,861	1.210	31-Dec-2022	72%
			4. Bermaz Auto Berhad	2,574	0.923	30-Apr-2023	100%
			5. MBM Resources Berhad	1,442	0.845	31-Dec-2022	100%
			<i>(Source: Bloomberg and the audited financial statements of the respective companies)</i>				
			We have selected Others Peers based on the Automotive Peers who are also involved in other businesses (i.e. at least 10% of revenue is derived from non-automotive business). As such, Others Peers include Sime Darby, UMW and DRB-Hicom Berhad only.				
			It should be noted that there are no public companies listed on Bursa Securities which is identical to UMW Group, in terms of, amongst others, the composition of business activities, geographical locations of operations, risk profile, historical performance, customer profile and future prospects. Nevertheless, we are of the view that the identified companies are reasonable to derive the estimated beta of the Automotive Segment and Others Segment.				
			As the historical beta was extracted from Bloomberg based on the capital structure of the comparable companies, we have unlevered the beta of the comparable companies and derived simple average betas for the Automotive Peers and Others Peers which we then re-levered based on the average existing Debt to Equity Ratio of the Automotive Peers and Others Peers, respectively.				

No	Parameters	Adopted variable	Basis and assumptions
7	Pre-tax cost of debt ("K _d ")	4.87%	<p>The cost of debt represents the effective interest rate that a firm pays on its debts.</p> <p>The cost of debt is based on the weighted average interest rate of all UMW Group's existing debt (excluding finance leases) as at FYE 31 December 2022.</p>
8	Weighted average cost of capital ("WACC")	<p>Derived WACC for the Automotive Segment of 8.26%</p> <p>Applied WACC range for the Automotive Segment of 8.06% to 8.46%⁽¹⁾</p> <p>Derived WACC for the Others Segment of 7.77%</p> <p>Applied WACC range for the Others Segment of 7.57% to 7.97%⁽¹⁾</p>	<p>The WACC is the weighted average rate of return required by each of the equity and debt providers.</p> <p>The WACC of the Automotive Segment and Others Segment are derived using the formula as shown below:</p> $\text{WACC} = E (K_e) + D (K_d) (1 - T)$ <p>where:</p> <p>K_e = Cost of equity K_d = Pre-tax Cost of debt E = Proportion of equity to the capital structure D = Proportion of debt to the capital structure T = Statutory corporate income tax rate of 24%</p> <p>Note: (1) The WACC of the Automotive Segment and Others Segment have been adjusted to reflect the inherent risks and uncertainties involved in the projections, which may include variance of actual results from the assumptions used in the derivation of the FCFF per item (1) above and the use of a single figure in respect of parameters per (2) to (7) above, which is dynamic in nature and may vary over time. The range of WACC applied is +/-0.20%, which would give rise to a range in the enterprise value (high end versus low end) for the Automotive Segment and Others Segment of between 5.0% and 10.0%, which would mitigate any unreasonably wide or inconclusive valuation range.</p>

No	Parameters	Adopted variable	Basis and assumptions
9	Terminal Growth Rate ("g")	Terminal growth rate for the Automotive Segment of 1.05% Terminal growth rate for Others Segment of 2.50%	<p>Terminal values represent the present values of all FCFF of the Automotive Segment and Others Segment beyond FYE 31 December 2032, which assumes that the FCFF of the Automotive Segment and Others Segment will grow at a constant rate to perpetuity. The terminal values are ascribed to the Automotive Segment and Others Segment as they are assumed to operate on a going-concern basis and are expected to sustain their business in perpetuity.</p> <p>In ascribing the terminal value of the Automotive Segment, we have adopted a terminal growth rate of 1.05%, being the historical pre-pandemic long term TIV trend.</p> <p>In ascribing the terminal value of Others Segment, we have adopted a terminal growth rate of 2.50% based on historical pre-pandemic revenue growth trends normalising to 2.50% p.a., in line with the long-term revenue growth assumptions.</p> <p>The terminal values for the Automotive Segment and Others Segment are derived using the formula as shown below:</p> $\text{Terminal value} = \frac{\text{FCFF for FYE 31 December 2032} \times (1 + g)}{(\text{WACC} - g)}$

(The remainder of this page is intentionally left blank)

7.1.2 Property Segment

UMWD primarily consists of the 861 acres of land in Serendah, Selangor and its ongoing developments of the HVM Park.

For our valuation method, we have applied the RNAV methodology as the most appropriate valuation methodology to value UMWD, in view that it is a real property company.

The RNAV methodology is a generally accepted method in the valuation of property-based entities. This methodology takes into consideration any surplus and/or deficit (net of tax) arising from the revaluation of material assets to reflect their market values based on the presumption that the assets are realisable on a willing-buyer willing-seller basis in the open market.

To estimate the RNAV of UMWD, we have relied on the estimated net realisable value of the remaining properties at HVM Park available for sale, as provided by the management of Sime Darby based on information obtained from the Sellers. The details of our methods in deriving the RNAV of UMWD are as set out below:

Estimated RNAV	RM'million
Remaining land ⁽¹⁾	343.2
LONGi land ⁽²⁾	304.9
Market value of land	648.1
Less: Carrying value of land as at FYE 31 December 2022	(162.9)
Gross revaluation surplus	485.2
Less: Taxation of revaluation surplus ⁽³⁾	(95.8)
Net revaluation surplus	389.4
Add: UMWD's audited net assets as at FYE 31 December 2022	168.5
RNAV of UMWD	557.9

Notes:

- (1) After accounting for 140 acres of land sold to LONGi (Kuching) Sdn Bhd, the remaining area in HVM Park that are available for sale is approximately 234.82 acres with an estimated value of RM364.0 million (net of RM20.8 million of estimated land use conversion cost). For the avoidance of doubt, the net realisable value of the remaining properties at HVM Park available for sale as well as the relevant bases and assumptions, are based on estimation provided by the management of Sime Darby premised on information obtained from the Sellers.
- (2) Based on the 140 acres of land sold to LONGi (Kuching) Sdn Bhd for RM304.92 million in FYE 31 December 2022 which was completed on 2 June 2023 upon delivery of vacant possession. This is included to reflect the position of UMWD's estimated RNAV as at FYE 31 December 2022.
- (3) Estimated tax liability after taking into consideration of UMWD's unabsorbed business losses and other temporary difference for which no deferred tax asset ("Unrecognised DTA") has been recognised as at FYE 31 December 2022 of RM85.9 million (as disclosed in the notes to UMWD's audited financial statement for FYE 31 December 2022, which is assumed can be utilised by UMWD to set-off any income which may be subject to tax arising from the realisation of the HVM Park land at the assumed market value above) and the implied statutory corporate tax rate of 24%.

For avoidance of doubt, the estimated taxation of revaluation surplus of RM95.8 million is computed as the gross revaluation surplus of RM485.2 million less the Unrecognised DTA of RM85.9 million resulting in the portion of such revaluation surplus which is subject to tax of RM399.4 million. Such portion is then multiplied by 24%.

7.1.3 HoldCos' Cash and Debt

Based on the audited financial statements for FYE 31 December 2022, the HoldCos' company level cash and debt are as follows:

RM'million	Cash ⁽¹⁾	Debt ⁽²⁾
UMW	296.3	2,347.9
UMWC	449.3	-
HoldCos	745.6	2,347.9

Notes:

(1) *Comprising deposits, cash and bank balances and investments in money market funds.*

(2) *Comprising:*

- a. *Senior Sukuk with notional amount of RM1,250 million (with maturity profile of RM400 million on 5 November 2025, RM200 million on 2 October 2026 and RM650 million on 24 November 2026); and*
- b. *Perpetual Sukuk with notional amount of RM1,100 million, which has no fixed redemption date but UMW has the option to redeem at the end of the tenth year from the date of issue (i.e. 20 April 2018) and on each subsequent semi-annual periodic distribution date. If the Perpetual Sukuk is not redeemed at the tenth year, the periodic distribution rate of 6.35% per annum will be reset to the then prevailing 10-year Malaysian Government Securities benchmark rate plus initial spread of 2.362% and step-up margin of 1.00%.*

7.1.4 The summary of the fair values of UMW Group's business, based on the SOPV method are as follows:

Components	Valuation Method	Low Range ⁽¹⁾ RM'million	High Range ⁽¹⁾ RM'million
Automotive Segment ⁽²⁾	DCF	5,925	6,200
Others Segment ⁽³⁾	DCF	1,128	1,204
Property Segment	RNAV	558	558
HoldCos' Cash	Carrying value	746	746
Less: HoldCos' debt	Carrying value	(2,348)	(2,348)
Estimated equity value of UMW Group		6,008	6,360
Number of UMW Shares as at LTD ('mil)		1,168	1,168
Value per UMW Share (RM)		5.14	5.44

Notes:

(1) *Based on the +/-0.20% sensitivity adjustment applied to the WACC as discussed under Item (8) of the Key Valuation Assumptions in Section 7.1.1 above.*

- (2) The low and high end range of the Automotive Segment valuation is illustrated as follows:

Automotive Segment	Low Range RM'million	High Range RM'million
Range of Enterprise Value of 100% equity interest	10,922	11,572
Add: Net cash (cash and cash equivalents set off with debts)	3,011	3,011
100% equity value in Automotive Segment	13,933	14,583
Less: adjustment for the effective equity interest in Automotive Segment not acquired by Sime Darby	(8,008)	(8,383)
Range of fair value	5,925	6,200

- (3) The low and high end range of the Others Segment valuation is illustrated as follows:

Others Segment	Low Range RM'million	High Range RM'million
Range of Enterprise Value of 100% equity interest	1,260	1,365
Add: Net cash (cash and cash equivalents set off with debts)	307	307
100% equity value in Others Segment	1,567	1,672
Less: adjustment for the effective equity interest in Others Segment not acquired by Sime Darby	(439)	(468)
Range of fair value	1,128	1,204

Based on our computation above, we are of the view that the Purchase Consideration of RM5.00 per UMW Share is **fair** and **reasonable** as it represents a **discount** of 2.7% to the lower end and 8.1% to the higher end of our estimated value per UMW Share, derived using the SOPV method, which ranges between **RM5.14** to **RM5.44** per UMW Share respectively.

7.1.5 Historical share price analysis of UMW Shares

In evaluating the Purchase Consideration, we have also taken into consideration the movement of the closing market prices of UMW Shares over the past 12 months up to and including 23 August 2023, being the last trading date prior to signing of the SPA. The Purchase Consideration represents the following premiums to the historical share prices of UMW Shares:

	Price		Premium	
	RM	RM	%	
Last transacted price of the UMW Shares as at the LTD	4.5500	0.4500	9.89	
<u>Up to and including the LTD as follows:</u>				
5-day VWAMP of the UMW Shares	4.5524	0.4476	9.83	
1-month VWAMP of the UMW Shares	4.3327	0.6673	15.40	
3-month VWAMP of the UMW Shares	4.1754	0.8246	19.75	
6-month VWAMP of the UMW Shares	4.0545	0.9455	23.32	
1-year VWAMP of the UMW Shares	3.8489	1.1511	29.91	

(Source: Bloomberg)

Based on our evaluation above, the Offer Price of RM5.00 represents:

- (i) a **premium** of RM0.4500 (9.89%) over the last traded market price of UMW Shares on the LTD of RM4.5500; and
- (ii) a **premium** ranging from RM0.4476 (9.83%) to RM1.1511 (29.91%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMPs of UMW Shares and up to and including the LTD of between RM3.8489 and RM4.5524.

We are of the view that the premiums offered to the historical share prices of UMW to be **reasonable** as they are in line with prevailing market range of premiums offered for securing a controlling stake in a target company. Our assessment of similar transactions over the past three years, with transaction values exceeding RM500 million, shows an average premium of approximately 31% over the 3-month and 6-month VWAMP of the transactions. Notably, this is higher than the average premium offered to acquire UMW Shares, which is approximately 21% across the similar period.

7.1.6 Comparable Company Analysis

We have also assessed the comparable company analysis to cross-check the reasonableness of the purchase consideration for UMW Shares. The comparable company analysis involves the assessment of the relevant implied valuation multiples derived from the Purchase Consideration, against relevant trading multiples of comparative companies.

The table below displays the PER multiples and PBR multiples computed as at the LTD.

Comparable Companies	Market capitalisation as at LTD (RM'million)	PER ⁽⁴⁾ (times)	PBR (times)
Sime Darby Berhad	14,313	13.0	0.9
DRB-HICOM Berhad	2,861	15.2	0.4
Bermaz Auto Berhad	2,574	8.5	3.4
MBM Resources Berhad	1,442	5.1	0.7
Low		5.1	0.4
High		15.2	3.4
Simple Average		10.5	1.3
Implied PER and PBR of UMW based on the Purchase Consideration		14.1	1.3

(Source: Bloomberg and the audited financial statements of the respective companies)

We have selected the comparable companies above based on the following criteria:

- (i) principally involved in the automotive business (i.e. more than 60% of revenue is derived from such business), with a significant presence in Malaysia;
- (ii) listed on Bursa Securities; and
- (iii) positive earnings.

It should be noted that the comparable companies above are not exhaustive and there are no public companies listed on Bursa Securities which is identical to UMW Group, in terms of, amongst others, the composition of business activities, geographical locations of operations, risk profile, historical performance, customer profile and future prospects. Nevertheless, we are of the view that the identified companies are reasonable to be adopted for the assessment of the relevant valuation multiples.

Based on the comparable analysis above, we are of the view that the Purchase Consideration is **reasonable**. This is premised on the fact that:

- (i) the implied PER multiple of 14.1 times falls **within the range of PER multiple** of the Comparable Companies of 5.1 to 15.2 times as at LTD, despite being higher than the average PER multiple of the Comparable Companies; and
- (ii) the implied PBR multiple of 1.3 times is **within the range of PBR multiple** of the Comparable Companies of 0.4 to 3.4 times as at LTD, and is also lower than the average PBR multiple of the Comparable Companies.

7.2 RATIONALE FOR AND BENEFITS OF THE PROPOSALS

We take cognisance of the rationale for and benefits of the Proposals as set out in Section 3, Part A of the Circular.

Our evaluation of the rationale and benefits of the Proposed Acquisition are as follows:

(i) **Scale up and strengthen Sime Darby Group's motors business**

The Proposals aim to expand and reinforce Sime Darby Group's motors business, enabling the Group to become the largest player in the Malaysian automotive market with a combined market share of more than 50%. Accordingly, Sime Darby Group will have a stronger position to capitalise on market opportunities, broaden its customer base and enhance profits through revenue growth and operational improvements in the automotive segment.

(ii) **Achieve greater resilience with a diversified geographical and business portfolio**

The Proposals enable Sime Darby Group to achieve a full presence across the whole automotive market catering towards different income segment of consumers by integrating mass market brands like Toyota and Perodua with its existing premium portfolio consisting of BMW, Rolls-Royce, Jaguar, Land Rover and Porsche. Further, with a larger contribution from the automotive market in Malaysia through the addition of UMW Group, Sime Darby Group's automotive business can achieve better geographical diversification, balancing revenue contributions with their primary markets in China (consists of China, Hong Kong, Macau and Taiwan) and Australasia. Based on the geographical revenue contribution in the latest audited consolidated financial statements of Sime Darby Group for the FYE 30 June 2023 and FYE 31 December 2022 respectively, the illustrated combined revenue contribution of the enlarged Group from Malaysia will increase from 15.83% to 35.36% while the revenue contribution from other markets will decrease from 84.17% to 64.64%, thus achieving more balanced geographical revenue contributions.

(iii) **Enhance sustainable returns by entering into new brand ecosystem**

The Proposals offer Sime Darby Group enhanced sustainable returns by providing access to Toyota's extensive ecosystem, potentially facilitating collaboration, synergies and growth opportunities. Further, gaining a substantial stake in Perodua, a manufacturer and distributor of Perodua cars with a consistent healthy margin, is expected to further enhance Sime Darby Group's financial performance. Further, Perodua had registered an average profit before interest, zakat and taxation margin of 6.1% for the FYE 31 December 2020 to FYE 31 December 2022, which is higher as compared to the average profit before interest and tax margin of Sime Darby Group's motors segment of 3.6% for the FYE 30 June 2021 to FYE 30 June 2023. The addition of such brands into Sime Darby Group's brand portfolio is expected to yield greater sustainable returns and strengthen its competitiveness.

(iv) Strengthening other segments of Sime Darby's automotive business

Sime Darby Group is expected to benefit from the addition of manufacturing and distribution capabilities to complement its existing assembly and retail businesses. This expansion broadens Sime Darby Group's earning base and increases presence in other parts of the automotive value chain, providing resilience against evolving retail models and market dynamics.

(v) Expansion into the fast-growing material handling business

The Proposals integrate "TICO" forklifts, a leading player in the market, into Sime Darby Group's industrial segment. This enables Sime Darby Group to tap into the material handling business which complements its existing mining and construction equipment business, thereby diversifying its offerings and provides additional revenue stream. Further, Sime Darby Group may benefit from the upside of the material handling equipment fuelled by e-commerce growth.

We note that the Proposals provide Sime Darby Group an opportunity to expand its automotive business in Malaysia and diversify its revenue contribution geographically. Through the strategic acquisition, Sime Darby Group will establish its position as the largest automotive player in Malaysia.

Additionally, the Proposals are also expected to deliver benefits which includes, amongst others, enhanced operational efficiencies, expanded market reach into different customer segments, increase diversification in the automotive value chain and expansion into the fast-growing material handling business.

Nevertheless, the non-interested shareholders should note that there is no assurance that such synergies will materialise and result in additional benefits to Sime Darby Group.

Premised on the above, we are of the opinion that the rationale for and benefits of the Proposed Acquisition are **reasonable**.

(The remainder of this page is intentionally left blank)

7.3 SALIENT TERMS OF THE SPA

The Proposed Acquisition is subject to the terms and conditions of the SPA. We have evaluated the SPA in its entirety, and we have set out our comments on the salient terms of the SPA as extracted from Appendix III of the Circular in the table below.

No.	Salient terms of the SPA	AmInvestment Bank's Comments
1.	<p>Agreement for Sale and Purchase of the Sale Shares</p> <p>(a) Subject to the terms of the SPA, the Sellers shall sell to SDESB and SDESB shall purchase from the Sellers, all of the Sale Shares free from all encumbrances and together with all rights attaching thereto as of the 5th market day immediately after the unconditional date.</p>	<p>This clause is reasonable as the Sale Shares purchased by SDESB will be free from all encumbrances and together with all rights attached to them from the Completion Date.</p>
2.	<p>Conditions Precedent</p> <p>The completion of the sale and purchase of the Sale Shares is conditional on the following matters ("Conditions Precedent") being fulfilled, waived or completed by the date falling three (3) months after the date of the SPA or such other later date as may be agreed in writing between SDESB, SDHB and the Sellers ("Cut-Off Date"):</p> <p>(a) in respect of SDESB:</p> <p>(i) the passing of the requisite resolution(s) by the non-interested shareholders of Sime Darby to approve the Proposals;</p> <p>(ii) the receipt of consent, approval and/or waiver (as applicable) as required for the sale and purchase of the Sale Shares from the owners of the carried by Sime Darby Group;</p> <p>(iii) the receipt of a waiver(s) and/or consent(s) from the SC, for:</p> <p>(A) the appointment of up to three (3) persons nominated by the Purchaser as directors of UMW; and</p>	<p>In respect of SDESB:</p> <p>(i) This term is reasonable as the approvals of the shareholders of Sime Darby, is necessary to give effect to the purchase of UMW Shares.</p> <p>(ii) This term is reasonable as it aims to secure the necessary consent, approval or waivers from the key partner brands that Sime Darby collaborates with, to prevent any major disruptions to its current business operations.</p> <p>(iii) This term is reasonable as it grants Sime Darby the right to appoint its own directors in UMW and replace the current directors appointed by PNB upon completion of the Proposed Acquisition, which accords the Company greater control and oversight over the business operations in UMW.</p>

No.	Salient terms of the SPA	AmInvestment Bank's Comments
	<p>(B) <i>the resignation of the existing nominee directors of PNB from their directorships and/or offices in UMW, both effective on the Completion Date.</i></p> <p>(b) <i>in respect of the Sellers and UMW:</i></p> <p>(i) <i>the receipt of written consents or waivers (as applicable) from the key partners and/or the counterparties to the material contracts whose consents or waivers are required in connection with the sale and purchase of the Sale Shares including for a change of control of UMW and/or restriction for UMW and any of its subsidiaries to engage in competing business under the terms of the relevant material contracts (where applicable) of UMW and/or its material subsidiary and/or associate company; and</i></p> <p>(ii) <i>the receipt of written consents or waivers (as applicable) from governmental authorities whose consents or waivers are required in connection with a change of control of UMW under the terms of relevant material licences (where applicable) of UMW or its material subsidiary and associate company.</i></p>	<p>In respect of UMW:</p> <p>(i) This term is reasonable as it requires the Sellers and UMW to secure written consents or waivers from key partners of UMW and parties involved in significant contracts with UMW, particularly in cases involving UMW's change of control and/or limitations on competitive business activities. This is to ensure a smooth transition and continued stability of UMW's business during and after the sale and purchase of the Sale Shares.</p> <p>(ii) This term is reasonable as it requires the Sellers and UMW to procure the relevant consents or waivers and to be in compliance with the necessary regulatory requirements to ensure validity of the relevant material licenses (where applicable).</p>
3.	<p>Unconditional Date</p> <p>(a) <i>The SPA shall become unconditional on the market day that the final Condition Precedent is fulfilled, deemed fulfilled or waived in accordance with the terms of the SPA and after each other party of the SPA has been notified in writing of such satisfaction or agreed to its waiver.</i></p>	<p>(i) This term is reasonable as it states that the Unconditional Date will be on any market day, upon the fulfilment or waiver of the final Condition Precedent in which the SPA shall be deemed unconditional.</p>

No.	Salient terms of the SPA	AmInvestment Bank's Comments
4.	<p>Completion</p> <p><i>Subject to the fulfilment of the Conditions Precedent, the clearance and settlement of the transfer of the Sale Shares and payment of the Purchase Consideration shall be effected by way of a direct business transfer in accordance with the clearing rules established by Bursa Malaysia Securities Clearing Sdn. Bhd. and the rules of Bursa Malaysia Depository Sdn. Bhd.</i></p> <p><i>The completion of the sale and purchase of the Sale Shares shall be deemed to occur when:</i></p> <p>(a) <i>the Securities Account of SDESB is credited with the Sale Shares; and</i></p> <p>(b) <i>the Securities Account of the Sellers have been credited with the Purchase Consideration in the proportion set out against the Sellers names in the SPA,</i></p> <p><i>which shall be no later than the Completion Date.</i></p>	<p>This term is reasonable. The completion term ensures that completion of the Proposed Acquisition takes place within the fifth (5th) market day after the SPA becomes unconditional, unless an alternative date is prescribed or required by the applicable rules of Bursa Malaysia.</p> <p>The procedure is customary and in accordance with the clearing rules established by Bursa Malaysia Securities Clearing Sdn Bhd and the rules of Bursa Malaysia Depository Sdn Bhd.</p>
5.	<p>Termination</p> <p><i>If any of the Conditions Precedent shall not have been fulfilled or waived on or prior to the Cut-Off Date, the SPA shall automatically terminate and cease to be of any effect other than the surviving provisions which shall remain in force and save in respect of claims arising out of any antecedent breach of the SPA.</i></p> <p><i>The Sellers shall be entitled to terminate the SPA by giving written notice to SDESB before the Completion Date, if:</i></p> <p>(a) <i>there is a breach of representation, warranty or statement which is made by SDESB and/or SDHB, which if capable of being remedied is not remedied within fourteen (14) days from the date of written notification by the Sellers to SDESB and/or SDHB;</i></p>	<p>These terms are customary and reasonable as it accords rights to the non-defaulting parties to extend a new date, or to proceed with completion so far as practicable or terminate the SPA. This safeguards the non-defaulting parties in the event that any of the terms and conditions cannot be satisfied or waived.</p>

No.	Salient terms of the SPA	AmInvestment Bank's Comments
	<p>(b) a petition for winding-up is presented against SDESB and/or SDHB, and SDESB and/or SDHB has not filed an application to strike out such petition within thirty (30) days of the service of the petition on SDESB and/or SDHB;</p> <p>(c) an order is made, a members' resolution is passed for the winding up of SDESB and/or SDHB; or</p> <p>(d) an administrator, a receiver and/or manager is appointed by the court or any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and/or properties of SDESB and/or SDHB or any part of its undertakings, assets and/or properties.</p> <p>SDESB shall be entitled to terminate the SPA by giving written notice to the Sellers before the Completion Date, if:</p> <p>(a) there is a breach of representation, warranty or statement which is made by the Sellers, which if capable of being remedied is not remedied within fourteen (14) days from the date of written notification by SDESB to the Sellers;</p> <p>(b) there is any breach of any pre-completion undertakings by the Sellers, which if capable of being remedied is not remedied within fourteen (14) days from the date of written notification by SDESB to the Sellers;</p> <p>(c) in respect of UMW:</p> <p>(i) a petition for winding-up is presented against UMW or any of its material subsidiaries and/or associate companies, and UMW or the relevant material subsidiaries and/or associate companies has not filed an application to strike out such petition within thirty (30) days of the service of the petition on UMW or the relevant material subsidiaries and/or associate companies;</p>	

No.	Salient terms of the SPA	AmInvestment Bank's Comments
	<p>(ii) <i>an order is made, a members' resolution is passed or any legislation enacted for the winding up of UMW or the relevant material subsidiaries and associate companies; or</i></p> <p>(iii) <i>an administrator, a receiver and/or manager is appointed by the court or any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and/or properties of UMW or the relevant material subsidiaries and/or associate companies or any part of their undertakings, assets and/or properties;</i></p> <p>(d) <i>there is an occurrence of a material adverse change;</i></p> <p>(e) <i>in respect of the Sellers:</i></p> <p>(i) <i>a petition for winding-up is presented against any of the Sellers, and such Seller has not filed an application to strike out such petition within thirty (30) days of the service of the petition on the Seller;</i></p> <p>(ii) <i>an order is made, or a members' resolution is passed for the winding up of the any of the Sellers; or</i></p> <p>(iii) <i>an administrator, a receiver and/or manager is appointed by the court or any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and/or properties of the Sellers or any part of the undertakings, assets and/or properties of the Sellers.</i></p> <p><i>If any of the Parties fail to perform or comply with their respective completion obligations as outlined in the SPA on Completion Date, the non-defaulting Party is entitled to defer the completion for up to twenty (20) business days, or for other dates specified in the notice, or alternatively, to terminate the SPA without incurring any obligations.</i></p>	<p>Further, we would like to highlight that based on Clause 5(d) (material adverse change), Sime Darby Group is allowed to terminate the SPA if prior to the completion:</p> <p>(i) there are any circumstances or events which result in a diminution in the net asset value of UMW Group by more than 15% compared to that as of the financial period ended 31 December 2022; and</p> <p>(ii) there are any events or occurrences to the material contracts of UMW which have or is likely to have a cumulative impact of 15% in reduction of profit before zakat and taxation of UMW Group as of the financial period ended 31 December 2022, save for any changes to the material contracts that is agreed upon by the Purchaser.</p> <p>provided that such circumstances, events, occurrences or other matters are not due to matters beyond the Seller's control such as, amongst others, changes in political and economic conditions, industry regulations and accounting and tax rules.</p> <p>These terms provide additional safeguards and protection to Sime Darby Group and its non-interested shareholders. The 15% materiality threshold is within the reasonable range as observed in transactions of similar nature.</p>

Further to the above, we wish to highlight that the warranties provided by the Seller in the SPA are **primarily limited** to matters that the nominee directors of the Sellers, serving on the UMW's board of directors, should have known in their capacity as directors, in accordance with the legal requirements applicable to directors of a publicly listed company on the Main Market of Bursa Malaysia. Notwithstanding that, we take comfort from the fact that such level of warranty is typical for transactions of this nature, involving the acquisition of a substantial stake in a public listed company. Further, there is additional assurance in the material adverse change clause stated above, as it provides an additional layer of protection that allows SDB to terminate the SPA in the event of any material events that will negatively impact UMW's financial performance.

Premised on our assessment as shown above, we are of the view that the salient terms of the SPA are **reasonable** and **not detrimental** to the interest of the non-interested shareholders of Sime Darby.

(The remainder of this page is intentionally left blank)

7.4 OUTLOOK, PROSPECTS AND FUTURE PLANS

7.4.1 Overview and outlook of the Malaysian economy

As extracted from Section 4.1, Part A of the Circular, the overview and outlook of the Malaysian economy are as below:

The Malaysian economy expanded moderately in the second quarter of 2023 (Q2 2023: 2.9%; Q1 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Household spending was supported by further growth in employment and wages.

Meanwhile, investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government. Continued recovery in inbound tourism partially offset the slower goods export growth. Growth during the quarter was also affected by the high base effect in the second quarter of 2022 when the economy experienced strong growth from reopening effects and policy measures.

On the supply side, the services and construction sectors continued to support growth. Meanwhile, production in the agriculture and mining sectors were affected by hot weather and plant maintenance. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (Q1 2023: 0.9%).

(Source: Press release by BNM dated 18 August 2023)

According to the Asian Development Bank, the economic outlook for the rest of 2023 is somewhat weaker than forecast in the Asian Development Outlook April 2023 report. Domestic demand will continue to drive growth with positive developments in the labour market and continuing income support from government policy measures. Stronger tourism is evident as tourist arrivals from major tourism markets improve. Growth in commodities and manufacturing for export remains a key constraint, hampered by weaker external demand for manufactures. This could be partly a lag effect from a weaker external outlook that has since improved. In contrast, fading growth factors are expected to slow growth further with a lower base effect in the second half of 2023. The GDP growth forecast in 2023 is lowered to 4.5% compared to the 4.7% made in April 2023, while the 2024 GDP growth forecast is maintained at 4.9%.

Private spending will continue to support economic growth. Household spending will be supported by greater employment opportunities, increased incomes, and lower inflationary pressures. The realisation of approved investments in the previous year may translate to job opportunities this year. An increase in the minimum wage from RM1,200 to RM1,500 in July 2023 is also expected to improve household incomes and support further growth of private spending in the latter part of this year.

(Source: Asian Development Outlook (ADO) April 2023 and September 2023; Asian Development Bank)

In addition to the above, we wish to highlight that:

The resilient domestic demand, robust public and private expenditures and growth in construction, services and manufacturing sectors continues to support the GDP growth in Malaysia. This is despite the moderation in growth to 2.9% in Q2, amid the cooling global trade environment. Nevertheless, the Malaysian Government remains confident in its economic forecast for 2023, with the first half GDP growth being recorded at 4.2%, which in line with its 2023 forecast of 4.0% - 5.0%.

To support the momentum of domestic growth, the Malaysian Government will maintain its responsive fiscal policy and will continue to focus on expediting the realisation of approved investments and accelerate implementation of Government projects.

External demand in Malaysia for the second half will continue to be affected by global vulnerabilities namely geopolitical tensions, the continuing supply chain disruption, tight monetary policy to address global inflation, and the growth prospects of major economies, many of which are Malaysia's leading trading partners.

(Source: Press Release, Ministry of Finance Malaysia, 18 August 2023)

Further, labour market remains strong sustaining its upward trend in the Q2 2023, recording 16.73 million of labour force. Labour force participation rate increased by 0.8% to 70.0%, the highest rate ever recorded prior to COVID-19 pandemic. Accordingly, unemployment rate declined by 9.5% recording an unemployment rate of 3.5%.

(Source: Department of Statistics Malaysia, Labour Market Review Second Quarter 2023, 25 August 2023)

Additionally, Malaysia's inflation slowed further to 1.9 per cent in September 2023. The increase in the inflation was driven by the lower price increases in Restaurants & Hotels of 4.4 per cent (August 2023: 4.7%) and in Food & Non-Alcoholic Beverages of 3.9 per cent (August 2023: 4.1%). This demonstrates Malaysia's resilient economy, evidenced by the lower inflation in comparison to other selected advanced and regional countries such as the Eurozone (4.3%), the Philippines (6.1%), Republic of Korea (3.7%), Vietnam (3.7%), Indonesia (2.3%) and the US (3.7%).

(Source: Department of Statistics Malaysia, Consumer Price Index Malaysia, 20 October 2023)

Considering the factors above, despite potential downside risks from declining external demand and expected moderation in 2023's GDP growth, the outlook of the Malaysian economy remains promising, as economic growth continues to be supported by the strong labour market, robust domestic demand and price stability in Malaysia.

7.4.2 Overview and outlook of the Malaysian automotive industry

As extracted from Section 4.2, Part A of the Circular, the overview and outlook of the Malaysian automotive industry are as below:

Market review for the 1H2023 Malaysian automotive industry

Sales of new motor vehicles continued to grow strongly in the first half of 2023, with TIV rising by 10.3% to 366,037 units from 331,746 units in similar corresponding period in 2022. The new vehicles market has not only returned to pre-pandemic levels, but it even surpasses that pre-pandemic levels, rebounding strongly last year and again during the first half of 2023.

The annual TIV in 2020 of 720,658 units was an all-time high achieved in the history of the local automotive industry and the industry was able to maintain its growth trajectory for 1H2023, fuelled by several factors, namely:

- (a) Fulfilment of bookings received during the PENJANA (Pelan Jana Semula Ekonomi Negara) sales tax exemption period last year, a majority of which were registered before 31 March 2023;*
- (b) A fair number of these bookings were also carried over and registered from April to June 2023;*
- (c) Robust sales driven mainly by national makes;*
- (d) Resilient domestic economy; the country GDP expanded by 5.6% in the first quarter of 2023;*
- (e) New model launches with many attractive features and design, and very competitive prices helped to spur sales; and*

(f) *Improved industry supply chain environment*

Outlook for full year 2023 Malaysian automotive industry

The MAA has revised upwards its TIV forecast for the full year 2023, from its original forecast of 650,000 units to 725,000 units, in view of the following factors:

- (a) *Stable economic outlook. The Malaysian economy is projected to expand between 4% and 5% for full year 2023, driven by domestic demand;*
- (b) *Sustainability of the market performance will depend on Malaysia's economic indicators, which in turn will impact market buying sentiment;*
- (c) *New model launches particularly exciting newer models and very affordable models by national makes have been well received. MAA members recorded healthy sales orders;*
- (d) *MAA members' continuation of aggressive promotional strategies and providing value-added services and more options to customers to improve demand;*
- (e) *Further improvement in the automotive industry supply chain environment;*
- (f) *BNM's decision to maintain the Overnight Policy Rate at 3% at its May 2023 Monetary Policy Committee meeting; and*
- (g) *Consumers' spending softening in the remaining months, weighed down by worries over rising costs of living, shrinking disposal income, weakening Ringgit against major foreign currencies, and uncertainties about the domestic and global economic environment.*

TIV forecast for 2023 to 2027

Year	2023	2024	2025	2026	2027
TIV	725,000	700,000	707,000	721,140	736,300

(Source: MAA Market Review for 1H2023 dated 20 July 2023)

Based on the above, we understand that:

The MAA had revised its TIV forecast for 2023 upwards by 11.5%, from 650,000 units to 725,000 units. Auto sales for the 1H2023 grew by 10.3% year-on-year to 366,037 units from 331,746 units in 1H2022, primarily on the back of the continuation of higher order books from the PENJANA sales tax exemption last year, which is poised to continue for the rest of the year.

The robust sales were driven mainly by national makes, with market leader Perodua and second placed Proton selling a combined 220,702 units in 1H2023, representing a 19% increase as compared to 1H2022 (184,745 units). This brings Perodua and Proton market share to about 68% of the total passenger vehicle market in Malaysia. Non-national makers stood at 105,959 units in 1H2023, which is down 3% from 1H2022 (109,007 units).

We note that demand remains robust mainly due to the strong backlogged orders that is expected to continue for the rest of the year. Furthermore, the stable economic outlook for 2023 driven by strong domestic demand with GDP expected to expand by 4 - 5% in 2023, is expected to contribute to a stronger TIV forecast. In addition, the improvements in the automotive industry supply chain environment and introduction of new models will also contribute to higher TIV. We also note that Bank Negara's monetary stance remains accommodative and supportive of the economy, with the recent Monetary Policy Committee decision to maintain Overnight Policy Rate at 3.00%. However, we understand that the rising cost of living, weakening of the Ringgit against major foreign currencies, and uncertainties about the global economic environment may challenge the sustainability of the Malaysian automotive industry.

Premised on the above, we are of the view that the outlook of the Malaysian automotive industry remains favourable, attributed by the stable economic outlook and strong backlogged orders.

7.4.3 Prospects of UMW Group

As extracted from Section 4.3, Part A of the Circular, the prospects of UMW Group are as below:

Year-to-date September 2023, Toyota and Perodua have registered higher sales compared with the same period in 2022. Toyota registered 76,511 units, representing a 8.0% growth compared with 70,872 units registered in the corresponding period of 2022, while Perodua registered 233,227 units, 18.8% higher than 196,354 units delivered in the same period in 2022.

Additionally, Toyota recorded sales of 9,228 units in September 2023, which is marginally lower compared to the units sold by Toyota of 9,233 units, during the corresponding period in 2022 (in which the sales and service tax exemption was in place). On the other hand, Perodua recorded sales of 28,995 units in September 2023, which is 17.7% higher compared to the units sold by Perodua of 24,626 units during the corresponding period in 2022.

The MAA expects the upward momentum shown in the 1H2023 TIV to continue for the rest of the year and has revised upwards its TIV forecasts over the next 5 years.

The new models launched (such as Toyota Alphard, Toyota Vellfire, Toyota Corolla, and Perodua Axia) and expected to be launched by Toyota and Perodua in 2023, coupled with their strong brand reputation and broad appeal to the mass market, would bode well in attracting sales for Toyota and Perodua.

In addition to the recent reports by reputable international financial news agency regarding the support from the Japanese government to Toyota of up to 117.8 billion yen (approximately USD841 million) in subsidies for its investment in EV battery production, Toyota also aims to introduce 10 additional EV models by 2026, with a target to achieve annual sales of 1.5 million units in 2026 and 3.5 million units in 2030.

The reopening of the economies in the countries in which the Equipment Division operates is expected to sustain demand. In the Industrial Equipment segment in Malaysia, ongoing expansion in the services, manufacturing and primary sectors will support demand for material handling equipment. Malaysian Investment Development Authority ("MIDA") reported that Malaysia had attracted RM264.6 billion approved investments in 2022, with 58% contributed by the services sector. Further, the increasing demand for efficient logistics and warehousing solutions fuelled by the e-commerce growth is expected to drive the growth of material handling business across the region as companies are in need of reliable and technologically advanced material handling equipment to optimize their operations.

In Malaysia, the Manufacturing & Engineering Division's automotive components and lubricants sub-segments are expected to continue driving growth in 2023, leveraging on improving demand. Meanwhile, the Aerospace Division anticipates higher demand for fan cases in 2023, due to additional new aircraft orders from airlines, combined with the order backlog. On 10 April 2023 it was announced that UMW Aerospace Sdn Bhd won a new contract from Rolls-Royce to produce rear cases for the Rolls-Royce Trent 1000 and Trent 7000 aircraft engines, valued at about RM1 billion for 15 years.

(Source: UMW's 2022 annual report, UMW's website, MAA Market Review for 1H2023 dated 20 July 2023, Toyota Malaysia's website, Toyota Motor Corporation's website, Perodua's website, Reuters article dated 16 June 2023, Japan Times article dated 7 April 2023, MIDA 2022 Malaysia Investment Performance report)

Based on the above, we note that:

UMW's financial performance has demonstrated notable improvement, evident in its revenue growth at a Compounded Growth Rate "**CAGR**" of 28.7% from FYE 31 December 2020 to FYE 31 December 2022, and its profit after tax attributable to shareholders at a CAGR of 42.4% during the similar period.

The improvement was mostly driven by pent-up demand for new vehicles during the first half of 2022, following the Government's decision to allow buyers with confirmed booking (with sales tax exemption and submitted before 30 June 2022) to register their new passenger vehicles by 31 March 2023. The resilient demand is expected to persist throughout the remaining year of 2023, with Toyota recording sales of 9,228 units in September 2023, which is marginally lower compared to sales by Toyota of 9,233 units during the corresponding period in 2022. Meanwhile, Perodua recorded sales of 28,995 units in September 2023, which is 17.7% higher compared to sales by Perodua of 24,626 units during the same corresponding period in 2022.

UMW also stands to benefit from the introduction of new model launches like the Toyota Alphard, Toyota Vellfire, Toyota Corolla, and Perodua Axia which coupled with their well-established brand reputation and mass market appeal, are poised to attract strong sales for UMW moving forward.

Furthermore, we are of the view that UMW's automotive business outlook remains promising amid the evolving automotive landscape driven by the increase adoption of electric vehicles. UMW's key partnership with Toyota allows it to capitalise on this transition, notably with the announcement of the Japanese government providing up to 117.8 billion yen of subsidies for Toyota's investment in EV battery production. Toyota's commitment towards the transition was recently unveiled with its plan to introduce 10 new additional EV models by 2026 and aiming for annual sales of 1.5 million units in 2026 and 3.5 million units in 2030. The ongoing collaboration will enable UMW to effectively adapt to the ever-changing environment of the automotive industry and remain competitive.

Besides, the Equipment Division, particularly the Industrial Equipment segment, is expected to benefit from the ongoing growth in the services, manufacturing and primary sectors. The growth in the services sector as reported by MIDA had attracted RM264.6 billion approved investments, with 58% contributed by the services sector. This paves the way for further growth in the material handling business as demand for efficient logistic and warehousing solutions fuelled by e-commerce increases.

The Manufacturing & Engineering Division's automotive components and lubricant sub-segments anticipates continued growth in 2023, riding on the favourable automotive demand. The Aerospace Division foresees higher demand for fan cases in 2023 due to new aircraft orders and the contract won from Rolls-Royce on 10 April 2023 to produce rear cases for aircraft engines valued at RM1 billion for 15 years.

Having considered the above, we anticipate the prospects of UMW to be **favourable** attributed by the encouraging outlook of the Malaysian automotive industry, the reputable brands that UMW Group is partnered with and the access into Toyota's extensive ecosystem which will enable Sime Darby Group to be a market leader in Malaysia's affordable car segment. Further, as disclosed in Section 5, Part A, Sime Darby will endeavour to realise the anticipated long-term synergies from the strategic acquisition that will lead to a positive impact to its business operations and financial performance. As such, we are of the view that the Proposed Acquisition is **reasonable** as UMW Group is expected to yield favourable outcomes to Sime Darby Group.

7.5 RISK FACTORS

In evaluating the Proposals, the non-interested shareholders are advised to give careful consideration to the potential risks set out under Section 6, Part A of the Circular prior to voting on the resolution pertaining to the Proposals at Sime Darby Group's forthcoming EGM.

We note that the risks associated with the Proposals are not materially different with Sime Darby Group's existing risk profile given that the automotive segment is the largest business segment for both UMW Group and Sime Darby Group. Upon the completion of the Proposals, Sime Darby Group will continue to be exposed to risks inherent to the automotive industry.

Further, we understand that the risk factors in Section 6, Part A of the Circular are customary in transactions of this nature and have provided our comments, as follows:

7.5.1 Completion risk

The completion of the Proposed Acquisition is contingent upon fulfilling the Conditions Precedent stated in Section 2 of Appendix III of the Circular. Some of those conditions encompass factors that are beyond the Company's control including the approval of Sime Darby's shareholders for the Proposals, consents from its brand partners and consents or waivers (as applicable) from the key partners and/or counterparties to the material contracts of UMW Group. If the Conditions Precedent are not met, waived or if there is no agreement for an extension of time between Sime Darby and the Sellers, the Proposed Acquisition will not be completed.

Notwithstanding the above, we take note that the Board and the management of Sime Darby will take all reasonable endeavours to ensure that the Conditions Precedent are fulfilled or waived within the stipulated date including taking the necessary efforts to obtain the required approvals and consents for the Proposed Acquisition.

In addition, upon completion of the Proposed Acquisition, SDESB's shareholding in UMW will increase from nil to approximately 61.8%. Pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules, SDESB will be obliged to extend a MGO to acquire all the remaining UMW Shares not already owned by SDESB and Sime Darby.

In the event that SDESB does not receive sufficient valid acceptances of the Offer Shares on or prior to the closing date of the Offer to invoke the provision of subsection 222(1) of the CMSA to compulsory acquire all the remaining Offer Shares, SDESB will not hold the entire equity interest in UMW. As such, the anticipated benefits of the Proposals by Sime Darby Group may not be fully realised.

7.5.2 Acquisition risk

Sime Darby Group may face challenges in generating sufficient returns from the Proposals to offset acquisition costs and the potential capital or operational expenditure. Nonetheless, it is worth noting that Sime Darby operates within the same industry as UMW Group and is therefore familiar with the inherent risks and business dynamics of the industry.

7.5.3 Integration risk

While the Proposals are anticipated to yield substantial synergies, there can be no guarantee that the synergies would realise if the businesses of Sime Darby Group and UMW Group are not integrated effectively or in a timely manner. Such inefficiencies may lead to a potential shortfall in anticipated benefits and synergies being lesser than estimated.

Potential factors that may influence a successful integration include:-

- (i) disruption to business continuity and ongoing operations which could affect the enlarged Sime Darby Group's ability to deliver its products and services to its customers, timeliness in responding to competition and ability to maintain its market position;
- (ii) higher than anticipated integration complexities and costs, for example related to integration of IT platforms and systems;
- (iii) unintended loss of key personnel or skilled or technical personnel or reduced employee effectiveness and productivity due to uncertainties during the integration phase; and
- (iv) unexpected challenges or issues that may lead to integration execution taking longer time or costing more than anticipated.

Furthermore, given that UMW Group competes in the same business and industry as Sime Darby Group, Sime Darby Group is required to obtain the necessary consents from its major partners as a condition precedent to the SPA for the Proposed Acquisition.

There is no assurance that UMW Group's major partners will have a productive and effective collaboration with Sime Darby Group, failing which may lead to a material dilution of the benefits to be reaped from the Proposals.

In addition, Sime Darby Group is expected to undertake a comprehensive self-assessment to determine its dominant position in the automotive industry vis-à-vis its compliance with the Competition Act 2010 as part of its integration. The enlarged Group is expected to establish monitoring mechanisms to ensure the adherence to the competition laws in Malaysia which include engaging with the Malaysian competition authorities. The penalty prescribed under the Competition Act 2010 for non-compliance includes a fine of no more than RM10 million or imprisonment for a term not exceeding 5 years.

7.5.4 Impairment of goodwill and assets

According to MFRS 3 Business Combinations by the Malaysian Accounting Standards Board, the enlarged Group is expected to recognise goodwill arising from the Proposals. The goodwill represents the excess of the consideration over the Group's share of the fair value of the identifiable net assets acquired.

This goodwill is subject to testing annually or if there are events or changes in circumstances indicate that it might be impaired, where any significant adverse changes affecting UMW Group's prospects and assets could lead to impairment. While the management expects the goodwill to be supported by the post-acquisition performance of the UMW Group, in the event that the goodwill is impaired, the enlarged Group's profit might be negatively impacted.

In addition to the risks set out in Section 6, Part A of the Circular, we wish to highlight the following:

7.5.5 Financing risk

The Purchase Consideration will be funded through a combination of internally generated funds and bank borrowings as disclosed in Section 2.3, Part A of the Circular. This will subject the enlarged Sime Darby Group to financing risks which include, amongst others, fluctuations in interest rates on such borrowings obtained, leading to a higher borrowing cost and accordingly impacting the financial performance of the enlarged Sime Darby Group.

Further to the above, we wish to highlight that Sime Darby Group may be susceptible to other financing risks, which include, less favourable terms and higher security coverage for future borrowings. Whilst Sime Darby Group will endeavour to take reasonable steps to mitigate such financing risks which include paring down some of its borrowings with proceeds from the disposals of non-core assets, there can be no guarantee that the occurrence of the financing risk above will not lead to disruptions to the cash flows of Sime Darby Group.

7.5.6 Increased competition from EVs

The change in consumer demand and government policies towards EVs may change faster than anticipated, leading to an increased adoption of EVs in the market. This may potentially disrupt the market, resulting in a decline in sales and market share of current makes under UMW. Additionally, should Sime Darby pursue aggressive expansion in the EV segment or changes in governmental policies requires acceleration of transitioning to EVs, substantial capital expenditure may need to be incurred and consequently impacting the cash flows of the enlarged Sime Darby Group.

Nonetheless, we take note that on 7 April 2023, Toyota had unveiled that it is heading towards achieving carbon neutrality and expanding the value of mobility as part of Toyota's future direction. Toyota had further announced that it will be producing 10 additional EV models by 2026 and achieve EV sales of 1.5 million units a year globally, showing its commitment towards achieving its vision.

While there is no assurance that the growing disruption and competition from EVs will not impact Sime Darby Group's financial performance, we recognise that Toyota's commitment to adapt to the evolving automotive market, the strong financial backing of Sime Darby Group and the gradual adoption of EVs in Malaysia, offers ample time to prepare and navigate around this transition.

The risk factors set out in Section 6, Part A of the Circular and mentioned herein are not meant to be exhaustive.

We wish to highlight that although measures and efforts would be taken by the Sime Darby Group to mitigate the aforementioned risks in relation the Proposals, no assurance can be given that one or a combination of the risk factors as stated above will not occur and give rise to material adverse impact on the business operations of the Sime Darby Group, its financial performance, financial position or prospects thereon after the Proposals.

7.6 EFFECTS OF THE PROPOSALS

We take cognisance of the effects of the Proposals as detailed in Section 7, Part A of the Circular. Set out below are our comments on the financial effects:

7.6.1 Issued share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the issued share capital of Sime Darby and the shareholdings of substantial shareholders of Sime Darby as the Proposals does not involve the issuance of new shares in Sime Darby.

7.6.2 NA, NA per share and gearing

For illustrative purposes only, the financial effects of the Proposals on the NA, NA per share and gearing of Sime Darby Group based on the latest audited consolidated financial statements of Sime Darby and UMW as at 30 June 2023 and 31 December 2022 respectively, and assuming the Purchase Consideration is funded by cash and borrowings of 10% and 90% respectively, are as set out in Section 7.2, Part A of the Circular.

We note that the NA and NA per share of Sime Darby Group after the Proposals will decrease marginally as a result of inter-alia, the reduction to retained earnings arising from the difference between the consideration for the Proposed MGO and Sime Darby Group's share of fair value of NA of UMW of approximately RM578.9 million (which is subject to final purchase price allocation exercise) and the estimated expenses relating to the Proposals of approximately RM29.0 million.

Furthermore, the estimated bank borrowings of RM5,241.5 million to part-finance the Total Consideration and consolidation of the borrowings of UMW Group of RM1,604.2 million as at 31 December 2022 is anticipated to increase the gearing ratio of Sime Darby Group as at 30 June 2023 by approximately 0.29 times to 0.78 times.

Additionally, we note that the consolidated statement of financial position is only indicative and does not take into consideration the other effects such as the purchase price allocation exercise, acquisition of Cavpower Group and other corporate exercises undertaken by UMW Group after 30 June 2023.

7.6.3 Earnings and earnings per share

As illustrated in Section 7.3, Part A of the Circular, the consolidated statement of comprehensive income shows the effects of the Proposals on the future earnings and EPS of the enlarged Sime Darby Group, assuming that the Proposals had been completed at the beginning of FYE 30 June 2023 and that the Purchase Consideration is funded by cash and bank borrowings of 10% and 90% respectively. We note that the Proposals are anticipated to be earnings accretive, enhancing Sime Darby Group's EPS as at 30 June 2023 by 2.3 sen from 21.4 sen to 23.7 sen.

We wish to highlight that the above financial effects have not considered any potential synergies from the Proposals nor the costs and expenditures associated with merger integration activities. Hence, the above effects may not reflect the actual performance of the enlarged Sime Darby Group in the future. Nevertheless, the Proposals are expected to contribute positively to the earnings and EPS of the enlarged Sime Darby Group, with the gradual realisation of the anticipated synergistic benefits after taking into consideration, the rationale and prospects of the Proposals.

Premised on the above, we are of the view that the financial effects of the Proposed Acquisition are **not detrimental** to the interests of the non-interested shareholders of Sime Darby.

8. CONCLUSION AND RECOMMENDATION

Before voting on the resolution pertaining to the Proposals at Sime Darby's forthcoming EGM, you are advised to carefully consider the merits and demerits of the Proposals based on all relevant and pertinent factors, including those as set out in Part A and the accompanying appendices of the Circular as well as the considerations as set out in this IAL.

Based on our overall assessment and evaluation of the information available to us up to the LPD on the Proposed Acquisition, we are of the opinion that the Proposed Acquisition is **fair and reasonable** and **not detrimental** to your interests.

Accordingly, we recommend you **vote in favour** of the ordinary resolution pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Yours faithfully,
For and on behalf of
AmlInvestment Bank Berhad

Ho Weng Yew
Executive Vice President / Head
Corporate Finance

Jeanie Lim
Senior Vice President
Corporate Finance

INFORMATION ON UMW GROUP

1. HISTORY AND BUSINESS

UMW was incorporated in Malaysia on 20 September 1982 under the Companies Act 1965 under the name of UMW Management Services Sdn. Bhd. and it commenced its business operations on the same day. It subsequently became a public company on 30 July 1987 and changed its name to UMW Management Services Berhad. A day later on 31 July 1987, UMW assumed its present name. Pursuant to the restructuring exercise of UMW Corporation Berhad which entailed the transfer of the listing status of UMW Corporation Berhad to UMW, UMW was listed on the Main Board (now Main Market) of Bursa Securities on 2 December 1987.

As at the LPD, the issued share capital of UMW is RM584,146,966, comprising 1,168,293,932 ordinary shares.

Based on UMW's 2022 annual report, UMW Group is a leading industrial conglomerate based in Malaysia developing key industries in partnership with global players. For FYE 31 December 2022, 95% of UMW Group's revenue was derived from Malaysia and the remaining 5% was derived from overseas operations. UMW Group is principally involved in the following businesses:

(i) Automotive:

UMW Group's automotive segment, through UMW Toyota (a 51% subsidiary) and Perodua (a 38% associate) is principally engaged in the import, manufacturing, assembly, marketing/distribution of "Toyota", "Lexus" and "Perodua" brands passenger and commercial vehicles and related spares.

According to MAA, the Toyota and Perodua cars have been among the best-selling cars in Malaysia. For each of the calendar years from 2019 to 2022, Toyota and Perodua cars sales collectively commanded more than 50% market share in Malaysia. Toyota and Perodua cars were also the number one best-selling non-national and national cars in Malaysia for year 2021 and 2022 respectively.

The automotive segment is the largest revenue and profit contributor to UMW Group. Based on the audited financial statements of UMW Group for FYE 31 December 2021 and FYE December 2022, more than 80% of UMW Group's revenue and profit before zakat and taxation were contributed by the automotive segment.

The annual production volume of Toyota, Lexus and Perodua vehicles under UMW Group are as follows:

Location / Size of manufacturing facilities	Annual vehicle production capacity (units)	Annual production volume (units) for FYE 31 December		
		2020	2021	2022

Toyota

Shah Alam Plant	45,100	16,101	23,636	35,148
------------------------	--------	--------	--------	--------

- Persiaran Selangor, 40000 Shah Alam, Selangor Darul Ehsan Malaysia
 - 3 acres

INFORMATION ON UMW GROUP (Cont'd)

Location / Size of manufacturing facilities	Annual vehicle production capacity (units)	Annual production volume (units) for FYE 31 December		
		2020	2021	2022
Bukit Raja Plant <ul style="list-style-type: none"> • No. 1, Jalan Keluli 2/KU2 Kawasan Perindustrian Bukit Raja, 41050 Klang Selangor Darul Ehsan, Malaysia <ul style="list-style-type: none"> ○ 166.6 acres 	50,000	34,852	35,265	54,156
<u>Perodua</u>				
Rawang Plant <ul style="list-style-type: none"> • Sg. Choh, 48009 Rawang, Selangor Darul Ehsan <ul style="list-style-type: none"> ○ 522 acres 	320,000	220,968	193,400	289,054

(ii) Other businesses:

In addition to automotive business, UMW Group is also involved in the following businesses:

(a) Equipment:

UMW Group's equipment segment has a long-term partnership with globally renowned players such as TICO, Komatsu, Bomag and other heavy equipment original equipment manufacturer and is involved in the trading and leasing of a wide range of light and heavy equipment including related spares for use in the industrial, construction, mining, warehousing and logistics, logging as well as agricultural sectors.

Besides its base in Malaysia, UMW Group also serves markets in Singapore, Vietnam, China, Myanmar, Brunei and Papua New Guinea.

(b) Manufacturing and Engineering:

The manufacturing and engineering segment is involved in the manufacturing, assembly and trading of automotive parts. Through its partnership with KYB Japan, UMW Group is the leading supplier of original equipment and replacement market products in Malaysia, manufacturing high-quality shock absorbers and motorcycle suspension systems, exporting to 39 countries globally.

The manufacturing and engineering segment is also involved in blending, packaging, marketing and distribution of lubricants under its in-house brand "Grantt".

(c) Aerospace:

UMW's aerospace division is a single source manufacturer of bespoke fan cases and it is the 1st Malaysian company to become a Tier 1 engine component manufacturer for Rolls-Royce Holdings plc.

INFORMATION ON UMW GROUP (Cont'd)

(d) Property development and management:

UMW Development, a wholly-owned subsidiary of UMW, is engaged in the businesses of property investment and development, project management consultancy services and facilities management services, notably on Serendah Land. The Serendah Land is being developed as HVM Park, which is a high-value industrial manufacturing park on a managed and guarded concept, with a holistic ecosystem and environmental sustainability plan, offering the latest in Industry 4.0 enabled innovation and advanced manufacturing infrastructure. Based on UMW's website, the HVM Park is developed into northern and southern zones. More than 80% of the southern zone has been taken up and more than 40 companies have committed to set up manufacturing operations at the park.

(Source: UMW's 2022 Annual Report, UMW's website, Companies Commission of Malaysia search results on UMW as at 23 August 2023)

2. SUBSTANTIAL SHAREHOLDERS OF UMW

As at the LPD, the substantial shareholders of UMW and their direct and indirect shareholding in UMW are as follows:

Shareholder	Country of Incorporation	Direct		Indirect	
		No. of shares	%	No of shares	%
ASB ⁽¹⁾	Malaysia	525,262,600	44.96	-	-
EPF	Malaysia	117,456,368	10.05	-	-
Kumpulan Wang Persaraan (Diperbadankan) ("KWAP")	Malaysia	102,393,133	8.76	4,176,500	0.36 ⁽²⁾

Notes:

- (1) The Sellers (which includes ASB, of which ART is a trustee) collectively hold a 61.18% equity interest in UMW, details of which are set out in Section 2.1 of Part A of this Circular.
- (2) Held by KWAP's fund managers detailed as follows:
- (i) KWAP (Principal Eqits);
 - (ii) KWAP (Principal Islmc);
 - (iii) KWAP (Amlslamic FD); and
 - (iv) KWAP (Kenanga).

For your information, the above has not reflected SDESB's deemed interest in the Sale Shares by virtue of the SPA pursuant to Section 8(6)(a) to be read together with Section 136 of the Act as well as our Company's deemed interest in the Sale Shares pursuant to Section 8(6)(a) of the Act.

3. DIRECTORS

As at the LPD, the directors of UMW are as follows:

Directors	Nationality	Designation
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman ⁽¹⁾	Malaysian	Group Chairman, Non-Independent Non-Executive Director
Dato' Sri Ahmad Fuaad bin Mohd Kenali ("Dato' Sri Fuaad") ⁽²⁾	Malaysian	President & Group Chief Executive Officer / Executive Director

INFORMATION ON UMW GROUP (Cont'd)

Directors	Nationality	Designation
Dr. Veerinderjeet Singh a/l Tejwant Singh	Malaysian	Senior Independent Non-Executive Director
Dato' Eshah binti Meor Suleiman	Malaysian	Independent Non-Executive Director
Razalee bin Amin	Malaysian	Independent Non-Executive Director
Dato' Seri Prof. Dr. Ir. Zaini bin Ujang	Malaysian	Independent Non-Executive Director
Dato' Azmi bin Mohd Ali	Malaysian	Independent Non-Executive Director
Datuk (Dr.) Yasmin binti Mahmood	Malaysian	Independent Non-Executive Director
Datin Paduka Kartini binti Hj. Abdul Manaf ⁽¹⁾	Malaysian	Non-Independent Non-Executive Director
Mohd Shahazwan bin Mohd Harris ⁽³⁾	Malaysian	Non-Independent Non-Executive Director
Shahin Farouque bin Jammal Ahmad ⁽¹⁾	Malaysian	Non-Independent Non-Executive Director
Ahmad Adib bin Mukhtar ⁽¹⁾	Malaysian	Alternate Director to Shahin Farouque bin Jammal Ahmad

Notes:

- (1) A nominee director of PNB.
- (2) With reference to the announcement on Bursa Securities made by UMW on 25 October 2023, following the expiration of tenure of Dato' Sri Fuaad as the President & Group Chief Executive Officer, Dato' Sri Fuaad ceased to be the Executive Director of UMW with effect from 31 October 2023.
- (3) A nominee director of EPF.

As at the LPD, save for Dr. Veerinderjeet Singh a/l Tejwant Singh who has a direct shareholding of 66 shares in UMW, none of the directors above has any direct and/or indirect shareholdings in UMW.

4. SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES OF UMW

4.1 As at the LPD, the details of the subsidiaries of UMW are set out below:

Name of entity	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest of UMW (%)	Principal activities
UMW Corporation Sdn Bhd	8 August 1970 / Malaysia	1,315,112,375	100	Provision of corporate, administrative, professional, security services and financial support to its subsidiaries and associated companies. In addition, the Company also trades in a range of light and heavy equipment.
UMW Petropipe (L) Ltd.	21 May 2003 / Malaysia (Labuan)	USD327,665,671	100	Investment holding.
UMW Automotive Sdn. Bhd.	2 July 2020 / Malaysia	1,716,200,000	100	Investment holding.

INFORMATION ON UMW GROUP (Cont'd)

Name of entity	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest of UMW (%)	Principal activities
UMW Industries (1985) Sdn. Bhd.	4 June 1959 / Malaysia	140,000,000	100	Trading and hiring of industrial and material handling equipment and related spares.
UMW Equipment Division Sdn. Bhd.	16 September 1961 / Malaysia	12,800,000	100	Provision of management support to the companies in equipment division.
UMW Lubricant International Sdn. Bhd.	25 January 1972 / Malaysia	2,250,000	100	Manufacturing and trading of lubricants and specialty products.
U-TravelWide Sdn. Bhd.	21 September 1982 / Malaysia	300,000	100	Provision of travel agency services. It had ceased its operations with effect from 16 December 2020 and remained dormant.
Otomobil Sejahtera Sdn. Bhd.	1 April 1985 / Malaysia	1,000,000	100	Importing and retailing of passenger and commercial vehicles.
UMW Lubetech Sdn. Bhd. (formerly known as Lubetech Sdn. Bhd.)	13 January 1983 / Malaysia	1,080,000	100	Blending and packaging of lubricants.
UMW Pennzoil Distributors Sdn. Bhd.	11 September 1990 / Malaysia	1,000,000	100	Marketing, selling and distribution of "Pennzoil" branded lubricants.
UMW Development Sdn. Bhd.	30 November 1982 / Malaysia	255,711,679	100	Engaged in the businesses of property investment and development, project management consultancy services and facilities management services.
UMW Grantt International Sdn. Bhd.	31 July 2014 / Malaysia	1,000,000	100	Manufacturing, distributing, selling and trading of lubricants, greases and specialty products.
UMW IT Services Sdn. Bhd.	9 March 2016 / Malaysia	15,000,002	100	Providing internal information technology support and services for all technology related assets and business.

INFORMATION ON UMW GROUP (Cont'd)

<u>Name of entity</u>	<u>Date and place of incorporation</u>	<u>Issued and paid-up share capital (RM)</u>	<u>Effective equity interest of UMW (%)</u>	<u>Principal activities</u>
UMW Aerospace Sdn. Bhd.	22 July 2015 / Malaysia	246,300,000	100	Manufacturing of aerospace engine component products.
UMW Aero Assets Sdn. Bhd.	18 August 2015 / Malaysia	222,000,000	100	Ownership and leasing of equipment and tools.
UMW Land Sdn. Bhd.	19 August 2015 / Malaysia	5,330,000	100	Investment holding and property development.
UMW Innovation and R&D Centre Sdn. Bhd.	19 August 2015 / Malaysia	14,200,000	100	Conduct innovation and Research and Development (“R&D”) activities with a focus on business and environmental sustainability, related to automation, emerging technologies and integrated green technology, pre-commercialisation and related activities for the completed R&D prototypes and all other things as are incidental or conducive to the attainment of the above businesses.
UMW Industrial Power Services Sdn. Bhd.	7 June 1999 / Malaysia	121,060,000	100	Total power solution provider.
UMW M&E Sdn. Bhd.	11 July 1969 / Malaysia	244,500,000	100	Manufacturing and trading of filtration products and auto-components.
UMW M&E Limited	6 July 2012 / Malaysia (Labuan)	USD30,000	100	Investment holding.
UMW Linepipe (L) Ltd.	2 November 2006 / Malaysia (Labuan)	USD284,000	100	Investment holding.
UMW India Ventures (L) Ltd.	12 June 2007 / Malaysia (Labuan)	USD123,060,000	75	Investment holding.
UMW (East Malaysia) Sdn. Bhd.	22 June 1972 / Malaysia	97,000,000	74	Distribution of industrial and heavy equipment and related spares.

INFORMATION ON UMW GROUP (Cont'd)

Name of entity	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest of UMW (%)	Principal activities
UMW Equipment Sdn. Bhd.	6 June 1949 / Malaysia	65,000,000	74	Trading and hiring of industrial, heavy, and material handling equipment, and related spares.
UMW Komatsu Heavy Equipment Sdn. Bhd.	9 July 2018 / Malaysia	389,533,640	74	Provision of management support and provides consultancy services to its subsidiary companies.
UMW Oilfield International (L) Ltd.	29 December 2004 / Malaysia (Labuan)	USD69,030,000	100	Supply of oil and gas products.
KYB-UMW Malaysia Sdn. Bhd.	22 June 1983 / Malaysia	8,800,000	52.1	Manufacture and assembly of vehicle shock absorbers.
UMW Toyota Motor Sdn. Bhd.	23 July 1980 / Malaysia	59,000,000	51	Manufacturer and assembly of motor vehicles and other related activities and renting and leasing of motor vehicles. In addition, UMW Toyota provides administrative, professional and financial services support to the subsidiaries within the UMW Toyota Group.
Assembly Services Sdn. Bhd.	31 December 1974 / Malaysia	7,500,000	51	Assembly of passenger and commercial vehicles.
Automotive Industries Sendirian Berhad	14 October 1968 / Malaysia	3,000,000	51	Manufacturing and selling of vehicle exhaust systems and other automotive components.
UMW Sher (L) Ltd.	4 December 2007 / Malaysia (Labuan)	USD7,060,000	50.82	Provide contract drilling and engineering services for the oil and gas industry and leasing of drilling rigs and vessels.
Toyota Boshoku UMW Sdn. Bhd. ⁽¹⁾	6 August 2003 / Malaysia	11,000,000	33.15	Manufacturing of seats and other automotive components.

INFORMATION ON UMW GROUP (Cont'd)

Name of entity	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest of UMW (%)	Principal activities
UMW Niugini Limited	8 April 1970 / Papua New Guinea	PGK8,808,074	75.46	Trading and hiring of industrial and material handling equipment and related service and spare parts.
UMW Equipment & Engineering Pte. Ltd.	27 December 1976 / Singapore	SGD28,623,000	100	Import, distribute, rent and service all types of industrial equipment and related parts.
UMW Equipment Systems Pte. Ltd.	18 September 1981 / Singapore	SGD5,000,000	100	Investment holding.
UMW Heavy Equipment (S) Pte. Ltd.	26 July 2018 / Singapore	SGD 6,885,241	74	Import, distribute, rent and service all types of heavy equipment and related spares.
UMW Industrial Equipment (Shanghai) Co., Ltd.	8 October 2003 / PRC	USD1,600,000	100	Marketing of industrial equipment and provision of after-sales and repair services for equipment rental and industrial equipment.
UMW Industrial Trading (Shanghai) Co., Ltd.	4 December 2002 / PRC	USD2,500,000	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
Vision Fleet Equipment Leasing (Zhejiang) Co., Ltd.	25 January 2007 / PRC	USD3,000,000	100	Rental and fleet management services mainly for products distributed by the UMW Group in China.
UMW Equipment Systems (Vietnam) Company Limited	15 May 2007 / Vietnam	VND 148,440,000,000	100	Provide spare parts and equipment, repair and maintenance service, and lease out equipment such as forklifts and material handling, industrial and heavy equipment.
UMW Machinery Limited	29 December 1998 / Myanmar	USD466,172	100	Importation and distribution of industrial and heavy equipment and related parts.
UMW Engineering Services Limited	19 January 1999 / Myanmar	USD60,000	74	Provision of after-sales services for equipment and maintenance and repair of equipment.

INFORMATION ON UMW GROUP (Cont'd)

<u>Name of entity</u>	<u>Date and place of incorporation</u>	<u>Issued and paid-up share capital (RM)</u>	<u>Effective equity interest of UMW (%)</u>	<u>Principal activities</u>
UMW ACE (BVI) Ltd.	18 April 2005 / British Virgin Islands	USD25,208,000	70	Investment holding.
Jaybee Drilling Private Limited ⁽²⁾	18 April 1990 / India	INR5,000,000	45	Onshore drilling activities in India.
PT UMW International	25 July 2013 / Republic of Indonesia	IDR 24,717,677,832	100	Engaged in lubricants supply and equipment.
UMW Oilfield International (M) Sdn. Bhd.	24 October 1987 / Malaysia	500,000	100	Marketing, importing, exportation, distribution of equipment and component parts, provision of technical support, consultancy services and general services related to oil and gas industry. (Note: commenced members' winding up on 27 December 2021)
UMW Technology Sdn. Bhd.	5 December 2014 / Malaysia	47,368,900	100	Investment holding. (Note: commenced members' winding up on 27 December 2021)
UMW Toyota Material Handling Sdn. Bhd	13 July 2023 / Malaysia	643,073,001	100	Investment holding and the provision of management support for the material handling business and consultancy services to its subsidiaries.

Notes:

- (1) *Toyota Boshoku UMW Sdn Bhd is an indirect subsidiary of UMW. UMW owns 51% of UMW Toyota which owns 65% of Toyota Boshoku Sdn Bhd.*
- (2) *Jaybee Drilling Private Limited is an indirect subsidiary of UMW. UMW owns 75% of UMW India Ventures which owns 60% of Jaybee Drilling Private Limited.*

INFORMATION ON UMW GROUP (Cont'd)

4.2 As at the LPD, the details of the associates of UMW Group are set out below:

Name of entity	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest of UMW (%)	Principal activities
E-Lock Corporation Sdn. Bhd.	6 October 1994 / Malaysia	28,237,500	20.1	Investment holding and research, development and distribution of computer's software, solutions and services.
Perusahaan Otomobil Kedua Sdn. Bhd.	5 February 1980 / Malaysia	140,000,000	38	Investment holding and provision of management and administrative services.
Shanghai BSW Petro-pipe Co., Ltd.	16 May 2003 / PRC	RMB158,000,000	32.4	Manufacture of spiral welded pipes for the oil and gas industry.
Toyota Capital Malaysia Sdn. Bhd.	31 December 1971 / Malaysia	187,000,000	30	Provision of lease and hire purchase financing for both conventional and Islamic.
UMW Toyotsu Motors Sdn. Bhd.	20 October 2003 / Malaysia	36,500,000	30	An authorised dealer of UMW Toyota Motor Sdn. Bhd., wholesale and retail of new and used motor vehicles and maintenance and repair of motor vehicles.
<u>Held through</u> <u>Perusahaan</u> <u>Otomobil Kedua</u> <u>Sdn. Bhd.:</u>				
Perodua Sales Sdn. Bhd.	8 January 1981 / Malaysia	10,000,000	38	Marketing and distribution of motor vehicles, spare parts and other related activities.
Strategic Auto Sdn. Bhd.	3 September 1996 / Malaysia	10,000,000	38	Importer and distributor of motor vehicles.
Perodua Manufacturing Sdn. Bhd.	13 January 1983 / Malaysia	140,000,000	28.12	Manufacturing and assembly of motor vehicles and other related activities.
Perodua Global Manufacturing Sdn. Bhd.	3 September 1996 / Malaysia	200,000,000	28.12	Manufacturing and assembly of motor vehicles and other related activities.

INFORMATION ON UMW GROUP (Cont'd)

<u>Name of entity</u>	<u>Date and place of incorporation</u>	<u>Issued and paid-up share capital (RM)</u>	<u>Effective equity interest of UMW (%)</u>	<u>Principal activities</u>
Perodua Engine Manufacturing Sdn. Bhd.	3 September 1996 / Malaysia	40,000,000	28.12	Manufacturer and dealer in component parts including engines, couplings and transmission components.
<u>Held through Toyota Capital Malaysia Sdn. Bhd.</u>				
Toyota Capital Acceptance Malaysia Sdn. Bhd.	27 May 1980 / Malaysia	5,000,000	30	Licensed money lender under Money Lenders Act, 1951.
Toyota Lease Malaysia Sdn. Bhd.	26 November 1994 / Malaysia	2	30	Provision of leasing services.

4.3 As at the LPD, the details of the joint ventures of UMW Group are set out below:

<u>Name of entity</u>	<u>Date and place of incorporation</u>	<u>Issued and paid-up share capital</u>	<u>Effective equity interest of UMW (%)</u>	<u>Principal activities</u>
Lubritech International Holdings Limited	28 October 2008 / Hong Kong	HKD205,500,000	60	Investment holding.
Lubritech Limited	13 May 2009 / PRC	USD26,016,657	60	Produce and distribute lubricants, import, export and wholesale of lubricants and grease as well as warehousing and provision of logistic services.
PT Pusaka Bersatu	17 July 2014 / Republic of Indonesia	IDR16,881,530	49	Import and major distributor of related auto parts merchandise and lubricants as well as providing after sales service in Indonesia. The company had on 30 September 2022 ceased its operations.

INFORMATION ON UMW GROUP (Cont'd)

5. HISTORICAL FINANCIAL INFORMATION OF UMW GROUP

A summary of the consolidated financial information of UMW based on its audited consolidated financial statements for the past three (3) FYEs 31 December 2020, 2021 and 2022 as well as the unaudited results of UMW Group for the 6-month FPE 30 June 2022 and 30 June 2023 are as follows:

	Audited			Unaudited	
	FYE 31 December			FPE 30 June	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	9,554,565	11,060,803	15,814,431	7,381,598	8,864,451
Profit before taxation and zakat ("PBTZ")	400,665	482,750	896,458	446,336	726,681
Profit after tax attributable to the equity holders	204,600	268,230	415,046	208,395	438,011
Issued share capital	584,147	584,147	584,147	584,147	584,147
NA attributable to equity holders	3,868,131	4,004,690	4,350,016	4,176,175	4,685,773
NA	6,417,169	6,762,549	7,139,955	6,965,748	7,535,633
Total borrowings ⁽¹⁾	2,538,382	2,787,863	1,604,235	1,931,902	1,562,824
Current ratio ⁽²⁾ (times)	2.14	2.11	1.77	2.07	1.96
Gearing ⁽³⁾ (times)	0.40	0.41	0.22	0.28	0.21
Number of shares in issue ('000)	1,168,294	1,168,294	1,168,294	1,168,294	1,168,294
Net earnings per share ⁽⁴⁾ (RM)	0.18	0.23	0.36	0.18	0.37
NA per share attributable to the equity holders ⁽⁵⁾ (RM)	3.31	3.43	3.72	3.57	4.01

Notes:

- (1) Total borrowings include bank borrowings and lease liabilities.
- (2) Current assets divided by current liabilities.
- (3) Total borrowings divided by NA.
- (4) Profit after tax attributable to the equity holders divided by total number of UMW Shares.
- (5) NA attributable to the equity holders divided by total number of UMW Shares.

Commentary on the past financial performance:-**6-month FPE 30 June 2023 vs. 6-month FPE 30 June 2022**

UMW Group's revenue for the 6-month FPE 30 June 2023 of RM8,864.5 million was 20.1% higher than the RM7,381.6 million recorded for the 6-month FPE 30 June 2022. This was attributable to the higher contribution from all segments due to the continued economic growth momentum. Correspondingly, UMW Group recorded a higher PBTZ of RM726.7 million for the 6-month FPE 30 June 2023, inclusive of the RM218.1 million profit from the completion of the sale of industrial land to LONGI (Kuching) Sdn. Bhd, as compared to RM446.3 million reported for the 6-month FPE 30 June 2022.

INFORMATION ON UMW GROUP (Cont'd)

The performance of the various business segments is broken down as follows:

	Revenue				PBTZ / Loss before taxation and zakat			
	FPE 30 June				FPE 30 June			
	2022		2023		2022		2023	
	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾
Consolidated total	7,381,598	100.00	8,864,451	100.00	446,336	100.00	726,681	100.00
Business Segment:								
Automotive	6,187,543	83.82	7,044,125	79.47	408,721	91.57	429,855	59.15
Equipment	738,367	10.00	891,115	10.05	67,203	15.06	100,391	13.82
Manufacturing & Engineering	453,523	6.15	623,280	7.03	23,677	5.30	44,180	6.08
Others	42,922	0.58	364,762	4.11	(53,265)	(11.93)	152,255	20.95
Inter-segment eliminations	(40,757)	(0.55)	(58,831)	(0.66)	-	-	-	-

Notes:

- (1) Any discrepancy in the figures between the amounts stated and the actual amount thereof is due to rounding.
- (2) Computed based on the revenue/PBTZ/loss before taxation and zakat of the respective business segments divided by the total revenue/PBTZ/loss before taxation of UMW Group respectively.

(i) Automotive segment

The segment revenue of RM7,044.1 million for the 6-month FPE 30 June 2023 was 13.8% higher than the RM6,187.5 million recorded for the 6-month FPE 30 June 2022. This was underpinned by the higher number of vehicles sold during the period. Accordingly, the segment recorded a higher PBTZ of RM429.9 million for the 6-month FPE 30 June 2023 compared with RM408.7 million reported for the 6-month FPE 30 June 2022.

(ii) Equipment segment

The revenue of RM891.1 million for the 6-month FPE 30 June 2023 was 20.7% higher than the RM738.4 million reported for the 6-month FPE 30 June 2022. This was attributable to the higher delivery of equipment from both heavy equipment and industrial equipment sub-segments in the current period. In tandem with the higher revenue reported, the segment's PBTZ of RM100.4 million for the 6-month FPE 30 June 2023 was 49.4% higher than the RM67.2 million recorded for the 6-month FPE 30 June 2022.

(iii) Manufacturing & Engineering segment

The segment revenue of RM623.3 million for the 6-month FPE 30 June 2023 was 37.4% higher than the RM453.5 million reported for the 6-month FPE 30 June 2022. This was due to higher contribution from all sub-segments, most notably from the Aerospace sub-segment due to higher number of fan cases delivered. Accordingly, the segment reported PBTZ of RM44.2 million for the 6-month FPE 30 June 2023 which was 86.6% higher compared with the RM23.7 million recorded for the 6-month FPE 30 June 2022.

INFORMATION ON UMW GROUP (Cont'd)

(iv) Others

Revenue for this segment of RM364.8 million for the 6-month FPE 30 June 2023 was substantially higher in comparison to RM42.9 million reported for the 6-month FPE 30 June 2022. This was mainly contributed by the completion of the sale of industrial land to LONGI (Kuching) Sdn. Bhd during the period. Correspondingly, the segment registered PBTZ of RM152.3 million in the current period compared with loss before taxation and zakat of RM53.3 million for the 6-month FPE 30 June 2022.

FYE 31 December 2022 vs. FYE 31 December 2021

UMW Group's revenue for the FYE 31 December 2022 of RM15,814.4 million grew by 43.0% compared with the RM11,060.8 million recorded for the FYE 31 December 2021. This was attributable to the higher revenue recorded for all segments following the strong recovery of the Malaysian and regional economies. Accordingly, UMW Group's PBTZ increased significantly to RM896.5 million for the FYE 31 December 2022 from RM482.8 million reported for the FYE 31 December 2021.

The performance of the various business segments is broken down as follows:

	Revenue				PBTZ / Loss before taxation and zakat			
	FYE 31 December				FYE 31 December			
	2021		2022		2021		2022	
	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾
Consolidated total	11,060,803	100.00	15,814,431	100.00	482,750	100.00	896,458	100.00
Business Segment:								
Automotive	9,030,313	81.64	13,309,950	84.16	476,732	98.75	774,914	86.44
Equipment	1,313,449	11.87	1,528,011	9.66	107,011	22.17	152,837	17.05
Manufacturing & Engineering	726,333	6.57	984,199	6.23	22,163	4.59	66,307	7.40
Others	(9,292) ⁽³⁾	(0.08)	(7,729) ⁽³⁾	(0.05)	(123,156)	(25.51)	(97,600)	(10.89)

Notes:

- (1) Any discrepancy in the figures between the amounts stated and the actual amount thereof is due to rounding.
- (2) Computed based on the revenue/PBTZ/loss before taxation and zakat of the respective business segments divided by the total revenue/PBTZ/loss before taxation of UMW Group respectively.
- (3) After accounting for inter-segment eliminations and consolidation adjustments.

(i) Automotive segment

The Automotive segment's revenue of RM13,310.0 million for the FYE 31 December 2022 was 47.4% higher than the RM9,030.3 million recorded for the FYE 31 December 2021. This was underpinned by the higher number of vehicles sold during the year following the continued strong sales momentum. Correspondingly, the segment's PBTZ of RM774.9 million for the FYE 31 December 2022 was also higher than the RM476.7 million reported for the FYE 31 December 2021.

INFORMATION ON UMW GROUP (Cont'd)

(ii) Equipment segment

Revenue of RM1,528.0 million for the FYE 31 December 2022 was 16.3% higher than the RM1,313.4 million reported for the FYE 31 December 2021. This was mainly due to the growing demand for the segment's products and services in its domestic and overseas markets during the year. In line with the higher revenue, the segment's PBTZ of RM152.8 million for the FYE 31 December 2022 was 42.8% higher than the RM107.0 million profit reported for the FYE 31 December 2021.

(iii) Manufacturing & Engineering segment

The segment's revenue of RM984.2 million for the FYE 31 December 2022 was 35.5% higher than the RM726.3 million reported for the FYE 31 December 2021. This was due to higher contribution from all sub-segments especially the auto component sub-segment following the higher demand for its products in the current year. Consequently, the segment's PBTZ of RM66.3 million for the FYE 31 December 2022 was higher compared with the RM22.2 million as reported for the FYE 31 December 2021.

FYE 31 December 2021 vs. FYE 31 December 2020

UMW Group's revenue for the FYE 31 December 2021 of RM11,060.8 million was 15.8% higher than the RM9,554.6 million recorded for the FYE 31 December 2020. This was primarily attributed to the higher revenue from the Automotive and Equipment segments following the longer sales tax exemption period. In respect of FYE 31 December 2021, Malaysians enjoyed a full year sales tax exemption period for the passenger vehicles as compared to that of FYE 31 December 2020, with only 6.5 months from 15 June 2020 to 31 December 2020.

Despite the longer shut down for certain business operations of UMW Group in 2021 of 2.5 months (1 June to 16 August 2021) compared with 1.5 months (18 March to 3 May 2020) in 2020, UMW Group registered a 20.5% higher PBTZ of RM482.8 million for the FYE 31 December 2021 compared with the RM400.7 million reported for the FYE 31 December 2020.

The performance of the various business segments is broken down as follows:

	Revenue				PBTZ / Loss before taxation and zakat			
	FYE 31 December				FYE 31 December			
	2020		2021		2020		2021	
	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾
Consolidated total	9,554,565	100.00	11,060,803	100.00	400,665	100.00	482,750	100.00
Business Segment:								
Automotive	7,483,703	78.33	9,030,313	81.64	334,588	83.51	476,732	98.75
Equipment	1,137,332	11.90	1,313,449	11.87	102,932	25.69	107,011	22.17
Manufacturing & Engineering	918,276	9.61	726,333	6.57	61,590	15.37	22,163	4.59
Others	15,254 ⁽³⁾	0.16	(9,292) ⁽³⁾	(0.08)	(98,445)	(24.57)	(123,156)	(25.51)

Notes:

- (1) Any discrepancy in the figures between the amounts stated and the actual amount thereof is due to rounding.
- (2) Computed based on the revenue/PBTZ/loss before taxation and zakat of the respective business segments divided by the total revenue/PBTZ/loss before taxation of UMW Group respectively.
- (3) After accounting for inter-segment eliminations and consolidation adjustments.

INFORMATION ON UMW GROUP (Cont'd)

(i) Automotive segment

The Automotive segment achieved a 20.7% increase in revenue to RM9,030.3 million for the FYE 31 December 2021 from RM7,483.7 million recorded for the FYE 31 December 2020. The increase is mainly attributed to continued sales momentum driven by the introduction of new car models and extended sales tax exemption. Consistent with the higher revenue and higher share of profit from Perodua Group, the segment's PBTZ of RM476.7 million for the FYE 31 December 2021 was also significantly higher than the RM334.6 million reported for the FYE 31 December 2020.

(ii) Equipment segment

The segment revenue of RM1,313.4 million for the FYE 31 December 2021 was 15.5% higher than the RM1,137.3 million reported for the FYE 31 December 2020. This was mainly due to the surge in demand for the segment's products and services in the local and overseas markets in the current year following the general business recovery. In line with the higher revenue, the segment's PBTZ of RM107.0 million for the FYE 31 December 2021 was also higher than the RM102.9 million reported for the FYE 31 December 2020.

(iii) Manufacturing & Engineering segment

The segment revenue of RM726.3 million for the FYE 31 December 2021 was 20.9% lower than the RM918.3 million reported for the FYE 31 December 2020. This was due to the lower contribution from all the sub-segments notably from the Aerospace sub-segment as a result of lower number of fan cases delivered. Consequently, the segment's PBTZ of RM22.2 million for the FYE 31 December 2021 was lower than the RM61.6 million reported for the FYE 31 December 2020.

FYE 31 December 2020 vs. FYE 31 December 2019

UMW Group's revenue for the FYE 31 December 2020 of RM9,554.6 million was lower than the RM11,760.2 million recorded for the FYE 31 December 2019. This was mainly due to lower revenue in all of its main business segments due to the impact of the COVID-19 pandemic on UMW Group's operations. Consequently, UMW Group's PBTZ of RM400.7 million for the FYE 31 December 2020 was also significantly lower than the RM741.2 million reported for the FYE 31 December 2019. The higher UMW Group's PBTZ for the FYE 31 December 2019 was attributed to a one-off gain on property disposal of RM188.1 million.

The performance of the various business segments is broken down as follows:

	Revenue				PBTZ / Loss before taxation and zakat			
	FYE 31 December				FYE 31 December			
	2019		2020		2019		2020	
	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾	RM'000	% ⁽¹⁾⁽²⁾
Consolidated total	11,760,204	100.00	9,554,565	100.00	741,227	100.00	400,665	100.00
Business Segment:								
Automotive	9,295,874	79.04	7,483,703	78.33	530,302	71.55	334,588	83.51
Equipment	1,408,164	11.97	1,137,332	11.90	135,677	18.30	102,932	25.69
Manufacturing & Engineering	1,062,549	9.04	918,276	9.61	60,922	8.22	61,590	15.37
Others	(6,383) ⁽³⁾	(0.05)	15,254 ⁽³⁾	0.16	(173,818)	(23.45)	(98,445)	(24.57)
Other gains	-	-	-	-	188,144	25.38	-	-

INFORMATION ON UMW GROUP (Cont'd)**Notes:**

- (1) Any discrepancy in the figures between the amounts stated and the actual amount thereof is due to rounding.
- (2) Computed based on the revenue/PBTZ/loss before taxation and zakat of the respective business segments divided by the total revenue/PBTZ/loss before taxation of UMW Group respectively.
- (3) After accounting for inter-segment eliminations and consolidation adjustments.

(i) Automotive segment

The Automotive segment's revenue of RM7,483.7 million for the FYE 31 December 2020 was 19.5% lower than the revenue of RM9,295.9 million for the FYE 31 December 2019. This was mainly due to a lower number of vehicles sold during the Malaysian movement control order period. In tandem with the decline in revenue and a lower share of profit from Perodua Group, the segment's PBTZ of RM334.6 million for the FYE 31 December 2020 was significantly lower than the RM530.3 million reported for the FYE 31 December 2019.

(ii) Equipment segment

Revenue of RM1,137.3 million for the FYE 31 December 2020 was lower than the RM1,408.2 million recorded for the FYE 31 December 2019. This was mainly due to a slowdown in construction, manufacturing, mining and logging activities following the impact of the COVID-19 pandemic in countries that the segment operates in. In line with the decrease in revenue, PBTZ of RM102.9 million for the FYE 31 December 2020 was lower than the RM135.7 million recorded for the FYE 31 December 2019.

(iii) Manufacturing & Engineering segment

Revenue of RM918.3 million for the FYE 31 December 2020 was lower than the RM1,062.5 million reported for the FYE 31 December 2019. This was mainly due to lower contribution from all sub-segments which were impacted by the COVID-19 pandemic. Despite the decrease in revenue, the segment's PBTZ of RM61.6 million for the FYE 31 December 2020 was marginally higher than the PBTZ of RM60.9 million for the FYE 31 December 2019 due to cost saving initiatives.

Accounting policies and audit qualification:

For the past three (3) FYEs 31 December 2020, 31 December 2021 and 31 December 2022 under review:

- (i) there were no exceptional or extraordinary items reported in UMW's audited financial statements;
- (ii) there were no accounting policies adopted by UMW which are peculiar to UMW due to the nature of its business or the industry in which it is involved; and
- (iii) UMW's external auditors had not issued any audit qualification on its financial statements.

(Source: UMW's quarterly reports on unaudited consolidated results for the FPE 30 June 2023, FPE 30 June 2022, FYE 31 December 2022, FYE 31 December 2021 and FYE 31 December 2020, respectively)

INFORMATION ON UMW GROUP (Cont'd)

6. MATERIAL CONTRACTS

Based on publicly available information as at the LPD, UMW Group has not entered into any material contract (not being a contract entered into in the ordinary course of business of the UMW Group) within 2 years immediately preceding the date of this Circular, save for the following:

On 6 October 2023, UMW announced that its wholly-owned subsidiary, UMW Equipment Division Sdn Bhd (“**UEDSB**”), entered into a share sale and purchase agreement (“**UT SSPA**”) and the related Shareholders Agreement (“**UT SHA**”) (collectively referred to as “**UT Agreements**”), with TICO (hereinafter, UEDSB and TICO will be collectively referred to as “**the UT Parties**”) (“**UT Announcement**”).

The UT Agreements serve as a framework for the contemplated mutual collaboration between the UT Parties in the Industrial Equipment (“**IE**”) business of UMW Group through UMW Toyota Material Handling Sdn. Bhd (“**UTMH**”), a special purpose vehicle (“**Proposed UT Transaction**”). Pursuant to the UT Agreements, UTMH shall acquire all issued share capital of 6 subsidiaries (indirectly held by UMW) operating within the IE sector across Malaysia, Singapore, Vietnam and China (“**Internal Sales**”). Following the completion of the Internal Sales, UEDSB shall sell and transfer 26% of its shareholdings in UTMH to TICO at an agreed purchase consideration of RM260.0 million, resulting in UEDSB holding 74% issued and paid-up ordinary shares of UTMH.

Barring any unforeseen circumstances, the Proposed UT Transaction is expected to be closed on 24 November 2023 upon fulfilment of all conditions precedent and completed by 31 December 2023 upon satisfaction of the conditions subsequent as stipulated in the UT SSPA. Set out below are further information of the Proposed UT Transaction based on the UT Announcement:

(a) Rationale for the Proposed UT Transaction

The collaboration between the UT Parties is intended to strengthen and expand UMW IE business by leveraging on TICO to realise its aspiration to develop One Stop Centre capability for the IE and Logistics Automation businesses. This is essential as consumers are moving towards Industry 4.0 which is expected to be the next growth area that drives the growth of the IE business.

(b) Percentage ratios

The highest percentage ratio applicable to the Proposed UT Transaction pursuant to paragraph 10.02(g)(iii) of the Listing Requirements is approximately 6.0% based on the audited financial statements of UMW for the FYE 31 December 2022. UMW is not required to obtain shareholder’s approval for the Proposed UT Transaction.

Premised on the information as set out in the UT Announcement, the Proposed UT Transaction is not expected to have any material impact on the NA, NA per share, gearing, earnings and earnings per share of the enlarged Sime Darby Group as illustrated in Section 7 of Part A of this Circular.

7. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Based on publicly available information as at the LPD, UMW Group is not involved in any material litigation, claims and/or arbitration, whether as plaintiff or defendant, and there is no proceeding pending or threatened against UMW Group, or of any fact which is likely to give rise to any proceeding which might materially affect the business or financial position of UMW Group.

INFORMATION ON UMW GROUP (Cont'd)

8. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**8.1. Material commitments**

Save as disclosed below, based on the unaudited condensed consolidated statement of comprehensive income of UMW for the FPE 30 June 2023, there is no other material commitment contracted or known to be contracted by UMW Group which may have material impact to the financial results or position of UMW Group.

	As at 30 June 2023
	RM'000
Approved and contracted for	
Land and buildings	78,643
Equipment, plant and machinery	69,373
Others ⁽¹⁾	13,636
Sub-total	161,652
Approved but not contracted for	
Land and buildings	74,665
Equipment, plant and machinery	428,892
Others ⁽¹⁾	57,619
Sub-total	561,176
Grand total	722,828

Note:

(1) Others consist of furniture and fittings, office equipment, computer equipment and software, motor vehicles and leasehold improvements.

8.2 Contingent liabilities

Save as disclosed below, based on the unaudited condensed consolidated statement of comprehensive income of UMW for FPE 30 June 2023, there is no other contingent liability incurred or known to be incurred by UMW Group, which upon becoming enforceable, may have material impact to the financial results or position of UMW Group.

	As at 30 June 2023
	RM'000
Performance bonds in favour of third parties	22,340

INFORMATION ON UMW GROUP (Cont'd)

9. ASSETS OWNED

Based on UMW's latest audited consolidated financial statements for the FYE 31 December 2022, the UMW Group's total assets stood at approximately RM12,417.1 million, which comprise the following:

	<u>FYE 31 December 2022</u>
	RM'000
<u>Non-current assets</u>	
Property, plant and equipment	2,706,160
Investment properties	208,852
Intangible asset	801
Leased assets	389,830
Right-of-use assets	121,753
Investments in joint ventures	78,667
Investments in associates	2,362,313
Deferred tax assets	178,073
Other investments	5,261
<u>Current assets</u>	
Other investments	196,223
Derivative assets	22,650
Inventories	2,045,729
Receivables	1,231,537
Tax recoverable	16,500
Deposits, cash and bank balances	2,808,126
Assets held for sale	44,619
Total assets	<u>12,417,094</u>

(Source: UMW's 2022 Annual Report)

UMW HOLDINGS BERHAD
198201010554 (90278-P)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2022

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**

Contents	Page
Directors' report	1 - 7
Statement by directors	8
Statutory declaration	8
Independent auditors' report	9 - 14
Consolidated statement of financial position	15 - 16
Consolidated statement of comprehensive income	17 - 18
Consolidated statement of changes in equity	19 - 20
Consolidated statement of cash flows	21 - 23
Statement of financial position	24
Statement of comprehensive income	25
Statement of changes in equity	26
Statement of cash flows	27 - 28
Notes to the financial statements	29 - 156

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
Directors' report

The directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is an investment holding company. The principal activities of the subsidiaries, joint ventures and associates are disclosed in Notes 37 to 39 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the financial year	<u>677,856</u>	<u>115,257</u>
Attributable to:		
Equity holders of the Company	415,046	45,407
Holders of perpetual sukuk	69,850	69,850
Non-controlling interests	192,960	-
	<u>677,856</u>	<u>115,257</u>

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

Dividend

The amounts of dividend paid by the Company since 31 December 2021 were as follows:

	RM'000
In respect of the financial year ended 31 December 2021:	
Final dividend of 11.6% on 1,168,293,932 ordinary shares, declared on 25 February 2022 and paid on 29 April 2022.	<u>67,761</u>
In respect of the financial year ended 31 December 2022:	
Interim dividend of 6.0% on 1,168,293,932 ordinary shares, declared on 29 November 2022 and paid on 15 December 2022.	<u>35,049</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
Dividend (cont'd.)

A final dividend in respect of the current financial year of 22.4% or 11.2 sen per share amounting to a dividend payable of approximately RM130.8 million was declared on 27 February 2023. The dividend is proposed to be paid on 12 May 2023 to shareholders whose names appear in the Record of Depositors as at close of business on 18 April 2023. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

Directors of the Company

The name of directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman #	
Dato' Ahmad Fuaad bin Mohd Kenali #	
Dato' Eshah binti Meor Suleiman	
Datin Paduka Kartini binti Hj Abdul Manaf	
Dr. Veerinderjeet Singh a/l Tejwant Singh	
Razalee bin Amin	
Dato' Seri Prof. Dr. Ir. Zaini bin Ujang	
Dato' Azmi bin Mohd Ali	(appointed on 1 April 2022)
Shahin Farouque bin Jammal Ahmad	(appointed on 1 July 2022)
Mohd Shahazwan bin Mohd Harris	(appointed on 1 July 2022)
Datuk Dr. Yasmin binti Mahmood	(appointed on 12 October 2022)
Tan Sri Hasmah binti Abdullah	(retired on 2 September 2022)
Lim Tze Seong	(resigned on 30 June 2022)
Salwah binti Abdul Shukor	(resigned on 31 March 2022)

Directors of the Company and certain subsidiaries.

Directors of the Company's subsidiaries

The name of directors of the Company's subsidiaries since the beginning of the financial year to the date of this report excluding those who are already the directors of the Company, are:

Anas Nasrun bin Mohd Osman
Azmin bin Che Yusoff
Baishali Buragohain
Cheow Lip Heng
Darshan Singh Rayat
Dato' Muthukumar a/l Ayarpadde
Dato' Abdul Rashid bin Musa
Dato' Sri Zainal Abidin bin Ahmad

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
Directors of the Company's subsidiaries (cont'd.)

Datuk Ravindran a/l Kurusamy	
Fairuz Elina binti Jamilus	
Farnida binti Ngah	
Gan Kim Teck	
Kevin Lee Kok Heng	
Khoo Kay Chock	
Megat Shahrul Azmir bin Nordin	
Mohd Shamsor bin Mohd Zain	
Muzafar bin Munzir	
Ooi Koe Leong	
Roslan bin Yahaya	
Ryo Moriyama	
Sadatoshi Kashihara	
Sandeep Jogen Buragohain	
Shahril Mizani bin Ariffin	
Subramaniam a/l C Sundram	
Takashi Obata	
Tetsuya Ezumi	
U Thiha Shein	
Zailani bin Ali	
Zoelaney Abid	
Yuji Ito	(appointed on 1 January 2022)
Raja Norakmar binti Raja Mohd Ali	(appointed on 17 January 2022)
Hideyuki Kawada	(appointed on 1 February 2022)
Hideki Torii	(appointed on 1 April 2022)
Kenichi Shoji	(appointed on 1 April 2022)
Korekiyo Yanagisawa	(appointed on 1 April 2022)
Loo Kien Lee	(appointed on 1 April 2022)
Masaki Kuroyanagi	(appointed on 1 April 2022)
Ryuji Uda	(appointed on 1 April 2022)
Takahiro Ogawa	(appointed on 1 April 2022)
Masahiro Nishi	(appointed on 1 January 2023)
Hirofumi Haneda	(resigned on 1 January 2023)
Anuar bin Abd Ani	(resigned on 30 June 2022)
Hiroki Tsunoda	(resigned on 1 April 2022)
Ichiro Sadamoto	(resigned on 1 April 2022)
Ichio Nemoto	(resigned on 1 April 2022)
Tsuneo Sawada	(resigned on 1 April 2022)
Koji Yanagi	(resigned on 31 March 2022)
Kiyoshi Mizuhara	(resigned on 31 March 2022)
Yap Kok Khlang	(resigned on 31 March 2022)
Akio Takeyama	(resigned on 31 January 2022)
Noor Azwah binti Samsudin	(resigned on 17 January 2022)
Iwao Mizuno	(resigned on 1 January 2022)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

Directors' benefit

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Executive director:		
Salary and emoluments	2,430	-
Defined contribution plan	390	-
Benefits-in-kind	125	-
Other emoluments	13	-
	<u>2,958</u>	<u>-</u>
Non-executive directors:		
Fees	1,788	1,768
Other emoluments	577	538
Benefits-in-kind	644	644
	<u>3,009</u>	<u>2,950</u>
Total directors' benefits	<u>5,967</u>	<u>2,950</u>

Directors' and Officers' indemnity

The Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016, throughout the financial year, which provide appropriate insurance cover for the directors and officers of the Company. The amount of insurance premium effected for any director or officer of the Company during the financial year was RM510,579. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**

Directors' interest

According to the register of directors' shareholdings, the directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations except for the following:

The Company	←-----Number of Ordinary Shares-----→			
	1 January 2022	Bought	Sold	31 December 2022
Direct Interest				
Dr Veerinderjeet Singh a/l Tejwant Singh	66	-	-	66

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for expected credit losses on receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for expected credit loss on receivables had been made; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for expected credit losses on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)**198201010554 (90278-P)****UMW Holdings Berhad
(Incorporated in Malaysia)****Other statutory information (cont'd.)****(e) As at the date of this report, there does not exist:**

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or**
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.**

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and**
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.**

Significant event**Significant event during the financial year is disclosed in Note 40 to the financial statements.**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)**198201010554 (90278-P)****UMW Holdings Berhad
(Incorporated in Malaysia)****Auditors and auditors' remuneration**

The auditors, Ernst & Young PLT (LLP0022760-LCA & AF 0039), have expressed their willingness to continue in office.

Details of auditors' remuneration are set out in Note 30 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2023.



Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman
Group Chairman



Dato' Ahmad Fuaad bin Mohd Kenali
President & Group Chief Executive Officer

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)


UMW Holdings Berhad
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman and Dato' Ahmad Fuaad bin Mohd Kenali, being two of the directors of UMW Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2023.


Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman
Group Chairman


Dato' Ahmad Fuaad bin Mohd Kenali
President & Group Chief Executive Officer

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Farnida binti Ngah, being the officer primarily responsible for the financial management of UMW Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 156 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Farnida binti Ngah
at Kuala Lumpur
on 30 March 2023


Farnida binti Ngah
MIA membership no. 22495

Before me,



79-1, First Floor, Sri Bonus, 8
Off Jalan Masjid India,
50100 Kuala Lumpur

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)



Ernst & Young PLT
 26206600003 (L.P.0922760-LCA) & AF 0039
 SST ID: W10-2002-32000062
 Chartered Accountants
 Level 23A Menara Milenium
 Jalan Damansara
 Pusat Bandar Damansara
 50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
 Fax: +603 2095 5332 (General line)
 +603 2095 9076
 +603 2095 9078
 ey.com

198201010554 (90278-P)

**Independent auditors' report to the members of
 UMW Holdings Berhad
 (Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UMW Holdings Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



198201010554 (90278-P)

Independent auditors' report to the members of
UMW Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Provision for warranties

As at 31 December 2022, the provision for warranties amounted to RM290.1 million (2021: RM293.8 million). The Group provides various types of warranties under which the performance of products delivered are generally guaranteed for a certain period or term. This is a key audit matter as the amount of the provision for warranties are material to the financial statements, with their determinations involving a high level of management judgement. Changes in the assumptions can materially affect the levels of provisions recorded in the financial statements.

The warranty provision represents the best estimate of commitments given by the Group for contractual obligations arising from the warranties given for a specified period of time beginning from the date of sale to the end customer. This estimate is principally based on assumptions regarding the warranty costs to either repair or replace any parts of the vehicles covered by the warranty and historical claims experience for vehicles. The Group establishes provision for warranty obligations when the related sale is recognised in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

Our procedures in reviewing the estimates include the following:

- (i) Obtained an understanding of the warranty estimation process through enquiry of representatives from the Warranty and Technical Operation team;
- (ii) Discussed the basis of provision and assumptions with the Warranty and Technical Operation team to obtain an understanding of the related data (such as failure rate and claims histories) used as inputs to the provision computation;
- (iii) Evaluated the validity of the actual data used in the provision computations; and
- (iv) Recalculated the mathematical accuracy of the provision workings.

The disclosure on warranty provisions are included in Note 22 of the financial statements.



198201010554 (90278-P)

Independent auditors' report to the members of
UMW Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Recoverability of deferred tax assets from investment tax allowance

As at 31 December 2022, a subsidiary of the Group recognised deferred tax assets of RM128.0 million (2021: RM139.8 million) arising from investment tax allowance on qualifying capital expenditures incurred for carrying out activities in relation to the assembly of energy efficient vehicles. In determining the amount of deferred tax assets to be recognised, management has performed an assessment, which involved significant judgement and estimates, to estimate the future taxable income. To the extent that future taxable income differs significantly from the estimates, the ability of the Group to realise the deferred tax assets recorded at the reporting date could be impacted.

This is a key audit matter as the amount of deferred tax asset recognised is material to the financial statements and the significant estimation uncertainty involved in estimating future taxable income.

Our procedures included, inter alia, the following:

- (i) Obtained and reviewed the relevant communications between the Group and the authorities regarding the investment tax allowance;
- (ii) Evaluated the reasonableness of management's assessment on the sufficiency of future taxable income in support of the recognition of the deferred tax assets by comparing management's forecast of future taxable income to the historical results;
- (iii) Discussed with management on the outlook of automotive industry;
- (iv) Performed sensitivity analysis on the key assumptions to determine whether it would affect the amount of deferred tax assets recognised; and
- (v) Assessed the adequacy of the disclosures made in the financial statements.

The disclosure on deferred tax assets are included in Note 12 of the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



198201010554 (90278-P)

**Independent auditors' report to the members of
UMW Holdings Berhad (cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



198201010554 (90278-P)

Independent auditors' report to the members of
UMW Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



198201010554 (90278-P)

Independent auditors' report to the members of
UMW Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

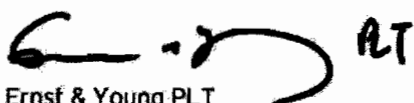
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 37 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

 AT
Ernst & Young PLT
20206000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants


Ng Yee Yee
No. 03176/05/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 March 2023

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
**Consolidated statement of financial position
As at 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Assets			
Non-current assets			
Property, plant and equipment	4	2,706,160	2,545,020
Investment properties	5	208,852	270,218
Intangible asset	6	801	-
Leased assets	7	389,830	373,457
Right-of-use assets	8	121,753	128,182
Investments in joint ventures	10	78,667	77,850
Investments in associates	11	2,362,313	2,170,600
Deferred tax assets	12	178,073	222,174
Other investments	13	5,261	5,220
		<u>6,051,710</u>	<u>5,792,721</u>
Current assets			
Other investments	13	196,223	603,198
Derivative assets	14	22,650	5,598
Inventories	15	2,045,729	1,752,160
Receivables	16	1,231,537	1,051,661
Tax recoverable		16,500	19,413
Deposits, cash and bank balances	17	2,808,126	2,941,385
		<u>6,320,765</u>	<u>6,373,415</u>
Assets held for sale	18	44,619	6,553
		<u>6,365,384</u>	<u>6,379,968</u>
Total assets		<u>12,417,094</u>	<u>12,172,689</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
**Consolidated statement of financial position (cont'd.)
As at 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	19	584,147	584,147
Capital reserve		396	396
Fair value reserve	20(a)	6,330	5,130
Foreign currency translation reserve	20(b)	12,755	(19,135)
Retained earnings		3,746,388	3,434,152
		<u>4,350,016</u>	<u>4,004,690</u>
Perpetual sukuk	21	1,097,860	1,097,860
Non-controlling interests	9(c)	1,692,079	1,659,999
Total equity		<u>7,139,955</u>	<u>6,762,549</u>
Non-current liabilities			
Deferred tax liabilities	12	60,823	48,396
Provision for warranties	22	234,957	208,786
Lease liabilities	8	39,345	38,180
Borrowings	23	1,339,932	2,094,993
		<u>1,675,057</u>	<u>2,390,355</u>
Current liabilities			
Derivative liabilities	14	1,174	3,094
Provision for warranties	22	55,149	84,981
Provision for taxation		27,984	7,699
Borrowings	23	212,335	638,082
Payables	24	3,292,817	2,248,790
Lease liabilities	8	12,623	16,608
		<u>3,602,082</u>	<u>2,999,254</u>
Liabilities associated with assets held for sale	18	-	20,531
		<u>3,602,082</u>	<u>3,019,785</u>
Total liabilities		<u>5,277,139</u>	<u>5,410,140</u>
Total equity and liabilities		<u>12,417,094</u>	<u>12,172,689</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
Consolidated statement of comprehensive income
For the financial year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Revenue	25	15,814,431	11,060,803
Other operating income	26	144,620	114,843
Changes in inventories		(20,128)	222,756
Finished goods purchased		(12,920,329)	(9,131,202)
Raw materials and consumables used		(657,698)	(512,830)
Employee benefits	27	(831,971)	(652,230)
Depreciation and amortisation		(340,581)	(343,537)
Other operating expenses		(582,834)	(484,356)
Profit from operations		605,510	274,247
Finance costs	28	(114,128)	(108,162)
Investment income	29	70,161	48,697
Share of results of associates and joint ventures		334,915	267,968
Profit before zakat and taxation	30	896,458	482,750
Zakat		(6,396)	(8,588)
Taxation	31	(212,206)	41,486
Profit for the financial year		677,856	515,648
Other comprehensive income			
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		34,966	22,575
Share of other comprehensive income of an associate		1,200	30
Fair value loss on cash flow hedge of an associate		-	71
Other comprehensive income for the financial year		36,166	22,676
Total comprehensive income for the financial year		714,022	538,324
Profit for the financial year attributable to:			
Equity holders of the Company		415,046	268,230
Holders of perpetual sukuk		69,850	69,850
Non-controlling interests	9(c)	192,960	177,568
		677,856	515,648

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**

**Consolidated statement of comprehensive income (cont'd.)
For the financial year ended 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Total comprehensive income attributable to:			
Equity holders of the Company		448,342	295,065
Holders of perpetual sukuk		69,850	69,850
Non-controlling interests		195,830	173,409
		<u>714,022</u>	<u>538,324</u>
Basic/diluted earnings per share attributable to equity holders of the Company (sen):	32	<u>35.5</u>	<u>23.0</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)Consolidated statement of changes in equity
For the financial year ended 31 December 2022

	Non-distributable				Distributable				Total equity RM'000	
	Share capital RM'000	Capital reserve RM'000	Hedging reserve RM'000	Fair value reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual sukuk RM'000		Non-controlling interests RM'000
At 1 January 2022	584,147	396	-	5,130	(19,135)	3,434,152	4,004,690	1,097,860	1,659,999	6,762,549
Profit for the financial year	-	-	-	-	-	415,046	415,046	69,850	192,960	677,856
Other comprehensive income for the financial year	-	-	-	1,200	32,096	-	33,296	-	2,870	36,166
Total comprehensive income for the financial year	-	-	-	1,200	32,096	415,046	448,342	69,850	195,830	714,022
Transactions with owners:										
Dividends distributed to equity holders (Notes 33 and 9(c))	-	-	-	-	-	(102,810)	(102,810)	-	(163,750)	(266,560)
Distribution to holders of perpetual sukuk	-	-	-	-	-	-	-	(69,850)	-	(69,850)
Liquidation of a subsidiary	-	-	-	-	(206)	-	(206)	-	-	(206)
Total transactions with owners	-	-	-	-	(206)	(102,810)	(103,016)	(69,850)	(163,750)	(336,616)
At 31 December 2022	584,147	396	-	6,330	12,755	3,746,388	4,350,016	1,097,860	1,692,079	7,139,955

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)Consolidated statement of changes in equity (cont'd.)
For the financial year ended 31 December 2022

	Non-distributable		Distributable		Perpetual sukuk RM'000	Non- controlling interests RM'000	Total equity RM'000			
	Share capital RM'000	Capital reserve RM'000	Hedging value reserve RM'000	Fair value reserve RM'000				Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2021	584,147	396	(71)	5,100	(47,635)	3,326,194	3,868,131	1,097,860	1,451,178	6,417,169
Profit for the financial year	-	-	-	-	-	268,230	268,230	69,850	177,568	515,648
Other comprehensive income/ (loss) for the financial year	-	-	71	30	26,734	-	26,835	-	(4,159)	22,676
Total comprehensive income for the financial year	-	-	71	30	26,734	268,230	295,065	69,850	173,409	538,324
Transactions with owners:										
Dividends distributed to equity holders (Notes 33 and 9(c))	-	-	-	-	-	(46,732)	(46,732)	-	(76,362)	(123,094)
Distribution to holders of perpetual sukuk	-	-	-	-	-	-	-	(69,850)	-	(69,850)
Effect of change in shareholding in a subsidiary	-	-	-	-	1,766	(113,540)	(111,774)	-	111,774	-
Total transactions with owners	-	-	-	-	1,766	(160,272)	(158,506)	(69,850)	35,412	(192,944)
At 31 December 2021	584,147	396	-	5,130	(19,135)	3,434,152	4,004,690	1,097,860	1,659,999	6,762,549

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
**Consolidated statement of cash flows
For the financial year ended 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before zakat and taxation:		896,458	482,750
Adjustments for:			
Property, plant and equipment:	4		
- depreciation		186,785	182,725
- gain on disposals		(179)	(19,571)
- impairment losses		842	-
- write offs		168	722
Investment properties:	5		
- depreciation		6,619	11,486
Intangible asset:	6		
- amortisation		192	-
Leased assets:	7		
- depreciation		120,617	116,385
- gain on disposals		(29,520)	(23,035)
Right-of-use assets:	8		
- depreciation		26,368	32,941
- gain on derecognition of lease		(525)	(598)
Investments in joint ventures:	10		
- share of results		(7,077)	(7,809)
- impairment loss		904	1,052
Investments in associates:	11		
- share of results		(327,838)	(260,159)
Other investments:			
- (reversal of impairment)/impairment loss		(10,718)	15,637
- gain on disposals		(347)	(149)
Net loss/(gain) on liquidation/disposal of investments in subsidiaries		6,364	(2,491)
Net (reversal of)/allowance for expected credit losses on receivables	16	(2,129)	2,198
Dividend income from investments		(893)	(459)
Interest expense		114,128	108,162
Bad debt written off		30	5,691
Interest and distribution income		(71,051)	(51,369)
Net provision for inventories written down		4,281	3,210
Net provision for warranties	22	44,240	59,648
		<u>957,719</u>	<u>656,967</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
**Consolidated statement of cash flows (cont'd.)
For the financial year ended 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities (cont'd.)			
Subtotal brought forward		957,719	656,967
Net fair value gain on financial assets held for trading		(2,248)	(686)
Net fair value (gain)/loss on derivatives		(18,990)	9,416
Net unrealised foreign exchange (gain)/loss		(4,773)	10,277
Operating profit before working capital changes		931,708	675,974
Changes in receivables		(163,837)	72,811
Changes in inventories		(297,899)	(316,898)
Changes in payables		1,026,445	57,677
Warranties paid	22	(48,071)	(45,964)
Cash generated from operating activities		1,448,346	443,600
Interest paid		(113,978)	(108,174)
Zakat and taxes paid		(139,104)	(74,028)
Net cash generated from operating activities		1,195,264	261,398
Cash flows from investing activities			
Net cash inflow arising from disposal of subsidiaries		-	75,035
Property, plant and equipment:			
- additions		(344,889)	(247,624)
- proceeds from disposals		6,870	31,313
Investment properties:			
- additions		-	(1,490)
Intangible asset:			
- additions		(153)	-
Leased assets:			
- additions		(154,765)	(157,065)
- proceeds from disposals		55,300	44,272
Other investments:			
- additions		(448,005)	(601,916)
- proceeds from disposals		856,992	1,292,506
Interest received		71,051	51,369
Dividends received from associates, joint ventures and other investments		142,561	104,416
Movement in deposits placement with maturity of more than 3 months		(140,996)	(191,644)
Movement in deposit restricted by bank		6,244	(5,044)
Movement in assets held for sale		9,370	(9,370)
Net cash generated from investing activities		59,580	384,758

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**

**Consolidated statement of cash flows (cont'd.)
For the financial year ended 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Cash flows from financing activities			
Drawdown of long term borrowings		-	650,412
Repayment of long term borrowings		(755,072)	(497,714)
Net movement in short term borrowings		(425,748)	114,307
Lease payment		(25,131)	(34,623)
Dividends paid to perpetual sukuk holders		(69,850)	(69,850)
Dividends paid to equity holders of the Company		(102,810)	(46,732)
Dividends paid to non-controlling interests		(155,954)	(76,362)
Net cash (used in)/generated from financing activities		<u>(1,534,565)</u>	<u>39,438</u>
Net (decrease)/increase in cash and cash equivalents		(279,721)	685,594
Effects of exchange rate changes		11,710	8,210
Cash and cash equivalents as at 1 January		2,700,280	2,006,476
Cash and cash equivalents as at 31 December		<u>2,432,269</u>	<u>2,700,280</u>
Cash and cash equivalents comprise:			
Cash and bank balances	17	334,641	380,532
Deposits with licensed banks - current	17	<u>2,473,485</u>	<u>2,560,853</u>
Deposits, cash and bank balances		2,808,126	2,941,385
Less: Deposits with maturity of more than 3 months	17	(375,857)	(234,861)
Less: Deposits restricted by bank	17	-	(6,244)
		<u>2,432,269</u>	<u>2,700,280</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Non-current assets			
Equipment	4	75	218
Investments in subsidiaries	9	2,940,689	2,940,689
Investment in an associate	11	3,779	3,779
Due from subsidiaries	16	33,654	32,774
		<u>2,978,197</u>	<u>2,977,460</u>
Current assets			
Other investments	13	74,863	312,038
Receivables	16	2,400	45,726
Tax recoverable		7,102	9,266
Deposits, cash and bank balances	17	221,387	729,618
		<u>305,752</u>	<u>1,096,648</u>
Total assets		<u>3,283,949</u>	<u>4,074,108</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	19	584,147	584,147
Retained earnings		320,334	377,737
Perpetual sukuk	21	1,097,860	1,097,860
Total equity		<u>2,002,341</u>	<u>2,059,744</u>
Non-current liability			
Borrowings	23	1,249,990	1,599,978
Current liabilities			
Borrowings	23	-	400,000
Payables	24	31,618	14,386
		<u>31,618</u>	<u>414,386</u>
Total liabilities		<u>1,281,608</u>	<u>2,014,364</u>
Total equity and liabilities		<u>3,283,949</u>	<u>4,074,108</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**

**Statement of comprehensive income
For the financial year ended 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Revenue	25	213,076	183,420
Depreciation		(169)	(193)
Other operating expenses		<u>(28,731)</u>	<u>(21,218)</u>
Profit from operations		184,176	162,009
Finance costs	28	(72,832)	(69,768)
Investment income	29	<u>12,475</u>	<u>14,453</u>
Profit before zakat and taxation	30	123,819	106,694
Zakat		(6,396)	(8,588)
Taxation	31	<u>(2,166)</u>	<u>4,253</u>
Profit for the financial year, representing total comprehensive income for the financial year		<u>115,257</u>	<u>102,359</u>
Profit for the financial year attributable to:			
Equity holders of the Company		45,407	32,509
Holders of perpetual sukuk		<u>69,850</u>	<u>69,850</u>
		<u>115,257</u>	<u>102,359</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
**Statement of changes in equity
For the financial year ended 31 December 2022**

	Share capital RM'000	Distributable Retained earnings RM'000	Perpetual sukuk RM'000	Total equity RM'000
At 1 January 2022	584,147	377,737	1,097,860	2,059,744
Total comprehensive income	-	45,407	69,850	115,257
Transactions with owners:				
Dividends distributed to equity holders (Note 33)	-	(102,810)	-	(102,810)
Distribution to holders of perpetual sukuk	-	-	(69,850)	(69,850)
At 31 December 2022	<u>584,147</u>	<u>320,334</u>	<u>1,097,860</u>	<u>2,002,341</u>
At 1 January 2021	584,147	391,960	1,097,860	2,073,967
Total comprehensive income	-	32,509	69,850	102,359
Transactions with owners:				
Dividends distributed to equity holders (Note 33)	-	(46,732)	-	(46,732)
Distribution to holders of perpetual sukuk	-	-	(69,850)	(69,850)
At 31 December 2021	<u>584,147</u>	<u>377,737</u>	<u>1,097,860</u>	<u>2,059,744</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
**Statement of cash flows
For the financial year ended 31 December 2022**

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before zakat and taxation		123,819	106,694
Adjustments for:			
Equipment:	4		
- depreciation		169	193
- loss on disposals		-	1
- write offs		3	-
Investments in subsidiaries:			
- dividend income		(211,884)	(183,363)
- (gain)/loss on liquidation/disposal		(244)	3,761
- (reversal of impairment)/impairment loss		(3,938)	1,247,582
Investment in an associate:			
- dividend income		(1,192)	(57)
Due from subsidiaries:	16		
- Net reversal of expected credit losses		(6,563)	(1,221,736)
Interest expense		72,832	69,768
Investment income		(12,475)	(14,453)
Net unrealised foreign exchange gain		(634)	(168)
Operating (loss)/profit before working capital changes		<u>(40,107)</u>	<u>8,222</u>
Changes in receivables		19,388	(43,780)
Changes in related companies balances		66,353	62,910
Changes in payables		<u>(1,445)</u>	<u>(3,658)</u>
Cash generated from operations		44,189	23,694
Interest paid		(72,523)	(68,797)
Zakat and taxes paid		<u>(8,560)</u>	<u>(11,772)</u>
Net cash used in operating activities		<u>(36,894)</u>	<u>(56,875)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

Statement of cash flows (cont'd.)
For the financial year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from investing activities			
Distribution upon liquidation of a subsidiary		244	-
Dividends received	25	213,076	183,420
Purchase of other investments		(175,531)	(276,466)
Purchase of plant and equipment		(29)	-
Proceeds from disposal of plant and equipment		-	2
Proceeds from disposal of other investments		413,563	738,610
Movement in deposits placement with maturity of more than 3 months		(50,000)	-
Net cash generated from investing activities		<u>401,323</u>	<u>645,566</u>
Cash flows from financing activities			
Net (repayment)/drawdown of borrowings		(750,000)	250,000
Dividends paid to perpetual sukuk holders		(69,850)	(69,850)
Dividends paid to equity holders of the Company		(102,810)	(46,732)
Net cash (used in)/generated from financing activities		<u>(922,660)</u>	<u>133,418</u>
Net (decrease)/increase in cash and cash equivalents		(558,231)	722,109
Cash and cash equivalents as at 1 January		729,618	7,509
Cash and cash equivalents as at 31 December		<u>171,387</u>	<u>729,618</u>
Cash and cash equivalents comprise:			
Cash and bank balances	17	12,749	3,159
Deposits with licensed banks	17	208,638	726,459
Deposits, cash and bank balances		<u>221,387</u>	<u>729,618</u>
Less: Deposits with maturity of more than 3 months	17	(50,000)	-
		<u>171,387</u>	<u>729,618</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2022

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 6, Menara UMW, Jalan Puncak, Off Jalan P.Ramlee, 50250 Kuala Lumpur, Malaysia.

The Company is an investment holding company. The principal activities of the subsidiaries, joint ventures and associates are described in Note 37, Note 38 and Note 39 respectively. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 March 2023.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The financial statements have been prepared on the historical cost basis except as disclosed in the ensuing accounting policies. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000"), except when otherwise indicated.

The preparation of financial statements in conformity with the provisions of the Companies Act 2016, MFRS and IFRS in Malaysia requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. Actual results could differ from those estimates. Areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
2. Significant accounting policies (cont'd.)
2.2 Changes in accounting policies

On 1 January 2022, the Group and the Company adopted the following mandatory amended MFRS:

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • Amendments to MFRS 1, MFRS 9 and MFRS 141 (Annual Improvements to MFRS 2018 - 2020 Cycle) 	1 January 2022
<ul style="list-style-type: none"> • Amendments to MFRS 3 Business Combinations (Reference to the Contractual Framework) 	1 January 2022
<ul style="list-style-type: none"> • Amendments to MFRS 116 Property, Plant and Equipment (Proceeds Before Intended Use) 	1 January 2022
<ul style="list-style-type: none"> • Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract) 	1 January 2022

The adoption of the above amended standards did not have any significant effect on the financial performance or position of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> • MFRS 17 Insurance Contracts 	1 January 2023
<ul style="list-style-type: none"> • Amendments to MFRS 17 Insurance Contracts 	1 January 2023
<ul style="list-style-type: none"> • Amendments to MFRS 101 Presentation of Financial Statements (Disclosure of Accounting Policies) 	1 January 2023
<ul style="list-style-type: none"> • Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates) 	1 January 2023
<ul style="list-style-type: none"> • Amendments to MFRS 112 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction) 	1 January 2023

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
2. Significant accounting policies (cont'd.)
2.3 Standards issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 16 Leases (Lease Liability in a Sale and Leaseback)	1 January 2024
• Amendments to MFRS 101 Presentation of Financial Statements (Non-current Liabilities with Covenants)	1 January 2024
• Amendments to MFRS 10 Consolidated Financial Statements (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be announced
• Amendments to MFRS 128 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be announced

There are no other new or revised MFRS and amendments to MFRS not yet effective that would likely have a material impact on the Group and the Company in the current or future reporting periods.

2.4 Summary of significant accounting policies
(a) Subsidiaries, basis of consolidation, associates and joint arrangements
(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(i) Basis of consolidation (cont'd.)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if these results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be consistent with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(ii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing output and is considered unique, scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(ii) Business combinations and goodwill (cont'd.)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(iii) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(iv) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting.

(v) Joint arrangement

A joint arrangement is an arrangement of which the Group has joint control, established by contracts requiring unanimous consent on activities that significantly affect the arrangement's returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as a joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to the arrangement. A joint arrangement is classified as a joint venture when the Group or the Company has rights only to the net assets of the joint arrangement. The Group has classified its joint arrangements as joint ventures and accounted for its interest in joint ventures using the equity method, as described in Note 2.4(a)(vi) below.

(vi) Equity method of accounting

Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates and joint ventures. The Group's share of the net profit or loss in an associate or a joint venture is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of such changes.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(vi) Equity method of accounting (cont'd.)

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The associate is equity accounted for from the date the Group exercises significant influence over the financial and operating policies of the associate until the date the Group ceases to have significant influence over the associate, while for joint venture it is accounted for when both parties has contractually agreed in the joint control arrangement, which exist only when decisions about the relevant activities require unanimous consent.

Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the year in which the investment is acquired.

The most recent available audited financial statements of the associate or joint venture is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On the disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries, basis of consolidation, associates and joint arrangements (cont'd.)

(vi) Equity method of accounting (cont'd.)

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are either included in the asset's carrying amount or recognised as a separate asset, provided costs can be measured reliably and it is probable that future economic benefits associated with these costs will flow to the Group.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are charged to the profit or loss in the financial year when incurred.

Freehold land and assets-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following periods:

Leasehold land - finance lease	Over lease period of 30 to 999 years
Buildings	The shorter of 50 years or lease period
Plant and machinery	3 to 25 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	3 to 10 years
Renovation and improvements	3 to 10 years

The Group reviews the estimated residual values and expected useful lives of assets at least annually.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Property, plant and equipment (cont'd.)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(x).

(c) Leased assets

Leased assets represent machinery and equipment leased by the Group to third parties under operating leases. Depreciation of leased assets is provided for on a straight-line basis calculated to write off the cost of each asset to its residual value over the estimated useful life as at the following periods:

Machinery and equipment	1 to 6 years
-------------------------	--------------

The accounting policies for leased assets are the same as that for property, plant and equipment in all respects.

(d) Investment properties

Investment properties are land or buildings held by the Group or held under finance leases, to earn rental income or for capital appreciation, or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Depreciation of other investment properties is provided for on a straight-line basis to write off the cost to its residual value over its estimated useful life at the following periods:

Leasehold land - finance lease	Over lease period of 50 - 99 years
Buildings	The shorter of 50 years or lease period

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Investment properties (cont'd.)

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

When an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(x).

(e) Financial assets

(i) Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model in managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, its transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 (Note 2.4(q)).

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(i) Initial recognition and measurement (cont'd.)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will be generated from collecting contractual cash flows and/or selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

1. Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

1. Financial assets at amortised cost (debt instruments) (cont'd.)

The Group's financial assets at amortised cost includes trade and other receivables (other than prepayments), deposits, cash and bank balances.

2. Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group did not have or designated any financial assets at fair value through OCI (debt instruments).

3. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to irrevocably classify its non-listed equity investments under this category.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group's financial assets at fair value through profit or loss includes investment in money market fund, investment in quoted shares and derivative financial instruments.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Financial assets (cont'd.)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(f) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECL are based on difference between the contractual cash flows due, in accordance with the contract, and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Impairment of financial assets (cont'd.)

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment (if any).

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value or within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(h) Inventories (cont'd.)

Cost is determined principally by the following methods:

- | | | |
|------|---|---------------------------|
| (i) | Equipment, unassembled and completed vehicles and attachments | - specific identification |
| (ii) | Finished goods, work-in-progress, raw materials, spares and consumables | - weighted average |

Cost includes the invoiced value of inventories purchased plus incidental expenses. For manufactured goods, completed vehicles, attachments and work-in-progress, cost includes cost of raw materials, direct labour and the appropriate production overheads.

(i) Intangible asset

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible asset with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible asset.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(i) Intangible asset (cont'd.)****Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- i) The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability and intention to use or sell the asset
- iii) How the asset will generate future economic benefits
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit of 5 years. During the period of development, the asset is tested for impairment annually.

(j) Foreign currencies**(i) Functional and presentation currency**

The financial statements of each entity in the Group are measured using the currency of primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are initially converted into functional currency at rates of exchange ruling at the transaction dates.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(j) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

Non-monetary items

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Monetary items

At each reporting date, monetary foreign currency items are translated into functional currency at exchange rates ruling at that date.

- Entity's financial statements

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statement or the individual financial statements of the foreign operation, as appropriate.

- Consolidated financial statements

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are taken directly to the foreign currency translation reserve, within other comprehensive income, until the disposal of the foreign operations, at which time they are recognised in profit or loss.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(j) Foreign currencies (cont'd.)

(iii) Foreign operations

Financial statements of consolidated foreign subsidiaries are translated at year end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to the profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate of the reporting date.

(k) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include lease liabilities, trade and other payables (excluding provisions and sales and services tax ("SST") payable), borrowings including bank overdrafts, and derivative financial instruments.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Financial liabilities (cont'd.)

(ii) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

1. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss upon initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

The Group's financial liabilities at fair value through profit or loss include derivative financial instruments.

2. Financial liabilities at amortised costs

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to lease liabilities, borrowings and trade and other payables (excluding provisions and SST payable).

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(k) Financial liabilities (cont'd.)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(l) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the President and Group Chief Executive Officer, who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(o) Zakat

This represents business tithe payable by the Group and the Company. Zakat, a form of contribution, is calculated based on a certain percentage of the net current assets, according to Syariah principles.

(p) Income tax

Income tax on the profit or loss for the period comprises current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- (i) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(p) Income tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- (i) When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Revenue

The Group is in the business of providing vehicles, equipment, parts, lubricants and related products, exports, property development, services, rental and dividend income. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

(i) Revenue from contracts with customers

1. Sales of goods

The Group's revenue mainly derived from the sales of the following:

- Vehicles
- Equipment
- Parts
- Lubricants and related products
- Exports
- Property development

Revenue from sale of vehicles, equipment, parts, lubricants and related products, exports and property development are recognised when control of asset is transferred to customer and it is probable that the entitled consideration can be collected in exchange for the transferred asset.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Revenue (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

1. Sales of goods (cont'd.)

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

- Right of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled.

The requirements in MFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price.

For goods that are expected to be returned, instead of netted off against revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Revenue (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

1. Sales of goods (cont'd.)

Variable consideration (cont'd.)

- Volume rebates

The Group provides volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

2. Rendering of services

The Group provides services that are either sold separately or bundled together with the sale of products to a customer. The services can be obtained from other providers and do not significantly customise or modify the equipment.

Contracts for bundled sales of products and services comprise two performance obligations because the promises to transfer equipment and provide services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the vehicles and services.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Revenue (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

2. Rendering of services (cont'd.)

The Group recognises revenue from the services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

3. Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. Refer to Note 2.4(u)(ii).

The Group also provides an extended warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of vehicles and parts. Contracts for bundled sales of equipment and a service-type warranty comprise two performance obligations, because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

4. Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for bundled sales. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)**2. Significant accounting policies (cont'd.)****2.4 Summary of significant accounting policies (cont'd.)****(q) Revenue (cont'd.)****(i) Revenue from contracts with customers (cont'd.)****5. Contract balances****Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The trade receivables are disclosed in Note 16(a).

(ii) Rental income

Rental income on operating lease transactions is accounted for on a straight-line basis over the lease term.

(iii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(r) Interest income

Interest income is recognised using the effective interest method.

(s) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (not more than 12 months) and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(s) Leases (cont'd.)

(i) As lessee (cont'd.)

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date of the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and building	The shorter of 60 years or lease period
Motor vehicles	3 to 5 years
Plant and machinery	2 to 5 years
Other equipment	3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as disclosed in Note 2.4(x).

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(s) Leases (cont'd.)

(i) As lessee (cont'd.)

(b) Lease liabilities (cont'd.)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the implicit interest rate to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premises, machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(s) Leases (cont'd.)

(ii) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Due to its operating nature, rental income arising from an operating lease is accounted for on a straight-line basis over the lease term, and is included in revenue in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans, under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in the profit or loss as incurred.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(u) Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. The provision is reversed if it is no longer probable that an outflow of economic resources will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract is lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(ii) Warranty provisions

Provision for warranties is made for the estimated liability on all products under warranty in addition to claims already received. The provision is based on experienced levels of claims arising during the period of warranty. Provision for warranties are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(v) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Dividends proposed or declared after the reporting date were not recognised as a liability at the reporting date.

(w) Assets held for sale

The Group classifies assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and investment property are not depreciated once classified as held for sale. In addition, equity accounting of equity accounted investees ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(x) Impairment of non-financial assets

The Group assesses the carrying amounts of the non-financial assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group shall estimate the recoverable amount of cash-generating unit ("CGU") or groups of CGU. The recoverable amount is measured at the higher of fair value less cost of disposal ("FVLCD") and value in use ("VIU").

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment is determined for intangible asset by assessing the recoverable amount of each CGU to which the intangible asset relate. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(y) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(z) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(z) Current versus non-current classification (cont'd.)

A liability is current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments are irrelevant to determination of its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow ("DCF") model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility including interest and foreign currency risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 42 for further disclosures.

(ii) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates (cont'd.)

3.1 Judgements made in applying accounting policies (cont'd.)

(ii) Determining the lease term of contracts with renewal and termination options – Group as lessee (cont'd.)

In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2 Significant accounting estimates

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Provision for warranties

The Group recognises provision for liabilities associated with the warranties provided on certain products. This requires an estimation of the expenditure required to settle the present obligation at the reporting date. In determining the provision, the Group has made assumptions in relation to the expected cost to repair and/or replace the products and the expected timing of those costs. The carrying amount of provision for warranties at the end of the reporting period is disclosed in Note 22.

(ii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of recognised and unrecognised deferred tax assets is disclosed in Note 12.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates (cont'd.)

3.2 Significant accounting estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

(iii) Impairment of non-financial assets

The Group reviews the carrying amounts of the non-financial assets at each reporting date to determine whether there is any indication of impairment. If such indication exists, the Group shall estimate the recoverable amount of CGU or groups of CGU. The recoverable amount is measured at the higher of FVLCD or VIU.

Where assessment of the recoverable amount of CGU or groups of CGU is determined on the basis of FVLCD, the Group had amongst others, based the FVLCD on valuations by independent professional valuers which were derived from comparisons with recent transactions involving other similar assets and where applicable, the age, size and title tenure.

Determining the VIU of CGU or group of CGU require the estimation of future cash flows expected to be derived from continuing use of the assets and from the ultimate disposal of such assets. In estimating the VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The estimation of the recoverable amounts involves significant judgement and estimations. While the Group believes the assumptions are appropriate and reasonable, changes in assumptions may materially affect the assessment of recoverable amounts.

(iv) Allowance for ECL of trade receivables

The Group uses simplified approach to calculate ECL for trade receivables, contract assets and other investments. The provision rates are based on various customer's historical observed default rates.

The Group considers and assesses the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the specific economic sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

3. Significant accounting judgements and estimates (cont'd.)

3.2 Significant accounting estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

(iv) Allowance for ECL of trade receivables (cont'd.)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in Note 16.

(v) Estimating the incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay for borrowing, under similar terms, to fund the purchase of a similar right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
4. Property, plant and equipment

Group	*Land and buildings RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
Cost					
At 1 January 2021	1,937,379	1,412,680	173,409	374,179	3,897,647
Exchange differences	1,439	(6,842)	-	1,915	(3,488)
Additions	30,733	73,674	114,831	28,386	247,624
Write offs	(16,021)	(33,103)	-	(6,161)	(55,285)
Disposals	(13,392)	(5,270)	-	(13,677)	(32,339)
Transferred from inventories	30,215	-	-	1,130	31,345
Reclassification	18,543	133,836	(202,247)	49,868	-
Reclassified from/(to):					
- Investment properties (Note 5)	3,983	-	(33)	-	3,950
- Leased assets (Note 7)	-	260	-	-	260
Reversal of cost	(682)	-	-	-	(682)
Disposal of a subsidiary (Note 9(d))	-	(13,941)	(650)	(17,657)	(32,248)
At 31 December 2021/					
1 January 2022	1,992,197	1,561,294	85,310	417,983	4,056,784
Exchange differences	2,748	256	-	3,280	6,284
Additions	25,081	147,223	146,885	25,700	344,889
Write offs	-	(2,458)	(3,293)	(14,638)	(20,389)
Disposals	-	(9,830)	-	(24,156)	(33,986)
Reclassification	63,820	(475)	(66,045)	2,700	-
Reclassified from/(to):					
- Investment properties (Note 5)	10,582	-	-	-	10,582
- Intangible asset (Note 6)	-	-	(840)	-	(840)
- Leased assets (Note 7)	-	61	-	-	61
- Right-of-use assets (Note 8)	-	-	-	58	58
Reversal of cost	-	-	(3,273)	(13)	(3,286)
At 31 December 2022	<u>2,094,428</u>	<u>1,696,071</u>	<u>158,744</u>	<u>410,914</u>	<u>4,360,157</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
4. Property, plant and equipment (cont'd.)

Group (cont'd.)	*Land and buildings RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
Accumulated depreciation and impairment losses ***					
At 1 January 2021	286,784	865,076	8,763	274,004	1,434,627
Exchange differences	430	(3,119)	-	1,347	(1,342)
Charge for the year	34,367	105,604	-	42,754	182,725
Write offs	(16,021)	(32,593)	-	(5,949)	(54,563)
Disposals	(6,902)	(5,165)	-	(8,530)	(20,597)
Reclassified from leased assets (Note 7)	-	225	-	-	225
Disposal of a subsidiary (Note 9(d))	-	(12,327)	-	(16,984)	(29,311)
At 31 December 2021/ 1 January 2022	298,658	917,701	8,763	286,642	1,511,764
Exchange differences	1,191	(2,079)	-	2,501	1,613
Charge for the year	33,627	116,133	-	37,025	186,785
Write offs	-	(2,362)	(3,293)	(14,566)	(20,221)
Disposals	-	(9,523)	-	(17,772)	(27,295)
Impairment losses	-	13	-	829	842
Reclassified from:					
- Investment properties (Note 5)	454	-	-	-	454
- Leased assets (Note 7)	-	55	-	-	55
At 31 December 2022	333,930	1,019,938	5,470	294,659	1,653,997
Carrying amount					
At 31 December 2022	1,760,498	676,133	153,274	116,255	2,706,160
At 31 December 2021	1,693,539	643,593	76,547	131,341	2,545,020

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

1982010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

4. Property, plant and equipment (cont'd.)

* Land and buildings

Group	Freehold land		Buildings on freehold land		# Long term leasehold land		# Short term leasehold land		Buildings on long term leasehold land		Buildings on short term leasehold land		Total RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cost													
At 1 January 2021	539,119	233,503	56,369	14,654	1,030,601	63,133	1,937,379						1,937,379
Exchange differences	-	-	46	416	167	810	1,439						1,439
Additions	12,491	6,361	5,260	1,247	2,871	2,503	30,733						30,733
Write offs	-	-	-	-	(16,021)	-	(16,021)						(16,021)
Disposal	-	-	(1,554)	-	(11,838)	-	(13,392)						(13,392)
Transferred from inventories	-	-	30,215	-	-	-	30,215						30,215
Reclassification	-	-	-	-	18,543	-	18,543						18,543
Reclassified from investment properties	-	-	-	-	3,983	-	3,983						3,983
Reversal of cost	-	(682)	-	-	-	-	(682)						(682)
At 31 December 2021/1 January 2022	551,610	239,182	90,336	16,317	1,028,306	66,446	1,992,197						1,992,197
Exchange differences	-	-	72	219	261	2,196	2,748						2,748
Additions	-	558	4,409	1,518	18,124	472	25,081						25,081
Reclassification	-	-	-	-	63,820	-	63,820						63,820
Reclassified from investment properties	-	-	10,582	-	-	-	10,582						10,582
At 31 December 2022	551,610	239,740	105,399	18,054	1,110,511	69,114	2,094,428						2,094,428

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

4. Property, plant and equipment (cont'd.)

* Land and buildings (cont'd.)

Group (cont'd.)	Freehold	Buildings	# Long	# Short	Buildings	Buildings	Total
	land	on	term	term	on long	on short	
	RM'000	freehold	leasehold	leasehold	term	term	RM'000
		land	land	land	leasehold	leasehold	RM'000
		land	land	land	land	land	RM'000
		land	land	land	land	land	RM'000
		land	land	land	land	land	RM'000
Accumulated depreciation and impairment losses							
At 1 January 2021	-	35,896	4,611	5,631	202,982	37,664	286,784
Exchange differences	-	-	(8)	45	140	253	430
Charge for the year	-	4,331	338	494	27,796	1,408	34,367
Write offs	-	-	-	-	(16,021)	-	(16,021)
Disposal	-	-	(564)	-	(6,338)	-	(6,902)
At 31 December 2021/1 January 2022	-	40,227	4,377	6,170	208,559	39,325	298,658
Exchange differences	-	-	-	26	228	938	1,191
Charge for the year	-	4,399	674	509	26,609	1,436	33,627
Reclassified from investment properties	-	-	454	-	-	-	454
At 31 December 2022	-	44,626	5,505	6,704	235,396	41,699	333,930
Carrying amount							
At 31 December 2022	551,610	195,114	99,894	11,350	875,115	27,415	1,760,498
At 31 December 2021	551,610	198,955	85,959	10,147	819,747	27,121	1,693,539

Relates to right-of-use assets. Long term leasehold land refers to lease term more than 50 years, whereas short term leasehold land refers to lease term not more than 50 years.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
4. Property, plant and equipment (cont'd.)

** Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.

*** Accumulated depreciation and impairment losses:

Group	Land and buildings RM'000	Plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
Accumulated impairment losses					
At 31 December 2022	34,561	5,011	5,470	1,132	46,174
At 31 December 2021	34,561	4,998	8,763	303	48,625
Accumulated depreciation					
At 31 December 2022	299,369	1,014,927	-	293,527	1,607,823
At 31 December 2021	264,097	912,703	-	286,339	1,463,139
Company	Motor vehicles RM'000	Computer equipment RM'000	Assets-in-progress RM'000	Other assets RM'000	Total RM'000
Cost					
At 1 January 2021	827	88	-	12	927
Write offs	-	(9)	-	-	(9)
Disposals	-	(7)	-	-	(7)
At 31 December 2021/ 1 January 2022	827	72	-	12	911
Additions	-	8	21	-	29
Write offs	-	(23)	-	-	(23)
At 31 December 2022	827	57	21	12	917

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
4. Property, plant and equipment (cont'd.)

Company (cont'd.)	Motor vehicles RM'000	Computer equipment RM'000	Assets-in- progress RM'000	Other assets RM'000	Total RM'000
Accumulated depreciation					
At 1 January 2021	473	38	-	2	513
Charge for the year	165	26	-	2	193
Write offs	-	(9)	-	-	(9)
Disposals	-	(4)	-	-	(4)
At 31 December 2021/ 1 January 2022	638	51	-	4	693
Charge for the year	147	20	-	2	169
Write offs	-	(20)	-	-	(20)
At 31 December 2022	785	51	-	6	842
Carrying amount					
At 31 December 2022	42	6	21	6	75
At 31 December 2021	189	21	-	8	218

Included in the property, plant and equipment of the Group are fully depreciated assets which are still in use with their carrying costs as follows:

	Group	
	2022 RM'000	2021 RM'000
Buildings	88,156	79,937
Plant and machinery	530,226	430,095
Office equipment, furniture and fittings, motor vehicles, renovation and improvements	156,036	101,303

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
5. Investment properties

Group	Freehold	Building	Long	Building	Total
	land	on	term	on long	
	RM'000	freehold	leasehold	term	RM'000
		land	land	leasehold	
		RM'000	RM'000	land	RM'000
Cost					
At 1 January 2021	93,040	151,623	40,877	140,963	426,503
Additions	-	-	1,490	-	1,490
Reclassification	-	2,093	-	(2,093)	-
Reclassified to property, plant and equipment (Note 4)	-	-	-	(3,950)	(3,950)
Reversal of cost	-	(219)	-	-	(219)
At 31 December 2021/ 1 January 2022	93,040	153,497	42,367	134,920	423,824
Reclassified to property, plant and equipment (Note 4)	-	-	(10,582)	-	(10,582)
Reclassified to assets held for sale (Note 18)	(9,419)	(10,756)	(15,927)	(37,376)	(73,478)
At 31 December 2022	83,621	142,741	15,858	97,544	339,764
Accumulated depreciation					
At 1 January 2021	-	35,613	21,737	84,770	142,120
Charge for the year	-	5,820	1,740	3,926	11,486
At 31 December 2021/ 1 January 2022	-	41,433	23,477	88,696	153,606
Charge for the year	-	3,178	1,655	1,786	6,619
Reclassified to property, plant and equipment (Note 4)	-	-	(454)	-	(454)
Reclassified to assets held for sale (Note 18)	-	(3,212)	(9,241)	(16,406)	(28,859)
At 31 December 2022	-	41,399	15,437	74,076	130,912
Carrying amount					
At 31 December 2022	83,621	101,342	421	23,468	208,852
At 31 December 2021	93,040	112,064	18,890	46,224	270,218

The Group entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings. These leases have terms of between 5 and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Rental income generated and direct operating expenses (excluding depreciation) incurred by the Group during the financial year are RM14.2 million (2021: RM11.5 million) and RM1.6 million (2021: RM1.6 million) respectively.

Fair value of investment properties as at 31 December 2022 was estimated by the directors to be approximately RM466.5 million (2021: RM556.0 million).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
6. Intangible asset

Group	Development costs RM'000
Cost	
At 1 January 2022	-
Additions	153
Reclassified from property, plant and equipment (Note 4)	840
At 31 December 2022	<u>993</u>
Accumulated amortisation	
At 1 January 2022	-
Charge for the year	192
At 31 December 2022	<u>192</u>
Carrying amount	
At 31 December 2022	<u>801</u>

The development costs are amortised on a straight-line basis over the expected future benefit of 5 years.

7. Leased assets

Group	Machinery and equipment RM'000
Cost	
At 1 January 2021	777,263
Exchange differences	8,516
Additions	157,065
Disposals	(94,626)
Transferred to inventories	(268)
Reclassified to property, plant and equipment (Note 4)	(260)
At 31 December 2021/1 January 2022	<u>847,690</u>
Exchange differences	18,427
Additions	154,765
Disposals	(110,796)
Reclassified to property, plant and equipment (Note 4)	(61)
At 31 December 2022	<u>910,025</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

7. Leased assets (cont'd.)

Group (cont'd.)	Machinery and equipment RM'000
Accumulated depreciation and impairment losses	
At 1 January 2021	426,825
Exchange differences	4,878
Charge for the year	116,385
Disposals	(73,389)
Transferred to inventories	(241)
Reclassified to property, plant and equipment (Note 4)	(225)
At 31 December 2021/1 January 2022	<u>474,233</u>
Exchange differences	10,416
Charge for the year	120,617
Disposals	(85,016)
Reclassified to property, plant and equipment (Note 4)	(55)
At 31 December 2022	<u>520,195</u>
Carrying amount	
At 31 December 2022	<u>389,830</u>
At 31 December 2021	<u>373,457</u>

The future minimum lease receivable by the Group in relation to those assets that have been leased as at financial year end are as follows:

	2022	2021
	RM'000	RM'000
Due within one year	154,436	149,261
Due between one to two years	97,075	96,481
Due between two to five years	85,613	74,198
Due after five years	89	331
	<u>337,213</u>	<u>320,271</u>

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM241.0 million (2021: RM177.0 million).

The leased assets are heavy equipment and industrial equipment being rented out under leasing arrangement to the customers over specified leasing period.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
8. Leases**As lessee**

The Group has lease contracts for various items of land and buildings, plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 2 and 5 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the financial year:

Group	Land and buildings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Other equipment RM'000	Total RM'000
Cost					
At 1 January 2021	195,909	17,056	4,072	6,778	223,815
Exchange differences	311	(39)	-	-	272
Additions	22,041	2,183	860	30	25,114
Derecognition	(18,827)	(1,351)	-	(1,475)	(21,653)
Disposal of a subsidiary (Note 9(d))	(17,989)	-	-	-	(17,989)
At 31 December 2021/ 1 January 2022	181,445	17,849	4,932	5,333	209,559
Exchange differences	1,825	27	40	-	1,892
Additions	16,727	2,509	3,670	66	22,972
Derecognition	(30,576)	(15,286)	(4,555)	(119)	(50,536)
Reclassification	-	-	(27)	27	-
Reclassified to property, plant and equipment (Note 4)	-	(58)	-	-	(58)
At 31 December 2022	<u>169,421</u>	<u>5,041</u>	<u>4,060</u>	<u>5,307</u>	<u>183,829</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
8. Leases (cont'd.)**As lessee (cont'd.)**

Group (cont'd.)	Land and buildings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Other equipment RM'000	Total RM'000
Accumulated depreciation					
At 1 January 2021	55,514	7,824	3,399	5,019	71,756
Exchange differences	34	-	-	-	34
Charge for the year	25,135	5,801	1,069	936	32,941
Derecognition	(8,893)	(1,114)	-	(854)	(10,861)
Disposal of a subsidiary (Note 9(d))	(12,493)	-	-	-	(12,493)
At 31 December 2021/ 1 January 2022	59,297	12,511	4,468	5,101	81,377
Exchange differences	191	6	23	-	220
Charge for the year	20,859	3,856	1,476	177	26,368
Derecognition	(26,580)	(14,663)	(4,546)	(100)	(45,889)
Reclassification	-	(19)	(27)	46	-
At 31 December 2022	53,767	1,691	1,394	5,224	62,076
Carrying amount					
At 31 December 2022	115,654	3,350	2,666	83	121,753
At 31 December 2021	122,148	5,338	464	232	128,182

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
8. Leases (cont'd.)**As lessee (cont'd.)**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the financial year:

	Buildings	Motor	Plant and	Other	Total
	RM'000	vehicles	machinery	equipment	RM'000
		RM'000	RM'000	RM'000	
Group					
At 1 January 2021	60,384	9,674	745	1,532	72,335
Additions	22,041	2,183	860	30	25,114
Derecognition	(6,523)	(241)	-	(621)	(7,385)
Reclassification	6	-	-	(6)	-
Accretion of interest	2,465	545	29	45	3,084
Payments	(26,072)	(6,660)	(1,166)	(725)	(34,623)
Disposal of a subsidiary (Note 9(d))	(4,005)	-	-	-	(4,005)
Exchange differences	286	(18)	-	-	268
At 31 December 2021/					
1 January 2022	48,582	5,483	468	255	54,788
Additions	16,727	2,509	3,670	66	22,972
Derecognition	(4,611)	(533)	-	(28)	(5,172)
Reclassification	6	-	-	(6)	-
Accretion of interest	2,356	269	140	9	2,774
Payments	(18,895)	(4,439)	(1,568)	(229)	(25,131)
Exchange differences	1,699	21	17	-	1,737
At 31 December 2022	45,864	3,310	2,727	67	51,968

	Group	
	2022	2021
	RM'000	RM'000
Current	12,623	16,608
Non-current	39,345	38,180
	51,968	54,788

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

B. Leases (cont'd.)

As lessee (cont'd.)

The following are the amounts recognised in profit or loss:

	Group	
	2022 RM'000	2021 RM'000
Depreciation expense of right-of-use assets	26,368	32,941
Interest expense on lease liabilities	2,774	3,084
Expense relating to short-term leases	14,661	14,982
Expense relating to leases of low-value assets	266	282
Total amount recognised in profit or loss	44,069	51,289

The Group had total cash outflows for leases (including expense relating to short-term leases and leases of low-value-assets) of RM40.1 million (2021: RM49.9 million). The Group also had non-cash additions to right-of-use assets of RM23.0 million (2021: RM25.1 million).

9. Investments in subsidiaries

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	4,599,215	4,603,153
Less: Accumulated impairment losses	(1,658,526)	(1,662,464)
	2,940,689	2,940,689

Details of subsidiaries of the Company are disclosed in Note 37 to the financial statements.

(a) Redeemable convertible preference shares ("RCPS") in subsidiaries

(i) Subscriptions

In the previous financial year, the Company subscribed to 175,000,000 RCPS of USD1.00 each in UMW Petropipe (L) Ltd ("UPP"), 58,000,000 RCPS of USD1.00 each in UMW India Ventures (L) Ltd ("UIVL") and 71,000,000 RCPS of USD1.00 each in UMW Oilfield International (L) Ltd ("UOIL") via capitalisation of the amounts due from the subsidiaries, equivalent to RM725.4 million, RM240.4 million and RM294.3 million respectively.

(ii) Redemption

On 30 November 2022, 950,000 RCPS in UOIL have been redeemed for USD1.00 each, equivalent to RM3.9 million.

In the previous financial year, 2,560,000 RCPS in UOIL and 270,000 RCPS in UIVL had been redeemed for USD1.00 each, equivalent to RM10.6 million and RM1.1 million respectively.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

9. Investments in subsidiaries (cont'd.)

(b) Acquisition of non-controlling interest ("NCI") in UOIL

In the previous financial year, UPP, a 100% owned subsidiary of the Company acquired the remaining 40% of the equity interest in UOIL for a total purchase consideration of USD1.00, resulting in UOIL becoming a 100% owned subsidiary of UPP.

(c) Material non-controlling interest of a subsidiary

Financial information of a subsidiary that has material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Subsidiary	Effective interest held by non-controlling interests	
	2022	2021
UMW Toyota Motor Sdn. Bhd.	49%	49%
	2022	2021
	RM'000	RM'000
Accumulated balances of material non-controlling interests:		
UMW Toyota Motor Sdn. Bhd.	1,601,986	1,574,311
Other individually immaterial subsidiaries	90,093	85,688
	<u>1,692,079</u>	<u>1,659,999</u>
Profit for the financial year attributable to material non-controlling interests:		
UMW Toyota Motor Sdn. Bhd.	166,683	159,709
Other individually immaterial subsidiaries	26,277	17,859
	<u>192,960</u>	<u>177,568</u>
Dividends paid to non-controlling interests:		
UMW Toyota Motor Sdn. Bhd.	139,710	54,947
Other individually immaterial subsidiaries	24,040	21,415
	<u>163,750</u>	<u>76,362</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
9. Investments in subsidiaries (cont'd.)**(c) Material non-controlling interest of a subsidiary (cont'd.)**

The summarised financial information of the material subsidiary are provided as follow. This information is based on amounts before intercompany eliminations.

Summarised consolidated statement of comprehensive income for the financial year ended:

	2022 RM'000	2021 RM'000
UMW Toyota Motor Sdn. Bhd.		
Revenue	13,367,113	9,034,944
Profit for the financial year	340,169	325,937
Total comprehensive income	<u>339,117</u>	<u>327,261</u>

Summarised consolidated statement of financial position as at 31 December:

	2022 RM'000	2021 RM'000
UMW Toyota Motor Sdn. Bhd.		
Non-current assets	2,527,744	2,527,184
Current assets	3,435,563	3,184,531
Non-current liabilities	(251,071)	(601,725)
Current liabilities	<u>(2,442,876)</u>	<u>(1,897,110)</u>
Total equity	<u>3,269,360</u>	<u>3,212,880</u>
Attributable to:		
Equity holders of parent	1,667,374	1,638,569
Non-controlling interests	<u>1,601,986</u>	<u>1,574,311</u>
	<u>3,269,360</u>	<u>3,212,880</u>

Summarised consolidated cash flow information as at 31 December:

	2022 RM'000	2021 RM'000
UMW Toyota Motor Sdn. Bhd.		
Cash inflows from operating activities	1,056,443	266,204
Cash outflows from investing activities	(221,764)	(128,868)
Cash outflows from financing activities	<u>(757,238)</u>	<u>(198,178)</u>
Net increase/(decrease) in cash and cash equivalents	<u>77,441</u>	<u>(60,842)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

9. Investments in subsidiaries (cont'd.)

(d) Disposal of interest in a subsidiary that resulted in loss of control

In the previous financial year, UMW Corporation Sdn Bhd ("UMWC"), a wholly owned subsidiary of the Company, completed the disposal of its entire equity interest in UMW Advantech Sdn Bhd ("UASB"), for a net proceed of RM75.0 million. This gave rise to a gain on disposal amounting to RM2.5 million. The details are as follows:

	2021 RM'000
Property, plant and equipment (Note 4)	2,937
Right-of-use assets (Note 8)	5,496
Inventories	20,844
Receivables	56,172
Deposits, cash and bank balances	2,054
Total assets	<u>87,503</u>
Lease liabilities (Note 8)	(4,005)
Payables	<u>(10,954)</u>
Total liabilities	<u>(14,959)</u>
Net assets disposed	72,544
Less: Net proceeds on disposal	<u>(75,035)</u>
Net gain on disposal	<u>(2,491)</u>

(e) Winding up/members voluntary liquidation/deregistration of subsidiaries

Certain subsidiaries have been wound up during the financial year as disclosed in Note 37(ii).

10. Investments in joint ventures

	Group	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	55,042	55,042
Share of post-acquisition reserves	27,361	25,640
Less: Accumulated impairment losses	<u>(3,736)</u>	<u>(2,832)</u>
Carrying amount of investments	<u>78,667</u>	<u>77,850</u>

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

No quoted market prices are available for the shares of the Group's joint ventures as these companies are private companies.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
10. Investments in joint ventures (cont'd.)

The summarised financial information for the aggregated assets, liabilities and results of the material joint venture is as follows:

Summarised statement of financial position:

	2022	2021
	RM'000	RM'000
Lubritech International Holdings Limited		
Cash and cash equivalents	52,119	48,253
Other current assets	77,316	90,400
Non-current assets	37,685	43,328
Current liabilities	(34,470)	(51,363)
Non-current liabilities	(1,538)	(2,374)
	<u>131,112</u>	<u>128,244</u>

Reconciliation of net assets to carrying amount as at 31 December:

Group's share of net assets	<u>78,667</u>	<u>77,850</u>
-----------------------------	---------------	---------------

Summarised statement of comprehensive income:

	2022	2021
	RM'000	RM'000
Lubritech International Holdings Limited		
Profit for the financial year	11,795	13,015
Other comprehensive (loss)/income	(4,482)	6,900
Total comprehensive income	<u>7,313</u>	<u>19,915</u>
Group's share of profit for the financial year	7,077	7,809
Group's share of other comprehensive (loss)/income	(2,689)	4,140
Group's share of total comprehensive income	4,388	11,949
Dividend received	<u>2,667</u>	<u>-</u>

Proportion of material ownership interest held by the Group:

	Effective interest	
	2022	2021
Lubritech International Holdings Limited	<u>60%</u>	<u>60%</u>

Details of the joint ventures are disclosed in Note 38.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

11. Investments in associates

Group	2022 RM'000	2021 RM'000
Unquoted shares, at cost	146,018	146,018
Share of post-acquisition reserves	2,232,252	2,041,727
Share of other comprehensive income	6,288	5,100
Less: Accumulated impairment losses	<u>(22,245)</u>	<u>(22,245)</u>
Carrying amount of investment	<u>2,362,313</u>	<u>2,170,600</u>
Company		
Unquoted shares, at cost	26,024	26,024
Less: Accumulated impairment losses	<u>(22,245)</u>	<u>(22,245)</u>
Carrying amount of investment	<u>3,779</u>	<u>3,779</u>

Proportion of material ownership interest held by the Group:

	Effective interest	
	2022	2021
Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	<u>38%</u>	<u>38%</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

11. Investments in associates (cont'd.)

Summarised financial information in respect of the Group's material associates is set out below:

	2022		2021			
	Periodua RM'000	Other individually immaterial associates RM'000	Total RM'000	Periodua RM'000	Other individually immaterial associates RM'000	Total RM'000
Summarised statements of financial position:						
Assets and liabilities						
Current assets	2,152,222	381,536	2,533,758	1,929,044	359,842	2,288,886
Non-current assets	4,276,409	7,298,314	11,574,723	3,902,556	6,186,672	10,089,228
Total assets	6,428,631	7,679,850	14,108,481	5,831,600	6,546,514	12,378,114
Current liabilities	668,616	430,458	1,099,074	477,151	500,131	977,282
Non-current liabilities	41,705	6,624,780	6,666,485	55,834	5,527,548	5,583,382
Total liabilities	710,321	7,055,238	7,765,559	532,985	6,027,679	6,560,664
Net assets	5,718,310	624,612	6,342,922	5,298,615	518,835	5,817,450
Reconciliation of net assets to carrying amount as at 31 December:						
Goodwill	-	20,389	20,389	-	20,389	20,389
Group's share of net assets	2,172,958	191,211	2,364,169	2,013,474	158,962	2,172,456
Less: Accumulated impairment losses	-	(22,245)	(22,245)	-	(22,245)	(22,245)
Group's carrying amount of interest in associates	2,172,958	189,355	2,362,313	2,013,474	157,126	2,170,600

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

11. Investments in associates (cont'd.)

	2022		2021		Total RM'000	Total RM'000
	Perodua RM'000	Other individually immaterial associates RM'000	Perodua RM'000	Other individually immaterial associates RM'000		
Summarised statements of comprehensive income:						
Results						
Revenue	15,180,419	883,112	9,992,978	685,979	10,678,957	
Profit for the financial year	759,148	131,206	598,918	108,566	707,484	
Other comprehensive income	3,127	-	256	-	256	
Total comprehensive income	762,275	131,206	599,174	108,566	707,740	
Dividends received	130,180	8,821	103,900	57	103,957	
Group's share of profit for the financial year	288,476	39,362	227,589	32,570	260,159	

The Group's interest in capital commitments of the associates are as follows:

	2022 RM'000	2021 RM'000
- Approved and contracted for	4,726	14,009
- Approved but not contracted for	27,745	38

For the purpose of applying the equity method of accounting, the audited financial statements and management accounts for the 12-month period ended 31 December 2022 of these associates have been used. Details of the associates are disclosed in Note 39.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

12. Deferred taxation

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	(173,778)	(71,566)
Recognised in profit or loss (Note 31)	55,796	(103,145)
Exchange differences	732	933
At 31 December	<u>(117,250)</u>	<u>(173,778)</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	(178,073)	(222,174)
Deferred tax liabilities	60,823	48,396
	<u>(117,250)</u>	<u>(173,778)</u>

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000
At 1 January 2021	65,660
Recognised in profit or loss	21,661
Exchange differences	171
At 31 December 2021/1 January 2022	<u>87,492</u>
Recognised in profit or loss	46,932
Exchange differences	(298)
At 31 December 2022	<u>134,126</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

12. Deferred taxation (cont'd.)

Deferred tax assets of the Group:

	Unutilised capital/ reinvestment allowance RM'000	Unutilised investment tax allowance RM'000 (Note a)	Provision for liabilities for liabilities RM'000	Unabsorbed tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2021	(12,651)	-	(73,795)	(11,577)	(39,203)	(137,226)
Recognised in profit or loss	2,334	(139,833)	(4,380)	9,782	7,291	(124,806)
Exchange differences	1,222	-	-	(348)	(112)	762
At 31 December 2021/1 January 2022	(9,095)	(139,833)	(78,175)	(2,143)	(32,024)	(261,270)
Recognised in profit or loss	2,072	11,833	552	643	(6,236)	8,864
Exchange differences	(784)	-	-	(566)	2,380	1,030
At 31 December 2022	(7,807)	(128,000)	(77,623)	(2,066)	(35,880)	(251,376)

(a) In the previous financial year, a subsidiary of the Group was awarded investment tax allowances on 100% of qualifying capital expenditures for carrying out activities in relation to the assembly of Energy Efficient Vehicle.

The deferred tax asset has been recognised in respect of this item to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised in the foreseeable future.

In determining the extent of the deferred tax asset to be recognised, the Group has applied the following judgements in estimating the likely timing and level of taxable profits available against utilisation of the investment tax allowances:

- (i) future outlook on the volumes to be assembled
- (ii) product lifecycle of existing and approved future models

Based on management's assessment, deferred tax asset of RM128.0 million (2021: RM139.8 million) has been recognised as at 31 December 2022 in respect of the unutilised investment tax allowance.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
12. Deferred taxation (cont'd.)**Deferred tax assets of the Group (cont'd.):**

The availability of the unutilised capital, reinvestment and investment tax allowances, unabsorbed tax losses and other deductible temporary differences for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the subsidiaries operate.

Effective from year of assessment 2019, the unabsorbed tax losses of the Group will only be available for carry forward for a period of ten consecutive years. Upon expiry of the ten years, the unabsorbed tax losses will be disregarded.

Deferred tax assets have not been recognised in respect of these items:

	Group	
	2022	2021
	RM'000	RM'000
Unutilised capital and reinvestment allowances	105,823	101,457
Unutilised investment tax allowances	518,236	520,283
Unabsorbed tax losses	<u>577,370</u>	<u>591,301</u>
	<u>1,201,429</u>	<u>1,213,041</u>
Year of expiry of unabsorbed tax losses is analysed as follows:		
Expired by 2028	391,619	413,382
Expired by 2029	73,478	73,478
Expired by 2030	65,655	65,655
Expired by 2031	38,786	38,786
Expired by 2032	<u>7,832</u>	<u>-</u>
	<u>577,370</u>	<u>591,301</u>

Deferred tax assets have not been recognised in respect of these items as there is no probable expectation that future taxable income of the applicable group of companies will be sufficient to allow the benefit to be realised.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

13. Other investments

Group	2022 RM'000	2021 RM'000
Current:		
Financial assets at fair value through profit or loss		
Investment in money market fund	<u>196,223</u>	<u>603,198</u>
Non-current:		
Equity instruments designated at fair value through OCI		
Unquoted shares	4,302	4,302
Financial assets at fair value through profit or loss		
Quoted shares outside Malaysia	<u>959</u>	<u>918</u>
Total non-current other investments	<u>5,261</u>	<u>5,220</u>
Company		
Current:		
Financial assets at fair value through profit or loss		
Investment in money market fund	<u>74,863</u>	<u>312,038</u>

14. Derivatives

	Note	<----- 2022 ----->		<----- 2021 ----->	
		Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Group					
Derivatives not designated as hedging instruments					
Forward currency contracts	(a)	6,404	1,174	463	3,094
Embedded derivatives	(b)	<u>16,246</u>	<u>-</u>	<u>5,135</u>	<u>-</u>
		<u>22,650</u>	<u>1,174</u>	<u>5,598</u>	<u>3,094</u>

The Group uses forward currency contracts and embedded derivatives to manage some of the transactions' exposure.

These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure to foreign currencies.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
14. Derivatives (cont'd.)
(a) Forward currency contracts

Forward currency contracts are used to hedge the Group's current and future sales and purchases denominated in foreign currencies for which firm commitments existed at the reporting date.

	2022 RM'000	2021 RM'000
Notional amounts		
United States Dollar	643,405	218,240
Japanese Yen	192,589	125,228
Euro	42,806	22,794
Great Britain Pound	31,491	-
Chinese Yuan	4,798	-
Thai Baht	1,640	3,163
	<u>1,640</u>	<u>3,163</u>

(b) Embedded derivatives

The Group entered into purchase contracts with suppliers in Asia Pacific and Japan. The purchase price in these contracts are denominated in USD and subject to periodic price review. These contracts contain embedded foreign exchange derivatives with notional amounts of RM729.7 million (2021: RM573.6 million) which have been separated and carried at fair value through profit or loss.

Derivatives are neither past due nor impaired and are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

During the financial year, the Group recognised a net gain of RM19.0 million (2021: net loss of RM9.4 million) arising from fair value changes of derivative assets/liabilities.

15. Inventories

	Group	
	2022 RM'000	2021 RM'000
Equipment, unassembled and completed vehicles, attachments and spares	1,399,877	1,273,197
Other finished goods	96,493	65,762
Work-in-progress	225,910	220,344
Raw materials and consumables	323,449	192,857
	<u>2,045,729</u>	<u>1,752,160</u>

The cost of inventories recognised as an expense by the Group during the financial year amounted to RM13,598.2 million (2021: RM9,421.3 million).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

16. Receivables

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current:				
Trade receivables (Note a)	1,124,329	904,185	-	-
Other receivables (Note b)	107,208	147,476	2,003	2,287
Due from subsidiaries (Note c)	-	-	397	43,439
	<u>1,231,537</u>	<u>1,051,661</u>	<u>2,400</u>	<u>45,726</u>
Non-current:				
Due from subsidiaries (Note c)	-	-	33,654	32,774
Total trade, other receivables and due from subsidiaries	<u>1,231,537</u>	<u>1,051,661</u>	<u>36,054</u>	<u>78,500</u>
Less: Included within other receivables:				
Prepayments (Note b)	(19,078)	(23,021)	(1,998)	(1,948)
Add: Deposits, cash and bank balances (Note 17)	<u>2,808,126</u>	<u>2,941,385</u>	<u>221,387</u>	<u>729,618</u>
Total financial assets carried at amortised cost	<u>4,020,585</u>	<u>3,970,025</u>	<u>255,443</u>	<u>806,170</u>

(a) Trade receivables

	Group	
	2022 RM'000	2021 RM'000
Third parties	867,815	685,265
Allowance for expected credit losses	<u>(16,884)</u>	<u>(21,990)</u>
	850,931	663,275
Due from associates and joint ventures	20,078	16,537
Due from a corporate shareholder and its related parties of a subsidiary	<u>253,320</u>	<u>224,373</u>
	<u>1,124,329</u>	<u>904,185</u>

The Group's normal trade credit terms range from 1 day to 120 days (2021: 1 day to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amounts due from joint ventures, associates and a corporate shareholder and its related parties of a subsidiary are unsecured, non-interest bearing and have repayment terms of 30 days to 60 days (2021: 30 days to 60 days).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

16. Receivables (cont'd.)

(a) Trade receivables (cont'd.)

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to a single group of debtors.

(i) Aging analysis of trade receivables

	Group	
	2022 RM'000	2021 RM'000
(a) Neither past due nor impaired	1,054,658	725,572
(b) Overdue but not impaired:		
1 - 30 days	41,576	120,991
31 - 60 days	11,308	28,044
61 - 90 days	5,359	7,962
91 - 180 days	8,751	4,817
More than 180 days	2,677	16,799
Total trade receivables (net)	<u>1,124,329</u>	<u>904,185</u>
(c) Impaired	16,884	21,990
Total trade receivables (gross)	<u>1,141,213</u>	<u>926,175</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

(ii) Receivables that are impaired for expected credit losses:

	Group		Total RM'000
	Individually impaired RM'000	Collectively impaired RM'000	
Movement in allowance for expected credit losses:			
At 1 January 2022	10,946	11,044	21,990
Write offs	(2,834)	(229)	(3,063)
Allowance for/(reversal of) expected credit losses for the financial year, net (Note 30)	459	(2,628)	(2,169)
Exchange differences	11	115	126
At 31 December 2022	<u>8,582</u>	<u>8,302</u>	<u>16,884</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
16. Receivables (cont'd.)**(a) Trade receivables (cont'd.)****(ii) Receivables that are impaired for expected credit losses (cont'd.):**

	Group		
	Individually impaired RM'000	Collectively Impaired RM'000	Total RM'000
Movement in allowance for expected credit losses (cont'd.):			
At 1 January 2021	9,204	11,788	20,992
Write offs	(1,332)	-	(1,332)
Allowance for/(reversal of) expected credit losses for the financial year, net (Note 30)	3,099	(755)	2,344
Exchange differences	(25)	11	(14)
At 31 December 2021	<u>10,946</u>	<u>11,044</u>	<u>21,990</u>

Trade receivables that have been individually determined to be impaired at the reporting date relates to debtors that are in significant financial difficulties and have defaulted on payments. These receivables were not secured by any collateral or bank guarantees.

(b) Other receivables

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current:				
Deposits	34,743	22,159	5	339
Prepayments	19,078	23,021	1,998	1,948
Sundry receivables	67,798	102,999	-	-
	<u>121,619</u>	<u>148,179</u>	<u>2,003</u>	<u>2,287</u>
Allowance for expected credit losses	(14,411)	(703)	-	-
	<u>107,208</u>	<u>147,476</u>	<u>2,003</u>	<u>2,287</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
16. Receivables (cont'd.)**(b) Other receivables (cont'd.)**

Group	2022 RM'000	2021 RM'000
Movement in allowance for expected credit losses:		
At 1 January	703	12,990
Reclassified from/(to) assets held for sale	12,929	(12,138)
Allowance for/(reversal of) expected credit losses for the financial year, net (Note 30)	40	(146)
Write offs	-	(3)
Exchange differences	739	-
At 31 December	<u>14,411</u>	<u>703</u>

(c) Due from subsidiaries

	Company	
	2022 RM'000	2021 RM'000
Amounts due from subsidiaries	39,270	87,995
Allowance for expected credit losses	(5,219)	(11,782)
	<u>34,051</u>	<u>76,213</u>
Non-current	33,654	32,774
Current	397	43,439
	<u>34,051</u>	<u>76,213</u>
Movement in allowance for expected credit losses:		
At 1 January	11,782	1,572,240
Reversal of expected credit losses for the financial year, net (Note 30)	(6,563)	(1,221,736)
Write off	-	(338,722)
At 31 December	<u>5,219</u>	<u>11,782</u>

The amounts due from subsidiaries are unsecured, non-trade in nature, interest free except for loans of RM33.6 million (2021: RM75.2 million) that bear interest ranging from 2.65% to 5.50% (2021: 2.65% to 5.50%) per annum and are repayable within 1 to 4 years (2021: 1 to 5 years).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
17. Deposits, cash and bank balances

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current:				
Cash and bank balances	334,641	380,532	12,749	3,159
Deposits with licensed banks	2,473,485	2,560,853	208,638	726,459
Deposits, cash and bank balances	<u>2,808,126</u>	<u>2,941,385</u>	<u>221,387</u>	<u>729,618</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits, cash and bank balances	2,808,126	2,941,385	221,387	729,618
Less: Deposits with maturity of more than 3 months	(375,857)	(234,861)	(50,000)	-
Less: Deposits restricted by the banks	-	(6,244)	-	-
Cash and cash equivalents	<u>2,432,269</u>	<u>2,700,280</u>	<u>171,387</u>	<u>729,618</u>

The range of interest rates of deposits at the reporting date were as follows:

	Group		Company	
	2022 % per annum	2021 % per annum	2022 % per annum	2021 % per annum
Deposits with licensed banks	<u>0.04 - 6.00</u>	<u>0.02 - 3.40</u>	<u>0.11 - 4.80</u>	<u>0.11 - 2.15</u>

The range of maturities of deposits at the reporting date were as follows:

	Group		Company	
	2022 Days	2021 Days	2022 Days	2021 Days
Deposits with licensed banks	<u>1 - 365</u>	<u>1 - 426</u>	<u>1 - 249</u>	<u>1 - 60</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

18. Assets held for sale and liabilities associated with assets held for sale

Group	<----- 2022 ----->		<----- 2021 ----->	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
UMW Toyota Motor Sdn. Bhd. ("UMWT") (a)	44,619	-	-	-
Other segment (b)	-	-	6,553	20,531
	<u>44,619</u>	<u>-</u>	<u>6,553</u>	<u>20,531</u>

(a) UMW Toyota Motor Sdn. Bhd. ("UMWT")

During the financial year, UMWT had entered into sale and purchase agreements to dispose several buildings to existing Toyota dealers who are currently leasing and operating the buildings.

As at 31 December 2022, the corresponding assets related to the disposal of buildings have been reclassified as "Assets held for sale" from investment properties.

	2022 RM'000
Investment properties (Note 5)	
Cost	73,478
Less: Accumulated depreciation	<u>(28,859)</u>
	<u>44,619</u>

(b) Other segment

In the previous financial year, the Group approved the plan to dispose a group of companies under other segment as part of its effort to continuously streamline the Group's businesses.

The assets and liabilities of the disposal group in the previous financial year were as follows:

	2021 RM'000
Receivables	515
Tax recoverable	2,848
Deposits, cash and bank balances	<u>3,190</u>
Total assets held for sale	<u>6,553</u>
Payables	18,934
Taxation	<u>1,597</u>
Total liabilities associated with assets held for sale	<u>20,531</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)
198201010554 (90278-P)
**UMW Holdings Berhad
(Incorporated in Malaysia)**
19. Share capital

	Number of ordinary shares of RM0.50 each		Amount	
	2022	2021	2022	2021
	'000	'000	RM'000	RM'000
Group and Company				
Issued and fully paid				
At 1 January/31 December	<u>1,168,294</u>	<u>1,168,294</u>	<u>584,147</u>	<u>584,147</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

20. Reserves
(a) Fair value reserve

The fair value reserve represents the differences arising from the conversion of investment in unquoted shares to fair value through OCI.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

21. Perpetual sukuk

	Group/Company	
	2022	2021
	RM'000	RM'000
Issuance nominal value	1,100,000	1,100,000
Less: Transaction cost	(2,140)	(2,140)
Net nominal value	<u>1,097,860</u>	<u>1,097,860</u>

The perpetual sukuk relates to the Company's perpetual sukuk program of up to RM2,000,000,000 in nominal value, which was approved on 22 March 2018.

The Company had on 20 April 2018 made an issuance of RM1,100,000,000 nominal value of perpetual sukuk musharakah. The perpetual sukuk musharakah is structured as a perpetual sukuk and therefore accounted as equity.

The perpetual sukuk holders are conferred the right to receive distribution on a semi-annual basis from their issue date at the rate of 6.35% per annum. The perpetual sukuk has no fixed redemption date but the Company has the option to redeem at the end of the tenth year from the date of issue and on each subsequent semi-annual periodic distribution date. If the perpetual sukuk is not redeemed at the tenth year, the periodic distribution rate will be reset to the then prevailing 10-year Malaysian Government Securities benchmark rate plus initial spread of 2.362% and step-up margin of 1.00%.

While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank.

The proceeds raised from the perpetual sukuk programme shall be utilised by UMW Holdings Berhad and/or its subsidiaries, associated companies and/or jointly controlled entities to refinance its existing financing/debt obligations (whether in whole or in part), and/or to refinance working capital requirements, investments, capital expenditure and/or for general corporate purposes. In any case, all utilisation of proceeds raised under the perpetual sukuk programme must be Shariah-compliant.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

22. Provision for warranties

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	293,767	280,033
Charged to profit or loss (Note 30)	44,252	59,717
Reversed during the financial year (Note 30)	(12)	(69)
Utilised during the financial year	(48,071)	(45,964)
Exchange differences	170	50
At 31 December	<u>290,106</u>	<u>293,767</u>
Presented as follows:		
Current	<u>55,149</u>	<u>84,981</u>
Non-current		
Later than 1 year but not later than 2 years	61,408	77,080
Later than 2 years but not later than 8 years	173,549	131,706
	<u>234,957</u>	<u>208,786</u>
	<u>290,106</u>	<u>293,767</u>

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised for expected warranty claims on products sold, based on past experience of the level of repairs, return claims and recent trend analysis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
23. Borrowings

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current:				
Secured				
Term loan	7,358	-	-	-
Unsecured				
Term loans	12,000	97,715	-	-
Bankers' acceptances and revolving credits	110,633	70,571	-	-
Sukuk	-	400,000	-	400,000
Trust receipts	82,344	69,796	-	-
	<u>204,977</u>	<u>638,082</u>	<u>-</u>	<u>400,000</u>
Total current borrowings	<u>212,335</u>	<u>638,082</u>	<u>-</u>	<u>400,000</u>
Non-current:				
Secured				
Term loan	80,942	88,300	-	-
Unsecured				
Sukuk	1,249,990	1,599,978	1,249,990	1,599,978
Term loans	9,000	406,715	-	-
	<u>1,258,990</u>	<u>2,006,693</u>	<u>1,249,990</u>	<u>1,599,978</u>
Total non-current borrowings	<u>1,339,932</u>	<u>2,094,993</u>	<u>1,249,990</u>	<u>1,599,978</u>
Total borrowings	<u>1,552,267</u>	<u>2,733,075</u>	<u>1,249,990</u>	<u>1,999,978</u>

The range of weighted average effective interest rates ("WAEIR") for borrowings at the reporting date were as follows:

	Group	
	2022 % per annum	2021 % per annum
Term loans	3.4 - 4.4	3.4 - 4.8
Trust receipts	1.5 - 6.2	1.0 - 1.4
Bankers' acceptances	2.2 - 4.1	2.2 - 2.5
Revolving credits	2.9 - 5.1	2.9 - 3.1
Sukuk	<u>3.0 - 5.2</u>	<u>3.0 - 5.2</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
23. Borrowings (cont'd.)

The maturity and exposure to interest rate risk of the total borrowings are as follows:

Group	WAEIR %	Within 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Total RM'000
31 December 2022					
Secured					
- Fixed rate	3.4	7,358	29,432	51,510	88,300
Unsecured					
- Floating rate	1.5 - 6.2	192,977	-	-	192,977
- Fixed rate	3.0 - 5.2	12,000	9,000	1,249,990	1,270,990
		<u>204,977</u>	<u>9,000</u>	<u>1,249,990</u>	<u>1,463,967</u>
		<u>212,335</u>	<u>38,432</u>	<u>1,301,500</u>	<u>1,552,267</u>
31 December 2021					
Secured					
- Fixed rate	3.4	-	7,358	80,942	88,300
Unsecured					
- Floating rate	1.0 - 3.1	140,368	-	-	140,368
- Fixed rate	3.0 - 5.2	497,714	542,420	1,464,273	2,504,407
		<u>638,082</u>	<u>542,420</u>	<u>1,464,273</u>	<u>2,644,775</u>
		<u>638,082</u>	<u>549,778</u>	<u>1,545,215</u>	<u>2,733,075</u>
Company					
31 December 2022					
Unsecured					
- Fixed rate	3.0 - 5.2	-	-	1,249,990	1,249,990
31 December 2021					
Unsecured					
- Fixed rate	3.0 - 5.2	400,000	-	1,599,978	1,999,978

The secured term loan of the Group was secured by legal charge over certain assets of a subsidiary.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

23. Borrowings (cont'd.)

Change in liabilities arising from financing activities

2022:

	At 1 January 2022 RM'000	Net (repayment)/ addition RM'000	Others* RM'000	At 31 December 2022 RM'000
Group				
Sukuk	1,999,978	(750,000)	12	1,249,990
Other term loans	592,729	(483,429)	-	109,300
Trust receipts	69,797	12,547	-	82,344
Bankers' acceptances	38,214	52,419	-	90,633
Revolving credits	32,357	(12,357)	-	20,000
	<u>2,733,075</u>	<u>(1,180,820)</u>	<u>12</u>	<u>1,552,267</u>

Company

Sukuk	<u>1,999,978</u>	<u>(750,000)</u>	<u>12</u>	<u>1,249,990</u>
-------	------------------	------------------	-----------	------------------

2021:

	At 1 January 2021 RM'000	Net addition/ (repayment) RM'000	Others* RM'000	At 31 December 2021 RM'000
Group				
Sukuk	1,749,956	250,000	22	1,999,978
Other term loans	690,030	(97,302)	1	592,729
Trust receipts	9,790	60,007	-	69,797
Bankers' acceptances	8,271	29,943	-	38,214
Revolving credits	8,000	24,357	-	32,357
	<u>2,466,047</u>	<u>267,005</u>	<u>23</u>	<u>2,733,075</u>

Company

Sukuk	<u>1,749,956</u>	<u>250,000</u>	<u>22</u>	<u>1,999,978</u>
-------	------------------	----------------	-----------	------------------

*Others comprise of unamortised transaction cost.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

24. Payables

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current:				
Trade payables:				
Trade payables	846,005	648,064	-	-
Bill payables	14,474	12,376	-	-
Customer deposits	68,393	56,412	-	-
Related parties	813,097	499,570	-	-
Other payables:				
Accruals	916,281	591,171	7,452	12,421
Provision for unutilised leave	7,016	6,614	-	-
Sundry payables	627,551	434,583	5,311	1,965
Due to a subsidiary	-	-	18,855	-
Total trade and other payables	<u>3,292,817</u>	<u>2,248,790</u>	<u>31,618</u>	<u>14,386</u>
Add:				
Lease liabilities (Note 8)	51,968	54,788	-	-
Borrowings (Note 23)	1,552,267	2,733,075	1,249,990	1,999,978
Less:				
Provision for unutilised leave	(7,016)	(6,614)	-	-
SST payable	(4,649)	(3,672)	-	-
Total financial liabilities carried at amortised cost	<u>4,885,387</u>	<u>5,026,367</u>	<u>1,281,608</u>	<u>2,014,364</u>

The related party balances comprise amounts due to corporate shareholders of subsidiaries and/or their subsidiaries for purchase of inventories. The corporate shareholders are Toyota Motor Corporation, Japan and Toyota Tsusho Corporation, Japan and/or their subsidiaries and associated companies.

Trade creditors are non-interest bearing and normally settled within 1 day to 90 days (2021: 1 day to 90 days) terms.

Sundry payables are non-interest bearing and normally settled on an average term of six months (2021: average term of six months).

The amount due to a subsidiary is unsecured, non-trade in nature and repayable on demand.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
25. Revenue

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers:				
Type of goods or services:				
- Vehicles	10,526,595	7,188,178	-	-
- Equipment	835,394	730,152	-	-
- Parts	2,552,691	1,704,174	-	-
- Lubricants and related products	213,641	156,737	-	-
- Exports	1,299,829	971,766	-	-
- Services	63,240	46,308	-	-
- Property development	63,352	17,123	-	-
- Others	16,167	22,194	-	-
	<u>15,570,909</u>	<u>10,836,632</u>	-	-
Rental income:				
- Leasing of equipment	243,522	224,171	-	-
Dividend income:				
Gross dividend income from				
- subsidiaries	-	-	211,884	183,363
- associate	-	-	1,192	57
	-	-	<u>213,076</u>	<u>183,420</u>
Total revenue	<u>15,814,431</u>	<u>11,060,803</u>	<u>213,076</u>	<u>183,420</u>
Timing of revenue recognition from contract with customers:				
At a point in time	15,568,466	10,836,291	-	-
Over time	2,443	341	-	-
	<u>15,570,909</u>	<u>10,836,632</u>	-	-

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

25. Revenue (cont'd.)

Performance obligations

Information about the Group's core performance obligations are summarised below:

Vehicles, Parts and Exports

The performance obligation is satisfied upon delivery of the vehicles, parts and exports. Payment is generally due within 30 to 60 days from delivery.

Equipment, Parts and Other Related Spares

The performance obligation is satisfied upon delivery of the equipment, parts and other related spares. Payment is generally due within 1 to 120 days from delivery.

In some contracts, warranty beyond fixing the defects that existed at the time of sale is provided to customers. The service warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated. The performance obligation for the service warranty is satisfied over one year based on time elapsed.

Lubricants and Related Products

The performance obligation is satisfied upon delivery of the lubricants, greases and specialty products, net of sale discount which is recognised at a point in time. Payment is generally due within 60 to 90 days from delivery.

Services

Revenue associated with free services performed on vehicles are separated from the gross revenue of the goods and recognised over-time when services fall due. For paid services relating to vehicles, the performance obligation is satisfied over-time and payment is generally due upon completion and acceptance by the customer.

Whereas, the performance obligation performed on other services are satisfied at a point in time when the service is rendered and payment is generally due upon completion and acceptance by the customer. In some contracts, short-term advances are required before the service is provided.

Property Development

The performance obligation is satisfied at a point in time when the control of properties has been transferred to purchasers and considerations can be collected in exchange for the assets sold.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

26. Other operating income

Included in other operating income are:

	Group	
	2022 RM'000	2021 RM'000
Net gain on disposal of property, plant, equipment and leased assets	29,699	42,606
Net gain on derecognition of lease	525	598
Bad debts recovered	-	11,000
Rental income	40,723	24,465
Interest income	1,783	3,131
Commissions	2,566	2,310
	<u>29,916</u>	<u>84,110</u>

27. Employee benefits

	Group	
	2022 RM'000	2021 RM'000
Staff costs		
Wages and salaries	628,138	480,157
Social security costs	5,279	5,219
Defined contribution plan	80,453	62,136
Other staff related expenses	118,101	104,718
	<u>831,971</u>	<u>652,230</u>

Included in the above are remuneration of directors and key management personnels which are disclosed in Notes 30 and 41(f) respectively.

28. Finance costs

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense:				
- Sukuk	72,832	69,768	72,832	69,768
- Bank borrowings	37,099	33,895	-	-
- Lease liabilities	2,774	3,084	-	-
- Others	1,423	1,415	-	-
	<u>114,128</u>	<u>108,162</u>	<u>72,832</u>	<u>69,768</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
29. Investment income

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Investment income comprises:				
Gross dividend income from:				
Financial assets at fair value through other comprehensive income				
- Unquoted investments	893	459	-	-
Interest income from:				
Financial assets				
- Due from subsidiaries	-	-	2,173	5,726
- Deposit with licensed banks	66,856	28,130	9,991	152
Others	22	30	22	30
Distribution income from:				
Quoted investments in money market funds	2,390	20,078	289	8,545
	<u>70,161</u>	<u>48,697</u>	<u>12,475</u>	<u>14,453</u>

30. Profit before zakat and taxation

Profit before zakat and taxation are derived after charging/(crediting):

	2022 RM'000	2021 RM'000
Group		
Executive directors:		
- salaries and emoluments	2,430	1,560
- defined contribution plan	390	250
- benefits-in-kind	125	34
- other emoluments	13	11
Non-executive directors:		
- fees	1,788	1,670
- benefits-in-kind	644	272
- other emoluments	577	528
Rental of short-term leases	14,661	14,982
Rental of leases of low-value-assets	266	282

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
30. Profit before zakat and taxation (cont'd.)

Profit before zakat and taxation are derived after charging/(crediting) (cont'd.):

Group (cont'd.)	2022	2021
	RM'000	RM'000
Auditors' remuneration:		
Statutory audit:		
- auditors' of the Company	1,566	1,432
- other auditors	695	642
Other assurance services:		
- auditors' of the Company	220	410
Non-audit services:		
- member firms of the auditors' of the Company	667	1,290
Net provision for inventories written down	4,281	3,210
Net impairment losses/(reversal of impairment) on:		
- property, plant and equipment	842	-
- investments in joint ventures	904	1,052
- other investments	(10,718)	15,637
Net loss/(gain) on liquidation/disposal of investments in subsidiaries	6,364	(2,491)
Net (reversal of)/allowance for expected credit losses on receivables (Note 16)	(2,129)	2,198
Net foreign exchange (gain)/loss:		
- realised	(4)	(6,488)
- unrealised	(4,773)	10,277
Net provision for warranties (Note 22)	44,240	59,648
Net fair value gain on financial assets held for trading	(2,248)	(686)
Net fair value (gain)/loss on derivatives	(18,990)	9,416
Bad debt written off	30	5,691
Net gain on disposals of:		
- property, plant and equipment	(179)	(19,571)
- leased assets	(29,520)	(23,035)
- other investments	(347)	(149)
Gain on derecognition of lease	(525)	(598)
Depreciation:		
- property, plant and equipment (Note 4)	186,785	182,725
- investment properties (Note 5)	6,619	11,486
- leased assets (Note 7)	120,617	116,385
- right-of-use assets (Note 8)	26,368	32,941
Amortisation on intangible asset (Note 6)	192	-
Property, plant and equipment written off (Note 4)	168	722

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
30. Profit before zakat and taxation (cont'd.)

Profit before zakat and taxation are derived after charging/(crediting) (cont'd.):

Company	2022 RM'000	2021 RM'000
Non-executive directors:		
- fees	1,768	1,650
- other emoluments	538	475
- benefits-in-kind	644	272
Auditors' remuneration:		
- statutory audit	204	191
- other assurance services	204	395
Non-audit services:		
- member firms of the auditors' of the Company	-	140
Net (reversal of)/impairment losses on investments in subsidiaries	(3,938)	1,247,582
Due from subsidiaries (Note 16(c))		
- Net reversal of expected credit losses	(6,563)	(1,221,736)
Depreciation of equipment	169	193
Loss on disposal of equipment	-	1
Equipment written off	3	-
Net (gain)/loss on liquidation/disposal of investments in subsidiaries	(244)	3,761
Net foreign exchange gain:		
- realised	(1,523)	(37,829)
- unrealised	(634)	(168)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

30. Profit before zakat and taxation (cont'd.)

Directors Remuneration 2022

Group	Salary and emoluments RM'000	Defined contribution plan RM'000	Directors' fee RM'000	Benefits-in-kind RM'000	Other emoluments RM'000	Total RM'000
Executive director:						
Dato' Ahmad Fuaad bin Mohd Kenali	2,430	390	-	125	13	2,958
Non-executive directors:						
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman	-	-	360	161	82	603
Dato' Eshah binti Meor Suleiman	-	-	170	21	59	250
Datin Paduka Kartini binti Hj Abdul Manaf	-	-	170	21	54	245
Dr. Veerinderjeet Singh a/l Tejwant Singh	-	-	170	15	49	234
Razalee bin Amin	-	-	170	34	47	251
Dato' Seri Prof. Dr. Ir. Zaini bin Ujang	-	-	170	21	47	238
Dato' Azmi bin Mohd Ali (appointed on 1 April 2022)	-	-	129	10	31	170
Shahin Farouque bin Jammal Ahmad [^] (appointed on 1 July 2022)	-	-	87	-	11	98
Mohd Shahazwan bin Mohd Harris* (appointed on 1 July 2022)	-	-	87	5	16	108
Datuk Dr. Yasmin binti Mahmood (appointed on 12 October 2022)	-	-	38	-	10	48
Tan Sri Hasmah binti Abdullah (retired on 2 September 2022)	-	-	113	110	96	319
Lim Tze Seong* (resigned on 30 June 2022)	-	-	83	127	36	246
Salwah binti Abdul Shukor (resigned on 31 March 2022)	-	-	41	119	39	199
Subtotal	-	-	1,788	644	577	3,009
Total	2,430	390	1,788	769	590	5,967

[^] Director's fee was paid to Permodalan Nasional Berhad ("PNB")

* 50% of the director's fee was paid to Employee Provident Fund ("EPF")

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

30. Profit before zakat and taxation (cont'd.)

Directors Remuneration 2022 (cont'd.)

Company	Directors' fee RM'000	Benefits- in-kind RM'000	Other emoluments RM'000	Total RM'000
Non-executive directors:				
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman	340	161	43	544
Dato' Eshah binti Meor Suleiman	170	21	59	250
Datin Paduka Kartini binti Hj Abdul Manaf	170	21	54	245
Dr. Veerinderjeet Singh a/l Tejwant Singh	170	15	49	234
Razalee bin Amin	170	34	47	251
Dato' Seri Prof. Dr. Ir. Zaini bin Ujang	170	21	47	238
Dato' Azmi bin Mohd Ali (appointed on 1 April 2022)	129	10	31	170
Shahin Farouque bin Jammal Ahmad [^] (appointed on 1 July 2022)	87	-	11	98
Mohd Shahazwan bin Mohd Harris* (appointed on 1 July 2022)	87	5	16	108
Datuk Dr. Yasmin binti Mahmood (appointed on 12 October 2022)	38	-	10	48
Tan Sri Hasmah binti Abdullah (retired on 2 September 2022)	113	110	96	319
Lim Tze Seong* (resigned on 30 June 2022)	83	127	36	246
Salwah binti Abdul Shukor (resigned on 31 March 2022)	41	119	39	199
Total	1,768	644	538	2,950

[^] Director's fee was paid to Permodalan Nasional Berhad ("PNB")

* 50% of the director's fee was paid to Employee Provident Fund ("EPF")

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

30. Profit before zakat and taxation (cont'd.)

Directors Remuneration 2021

Group	Salary and emoluments RM'000	Defined contribution plan RM'000	Directors' fee RM'000	Benefits-in-kind RM'000	Other emoluments RM'000	Total RM'000
Executive director:						
Dato' Ahmad Fuaad bin Mohd Kenali	1,560	250	-	34	11	1,855
Non-executive directors:						
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman	-	-	350	57	94	501
Tan Sri Hasmah binti Abdullah	-	-	165	23	69	257
Dato' Eshah binti Meor Suleiman	-	-	165	46	56	267
Datin Paduka Kartini binti Hj Abdul Manaf	-	-	165	24	62	251
Dr. Veerinderjeet Singh a/l Tejwant Singh	-	-	165	28	53	246
Salwah binti Abdul Shukor	-	-	165	18	48	231
Lim Tze Seong*	-	-	165	17	41	223
Razalee bin Amin	-	-	165	35	50	250
Dato' Seri Prof. Dr. Ir. Zaini bin Ujang	-	-	165	24	55	244
Subtotal	-	-	1,670	272	528	2,470
Total	1,560	250	1,670	306	539	4,325

*50% of the director's fee was paid to Employee Provident Fund ("EPF")

116

208

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

30. Profit before zakat and taxation (cont'd.)

Directors Remuneration 2021 (cont'd.)

Company	Directors' fee RM'000	Benefits- in-kind RM'000	Other emoluments RM'000	Total RM'000
Non-executive directors:				
Tan Sri Dato' Sri Hamad Karna Piah bin Che Othman	330	57	41	428
Tan Sri Hasmah binti Abdullah	165	23	69	257
Dato' Eshah binti Meor Suleiman	165	46	56	267
Datin Paduka Kartini binti Hj Abdul Manaf	165	24	62	251
Dr. Veerinderjeet Singh a/l Tejwant Singh	165	28	53	246
Salwah binti Abdul Shukor	165	18	48	231
Lim Tze Seong*	165	17	41	223
Razalee bin Amin	165	35	50	250
Dato' Seri Prof. Dr. Ir. Zaini bin Ujang	165	24	55	244
Total	1,650	272	475	2,397

*50% of the director's fee was paid to Employee Provident Fund ("EPF")

117

209

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

31. Taxation

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax:				
Malaysian taxes	143,661	70,655	2,164	105
Overseas taxes	5,011	4,023	-	-
RPGT/WHT*	2,550	3,287	-	-
	<u>151,222</u>	<u>77,965</u>	<u>2,164</u>	<u>105</u>
Under/(over) provision in prior financial years:				
Malaysian taxes	5,193	(16,325)	2	(4,358)
Overseas taxes	(5)	19	-	-
	<u>5,188</u>	<u>(16,306)</u>	<u>2</u>	<u>(4,358)</u>
	<u>156,410</u>	<u>61,659</u>	<u>2,166</u>	<u>(4,253)</u>
Deferred taxation (Note 12):				
Relating to origination and reversal of temporary differences	38,862	(111,201)	-	-
Underprovision in prior financial years	16,934	8,056	-	-
	<u>55,796</u>	<u>(103,145)</u>	<u>-</u>	<u>-</u>
	<u>212,206</u>	<u>(41,486)</u>	<u>2,166</u>	<u>(4,253)</u>

* Real property gains tax/Withholding tax

Domestic current income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year. Included in the current year provision was a one-off special windfall tax known as "Cukai Makmur" or prosperity tax which was introduced in the Malaysian Budget 2022, whereby companies with chargeable income above RM100 million will be taxed at a rate of 33% for the year of assessment 2022. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
31. Taxation (cont'd.)

Reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	2022 RM'000	2021 RM'000
Group		
Profit before zakat and taxation	<u>896,458</u>	<u>482,750</u>
Taxation at Malaysian statutory rate of 24% (2021: 24%)	215,150	115,860
Effect of prosperity tax	18,442	-
Tax incentives	(56)	(139)
Income not subject to tax	(50,154)	(50,104)
Expenses not deductible for tax purposes	91,404	119,666
Under provision of deferred tax in prior financial years	16,934	8,056
Under/(over) provision of income tax expense in prior financial years	5,188	(16,306)
Effect of share of profits of associates and joint ventures	(80,380)	(64,312)
Deferred tax assets recognised on unutilised capital allowances, unabsorbed tax losses, investment tax allowance and other temporary differences	(2,787)	(152,146)
Zakat	<u>(1,535)</u>	<u>(2,061)</u>
Taxation	<u>212,206</u>	<u>(41,486)</u>
Company		
Profit before zakat and taxation	<u>123,819</u>	<u>106,694</u>
Taxation at Malaysian statutory rate of 24% (2021: 24%)	29,717	25,607
Income not subject to tax	(51,204)	(45,872)
Expenses not deductible for tax purposes	25,186	22,431
Under/(over) provision of income tax expense in prior financial years	2	(4,358)
Zakat	<u>(1,535)</u>	<u>(2,061)</u>
Taxation	<u>2,166</u>	<u>(4,253)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

32. Earnings per share

Basic/diluted

Basic and diluted earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2022	2021
Net profit attributable to equity holders (RM'000)	<u>415,046</u>	<u>268,230</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,168,294</u>	<u>1,168,294</u>
Basic/diluted earnings per share (sen)	<u>35.5</u>	<u>23.0</u>

Diluted earnings per ordinary share is identical to basic earnings per share as the Company has no potential dilutive ordinary shares as at the end of the financial year.

33. Dividends

	Amount		Net dividend per share	
	2022	2021	2022	2021
	RM'000	RM'000	Sen	Sen
In respect of the financial year ended 31 December 2020:				
- Final dividend of 8.0%	-	46,732	-	4.0
In respect of the financial year ended 31 December 2021:				
- Final dividend of 11.6%	67,761	-	5.8	-
In respect of the financial year ended 31 December 2022:				
- Interim dividend of 6.0%	35,049	-	3.0	-
	<u>102,810</u>	<u>46,732</u>	<u>8.8</u>	<u>4.0</u>

A final dividend in respect of the current financial year of 22.4% or 11.2 sen per share amounting to a dividend payable of approximately RM130.8 million was declared on 27 February 2023. The dividend is proposed to be paid on 12 May 2023 to shareholders whose names appear in the Record of Depositors as at close of business on 18 April 2023. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
34. Commitments

	Group	
	2022	2021
	RM'000	RM'000
Capital commitments		
Approved and contracted for:		
- land and buildings	36,085	10,626
- equipment, plant and machinery	93,836	32,633
- others	17,991	20,056
	<u>147,912</u>	<u>63,315</u>
Approved but not contracted for:		
- land and buildings	21,388	41,937
- equipment, plant and machinery	590,698	413,629
- others	86,712	58,335
	<u>698,798</u>	<u>513,901</u>
Total capital commitments	<u>846,710</u>	<u>577,216</u>

35. Contingent liabilities

As at the reporting date, the Group has the following contingent liabilities for which no liability is expected to arise:

	Group	
	2022	2021
	RM'000	RM'000
Unsecured		
Performance bonds in favour of third parties	<u>10,550</u>	<u>11,580</u>

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

36. Segment reporting

For management purposes, the Group is organised into business segments based on products and services, and has four reportable operating segments as follows:

- (i) The automotive segment is principally engaged in the import, assembly and marketing of passenger and commercial vehicles and related spares.
- (ii) The equipment segment is involved in the trading and leasing of a wide range of light and heavy equipment including related spares for use in the industrial, construction and agricultural sectors.
- (iii) The manufacturing and engineering segment is involved in the manufacturing, assembly and trading of automotive parts, blending, packaging, marketing and distribution of lubricants, manufacturing of aerospace engine component and other established agency lines in the automotive field.
- (iv) The other segments which do not generate significant external revenue are mainly involved in the following activities:
 - (a) information technology;
 - (b) property development and management;
 - (c) management and corporate services and various professional services; and
 - (d) research and development.

Transfer prices between operating segments are at terms agreed between the parties.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

36. Segment reporting (cont'd.)

(a) Business segments

2022	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Consolidated financial statements RM'000
Revenue:							
External customers	13,309,945	1,516,984	907,110	80,392	-		15,814,431
Intersegment	5	11,027	77,089	44,314	(132,435)	I	-
Total revenue	13,309,950	1,528,011	984,199	124,706	(132,435)		15,814,431
Results:							
Depreciation and amortisation	(142,566)	(141,449)	(28,281)	(28,285)	-		(340,581)
Share of results of associates and joint ventures	289,939	-	7,077	37,899	-		334,915

123

215

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

36. Segment reporting (cont'd.)

(a) Business segments (cont'd.)

2022 (cont'd.)	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Consolidated financial statements RM'000
Results (cont'd.):							
Segment profit/(loss) before zakat and taxation	774,914	152,837	66,307	(97,600)	-		896,458
Zakat	-	-	-	(6,396)	-		(6,396)
Income tax expense	(157,721)	(40,241)	(11,139)	(3,105)	-		(212,206)
Segment profit/(loss) after zakat and taxation	617,193	112,596	55,168	(107,101)	-		677,856
Assets:							
Investments in associates and joint ventures	2,187,432	-	77,450	176,098	-		2,440,980
Additions to non-current assets	240,535	205,343	83,912	8,563	(15,574)	II	522,779
Segment assets	8,066,605	1,790,471	1,097,831	1,462,187	-		12,417,094
Liabilities:							
Segment liabilities	2,628,534	692,460	631,844	1,324,301	-		5,277,139

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

36. Segment reporting (cont'd.)

(a) Business segments (cont'd.)

2021	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Consolidated financial statements RM'000
Revenue:							
External customers	9,030,308	1,302,783	688,165	39,547	-		11,060,803
Intersegment	5	10,666	38,168	78,894	(127,733)	I	-
Total revenue	<u>9,030,313</u>	<u>1,313,449</u>	<u>726,333</u>	<u>118,441</u>	<u>(127,733)</u>		<u>11,060,803</u>
Results:							
Depreciation and amortisation	(138,635)	(136,862)	(31,321)	(36,719)	-		(343,537)
Share of results of associates and joint ventures	<u>227,770</u>	-	<u>7,809</u>	<u>32,389</u>	-		<u>267,968</u>

125

217

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

36. Segment reporting (cont'd.)

(a) Business segments (cont'd.)

2021 (cont'd.)	Automotive RM'000	Equipment RM'000	Manufacturing and engineering RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Consolidated financial statements RM'000
Results (cont'd.):							
Segment profit/(loss) before zakat and taxation	476,732	107,011	22,163	(123,156)	-		482,750
Zakat	-	-	-	(8,588)	-		(8,588)
Income tax expense	76,386	(28,798)	(11,240)	5,138	-		41,486
Segment profit/(loss) after zakat and taxation	553,118	78,213	10,923	(126,606)	-		515,648
Assets:							
Investments in associates and joint ventures	2,027,664	-	76,633	144,153	-		2,248,450
Additions to non-current assets	147,189	261,866	27,349	18,317	(23,428)	II	431,293
Segment assets	7,601,030	1,589,392	931,498	2,050,769	-		12,172,689
Liabilities:							
Segment liabilities	2,367,721	547,766	478,587	2,016,066	-		5,410,140

126

218

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

36. Segment reporting (cont'd.)

(a) Business segments (cont'd.)

The following are nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- I. Intersegment revenues are eliminated on consolidation.
- II. Additions to non-current assets consist of:

	Note	2022 RM'000	2021 RM'000
Property, plant and equipment	4	344,889	247,624
Investment properties	5	-	1,490
Intangible asset	6	153	-
Leased assets	7	154,765	157,065
Right-of-use assets	8	22,972	25,114
		<u>522,779</u>	<u>431,293</u>

(b) Geographical segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
2022			
Revenue from external customers	15,022,968	791,463	15,814,431
Non-current assets*	<u>3,170,529</u>	<u>256,867</u>	<u>3,427,396</u>
2021			
Revenue from external customers	10,367,863	692,940	11,060,803
Non-current assets*	<u>3,075,253</u>	<u>241,624</u>	<u>3,316,877</u>

*Non-current assets stated above consist of the following items as presented in the consolidated statement of financial position:

	2022 RM'000	2021 RM'000
Property, plant and equipment	2,706,160	2,545,020
Investment properties	208,852	270,218
Intangible asset	801	-
Leased assets	389,830	373,457
Right-of-use assets	121,753	128,182
	<u>3,427,396</u>	<u>3,316,877</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
37. Subsidiaries

(i) The following are the subsidiaries of the Group:

Company	Group Effective interest		Principal activities
	2022 %	2021 %	
(a) Subsidiaries incorporated in Malaysia			
Direct subsidiaries of the Company:			
UMW Corporation Sdn. Bhd.	100	100	Provision of corporate, administrative, professional, security services and financial support to its subsidiaries and associated companies. In addition, the Company also trades in a range of light and heavy equipment.
UMW Petropipe (L) Ltd.	100	100	Investment holding.
UMW Automotive Sdn. Bhd.	100	100	Investment holding.
Indirect subsidiaries of the Company:			
UMW Industries (1985) Sdn. Bhd.	100	100	Trading and hiring of industrial and material handling equipment and related spares.
UMW Equipment Division Sdn. Bhd.	100	100	Provision of management support to the companies in equipment division.
UMW Lubricant International Sdn. Bhd.	100	100	Manufacturing and trading of lubricants and specialty products.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
37. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Group (cont'd.):

Company	Group Effective interest		Principal activities
	2022 %	2021 %	
(a) Subsidiaries incorporated in Malaysia (cont'd.)			
Indirect subsidiaries of the Company (cont'd.):			
U-TravelWide Sdn. Bhd.	100	100	Provision of travel agency services. It had ceased its operations with effect from 16 December 2020 and remained dormant.
Otomobil Sejahtera Sdn. Bhd.	100	100	Importing and retailing of passenger and commercial vehicles.
Lubetech Sdn. Bhd.	100	100	Blending and packaging of lubricants.
UMW Pennzoll Distributors Sdn. Bhd.	100	100	Marketing, selling and distribution of "Pennzoll" branded lubricants.
UMW Development Sdn. Bhd.	100	100	Engaged in the businesses of property investment and development, project management consultancy services and facilities management services.
UMW Grantt International Sdn. Bhd.	100	100	Manufacturing, distributing, selling and trading of lubricants, greases and specialty products.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
37. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Group (cont'd.):

Company	Group Effective interest		Principal activities
	2022 %	2021 %	
(a) Subsidiaries incorporated in Malaysia (cont'd.)			
Indirect subsidiaries of the Company (cont'd.):			
UMW IT Services Sdn. Bhd.	100	100	Providing internal information technology support and services for all technology related assets and business.
UMW Aerospace Sdn. Bhd.	100	100	Manufacturing of aerospace engine component products.
UMW Aero Assets Sdn. Bhd.	100	100	Ownership and leasing of equipment and tools.
UMW Land Sdn. Bhd.	100	100	Investment holding and property development.
UMW Innovation and R&D Centre Sdn. Bhd.	100	100	Conduct innovation and Research and Development ("R&D") activities with a focus on business and environmental sustainability, related to automation, emerging technologies and integrated green technology, pre-commercialisation and related activities for the completed R&D prototypes and all other things as are incidental or conducive to the attainment of the above businesses.
UMW Industrial Power Services Sdn. Bhd.	100	100	Total power solution provider.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
37. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Group (cont'd.):

Company	Group Effective Interest		Principal activities
	2022 %	2021 %	
(a) Subsidiaries incorporated in Malaysia (cont'd.)			
Indirect subsidiaries of the Company (cont'd.):			
UMW M&E Sdn. Bhd.	100	100	Manufacturing and trading of filtration products and auto-components.
UMW M&E Limited	100	100	Investment holding.
UMW Linepipe (L) Ltd.	100	100	Investment holding.
UMW India Ventures (L) Ltd.	75	75	Investment holding.
UMW (East Malaysia) Sdn. Bhd.	74	74	Distribution of industrial and heavy equipment and related spares.
UMW Equipment Sdn. Bhd.	74	74	Trading and hiring of industrial, heavy and material handling equipment and related spares.
UMW Komatsu Heavy Equipment Sdn. Bhd.	74	74	Provision of management support and provides consultancy services to its subsidiaries.
UMW Oilfield International (L) Ltd.	100	100	Supply of oil and gas products.
KYB-UMW Malaysia Sdn. Bhd.	52.1	52.1	Manufacture and assembly of vehicle shock absorbers.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
37. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Group (cont'd.):

Company	Group Effective interest		Principal activities
	2022 %	2021 %	
(a) Subsidiaries Incorporated In Malaysia (cont'd.)			
Indirect subsidiaries of the Company (cont'd.):			
UMW Toyota Motor Sdn. Bhd.	51	51	Importation, distribution and retailing of motor vehicles, distribution and sale of spare parts, servicing of vehicles and export of vehicles and related parts. In addition, UMWT provides administrative, professional and financial services support to the subsidiaries within the UMWT group.
Assembly Services Sdn. Bhd.	51	51	Assembly of passenger and commercial vehicles.
Automotive Industries Sendirian Berhad	51	51	Manufacturing and selling of vehicle exhaust systems and other automotive components.
UMW Sher (L) Ltd.	50.82	50.82	Provide contract drilling and engineering services for the oil and gas industry and leasing of drilling rigs and vessels.
Toyota Boshoku UMW Sdn. Bhd.	33.15	33.15	Manufacturing of seats and other automotive components.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
37. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Group (cont'd.):

Company	Group Effective Interest		Principal activities
	2022 %	2021 %	
(b) Subsidiary incorporated in Papua New Guinea			
Indirect subsidiary of the Company:			
UMW Niugini Limited *	75.46	75.46	Trading and hiring of industrial and material handling equipment and related service and spare parts.
(c) Subsidiaries incorporated in the Republic of Singapore			
Indirect subsidiaries of the Company:			
UMW Equipment & Engineering Pte. Ltd. *	100	100	Import, distribute, rent and service all types of industrial equipment and related parts.
UMW Equipment Systems Pte. Ltd. *	100	100	Investment holding.
UMW Heavy Equipment (S) Pte. Ltd. *	74	74	Import, distribute, rent and service all types of heavy equipment and related spares.
(d) Subsidiaries incorporated in People's Republic of China			
Indirect subsidiaries of the Company:			
UMW Industrial Equipment (Shanghai) Co., Ltd. *	100	100	Marketing of industrial equipment and provision of after-sales and repair services for equipment rental and industrial equipment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

37. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Group (cont'd.):

Company	Group Effective interest		Principal activities
	2022 %	2021 %	
(d) Subsidiaries incorporated In People's Republic of China (cont'd.)			
Indirect subsidiaries of the Company (cont'd.):			
UMW Industrial Trading (Shanghai) Co., Ltd. *	100	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
Vision Fleet Equipment Leasing (Zhejiang) Co., Ltd. *	100	100	Rental and fleet management services mainly for products distributed by the UMW Group in China.
(e) Subsidiary incorporated in the Republic of Vietnam			
Indirect subsidiary of the Company:			
UMW Equipment Systems (Vietnam) Company Limited *	100	100	Provide spare parts and equipment, repair and maintenance service, and lease out equipment such as forklifts and material handling, industrial and heavy equipment.
(f) Subsidiaries incorporated In the Republic of the Union of Myanmar			
Indirect subsidiaries of the Company:			
UMW Machinery Limited ^{SA}	100	100	Importation and distribution of industrial and heavy equipment and related parts.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
37. Subsidiaries (cont'd.)

(i) The following are the subsidiaries of the Group (cont'd.):

Company	Group Effective Interest		Principal activities
	2022 %	2021 %	
(f) Subsidiaries incorporated in the Republic of the Union of Myanmar (cont'd.)			
Indirect subsidiaries of the Company (cont'd.):			
UMW Engineering Services Limited ^{**}	74	74	Provision of after-sales services for equipment and maintenance and repair of equipment.
(g) Subsidiary incorporated in British Virgin Islands			
Indirect subsidiary of the Company:			
UMW ACE (BVI) Ltd.	70	70	Investment holding.
(h) Subsidiary incorporated in India			
Indirect subsidiary of the Company:			
Jaybee Drilling Private Limited ^{**}	45	45	Onshore drilling activities in India.
(i) Subsidiary incorporated in the Republic of Indonesia			
Indirect subsidiary of the Company:			
PT UMW International *	100	100	Engaged in lubricants supply and equipment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
37. Subsidiaries (cont'd.)

(ii) The following companies are under members' voluntary liquidation/deregistration:

Company	Group Effective Interest		Principal activities
	2022 %	2021 %	
(a) Subsidiaries incorporated in Malaysia			
Direct subsidiary of the Company:			
UMW Oil & Gas Berhad	100	100	Investment holding. The Company was dissolved on 18 January 2023.
Indirect subsidiaries of the Company:			
UMW SG Power Systems Sdn. Bhd. [∞]	-	100	General trader and the provision of engineering works.
UMW Autocorp Sdn. Bhd. [∞]	-	100	Investment holding.
UMW Oilfield International (M) Sdn. Bhd.	100	100	Marketing, importing, exportation, distribution of equipment and component parts, provision of technical support, consultancy services and general services related to oil and gas industry.
UMW Technology Sdn. Bhd.	100	100	Investment holding.
(b) Subsidiary Incorporated in Bahrain			
Indirect subsidiary of the Company:			
UMW Middle East Ventures Holding W.L.L. ^{* ∞}	-	100	Investment holding.

* Subsidiaries audited by firms of auditors other than Ernst & Young PLT.

^ The financial year end of these subsidiaries are 31 March.

∞ Winding up of these companies were completed during the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
38. Joint ventures

Company	Group Effective interest		Principal activities
	2022 %	2021 %	
(a) Joint venture Incorporated In Hong Kong			
Lubritech International Holdings Limited	60	60	Investment holding.
(b) Joint venture Incorporated in People's Republic of China			
Lubritech Limited	60	60	Produce and distribute lubricants, import, export and wholesale of lubricants and grease as well as warehousing and provision of logistic services.
(c) Joint venture Incorporated in the Republic of Indonesia			
PT Pusaka Bersatu	49	49	Import and major distributor of related auto parts merchandise and lubricants as well as providing after sales service in Indonesia. The company had on 30 September 2022 ceased its operation.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
39. Associates

(i) The following are the associates of the Group:

Company	Group Effective Interest		Principal activities
	2022 %	2021 %	
(a) Associates incorporated in Malaysia			
Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua")	38	38	Investment holding and provision of management and administrative services.
Held through Perodua:			
Perodua Sales Sdn. Bhd.	38	38	Marketing and distribution of motor vehicles, spare parts and other related activities.
Strategic Auto Sdn. Bhd.	38	38	Importer and distributor of motor vehicles.
Perodua Manufacturing Sdn. Bhd.	28.12	28.12	Manufacture and assembly of motor vehicles and other related activities.
Perodua Global Manufacturing Sdn. Bhd.	28.12	28.12	Manufacture and assembly of motor vehicles and other related activities.
Perodua Engine Manufacturing Sdn. Bhd.	28.12	28.12	Manufacturer and dealer in component parts including engines, coupling and transmission components.
UMW Toyotsu Motors Sdn. Bhd. [^]	30	30	An authorised dealer of UMW Toyota Motor Sdn. Bhd., wholesale and retail of new and used motor vehicles and maintenance and repair of motor vehicles.
Toyota Capital Malaysia Sdn. Bhd. [^]	30	30	Provision of lease and hire purchase financing for both conventional and Islamic.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
39. Associates (cont'd.)

(i) The following are the associates of the Group (cont'd.):

Company	Group Effective Interest		Principal activities
	2022 %	2021 %	
(a) Associates incorporated in Malaysia (cont'd.)			
Held through Toyota Capital Malaysia Sdn. Bhd.			
Toyota Capital Acceptance Malaysia Sdn. Bhd. ^	30	30	Licensed money lender under Money Lenders Act, 1951.
Toyota Lease Malaysia Sdn. Bhd. ^	30	30	Provision of leasing services.
E-Lock Corporation Sdn. Bhd. #	20.1	20.1	Investment holding and research, development and distribution of computer's software, solutions and services.
(b) Associates incorporated in People's Republic of China			
Shanghai BSW Petro-pipe Co., Ltd.	32.4	32.4	Manufacture of spiral welded pipes for the oil and gas industry.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
39. Associates (cont'd.)

(ii) The following company is under members' voluntary liquidation/deregistration:

Company	Group Effective Interest		Principal activities
	2022 %	2021 %	
(a) Associates incorporated in Malaysia			
Held through Toyota Capital Malaysia Sdn. Bhd.:			
Seabanc Kredit Sdn. Bhd. [∞]	-	30	Hire purchase financing, leasing and debt factoring.

[^] The financial year end of the above associates are 31 March.[#] The financial year end of the above associate is 31 January.[∞] Winding up of this company was completed during the financial year.**40. Significant event**

On 30 August 2022, UMW Development Sdn. Bhd, a wholly owned subsidiary signed a Sale and Purchase Agreement ("SPA") for the sale of 140 acres of land at the UMW High Value Manufacturing Park ("UMW HVM Park") in Serendah to LONGI (Kuching) Sdn. Bhd. for RM304.9 million. The completion of the sale is subject to the satisfaction of certain conditions precedent, including obtaining regulatory approval from the relevant authorities.

The strategically located and green-rated UMW HVM Park is both a managed, gated and guarded high value manufacturing park equipped with infrastructure and services for manufacturing excellence. The 861-acre site offers a secured and integrated Industry 4.0 infrastructure and connectivity. The park also integrates sustainability into its design, embedding environment-friendly and energy-efficient technologies and solutions.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
41. Significant related party disclosures

The directors are of the opinion that all the transactions below have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(a) In addition to the related party transaction information disclosed elsewhere, transactions by the Group with the associates and corporate shareholder of the subsidiaries are as follows:

Group companies	Transacting parties	Nature of transactions	2022 RM'000	2021 RM'000
UMW Industries (1985) Sdn. Bhd.	)	Lease rental revenue	10,093	9,134
KYB-UMW Malaysia Sdn. Bhd.	)	Sale of shock absorbers	65,558	43,383
UMW Toyota Motor Sdn. Bhd. and subsidiaries	) Perusahaan Otomobil Keçua Sdn. Bhd., its subsidiaries and associates.	Sale of goods and services	338,879	184,808
UMW Industrial Power Services Sdn. Bhd.	)	Purchase of goods and services	767,427	379,071
Lubetech Sdn. Bhd.	)	Sale of goods and services	14,496	12,793
UMW Corporation Sdn. Bhd.	)	Sale of goods and services	38,709	23,466
UMW Corporation Sdn. Bhd.	Toyota Capital Malaysia Sdn. Bhd. and its subsidiaries	Purchase of goods and services	6,276	4,188
UMW Corporation Sdn. Bhd.	E-lock Corporation Sdn. Bhd	Purchase of services	2,339	2,322

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

41. Significant related party disclosures (cont'd.)

- (b) Transactions by the Group with Toyota Motor Corporation, Japan (the corporate shareholder of UMW Toyota Motor Sdn. Bhd.) and its subsidiaries and associates are as follows:

Group companies	Transacting parties	Nature of transactions	2022 RM'000	2021 RM'000
UMW Toyota Motor Sdn. Bhd. and its subsidiaries	) Toyota Motors Corporation, Japan and its subsidiaries	Sale of goods and services	970,674	740,531
	)	Purchase of goods and services	6,213,172	3,540,392
)			
	) UMW Toyotsu Motors Sdn. Bhd.	Sale of goods	223,163	152,498
	)	Purchase of goods and services	7,618	6,018
)			

- (c) Transactions by the Group with Komatsu Ltd., Japan (the corporate shareholder of UMW Komatsu Heavy Equipment Sdn. Bhd.) and its subsidiaries and associates are as follows:

Group companies	Transacting parties	Nature of transactions	2022 RM'000	2021 RM'000
UMW Equipment Sdn. Bhd.	)	Purchase of goods and services	96,776	86,981
)			
UMW East Malaysia Sdn. Bhd.	)	Purchase of goods and services	93,316	101,925
)			
UMW Heavy Equipment (S) Pte. Ltd.	) Komatsu Ltd., Japan and its subsidiaries	Purchase of goods and services	56,332	39,990
)			
UMW Niugini Limited	)	Purchase of goods and services	104,741	77,501
)			
UMW Engineering Services Limited	)	Purchase of goods and services	2,650	3,914
)			

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)
41. Significant related party disclosures (cont'd.)

- (d) Transactions by the Group with Kayaba Industry Co. Ltd., Japan (the corporate shareholder of KYB-UMW Malaysia Sdn. Bhd.) and its subsidiaries and associates are as follows:

Group companies	Transacting parties	Nature of transactions	2022 RM'000	2021 RM'000
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	) Kayaba Industry Co. Ltd., Japan	Sale of goods and services	91,925	74,766
	) and its subsidiaries	Purchase of goods and services	19,584	10,947
)			
	) Toyota Tsusho Corporation, Japan and its affiliated company	Sale of goods and services	376	757
		Purchase of goods and services	53,563	45,087

- (e) Transactions by the Group with a related company of the corporate shareholder of UMW Sher (L) Ltd. and Jaybee Drilling Pvt. Ltd. are as follows:

Group companies	Transacting parties	Nature of transactions	2022 RM'000	2021 RM'000
UMW Sher (L) Ltd.	)	Bareboat chartering services	6,432	6,413
	) Jaybee Energy Pte. Ltd.			
Jaybee Drilling Pvt. Ltd.	)	Purchase of goods and services	16,167	15,780

- (f) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

	2022 RM'000	2021 RM'000
Salaries and wages	16,089	12,397
Defined contribution plan	2,299	1,634
Others	1,055	1,624
	<u>19,443</u>	<u>15,655</u>

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

42. Fair value disclosures

The financial instruments of the Group and of the Company consist of cash and cash equivalents, trade and other receivables, borrowings, trade and other payables (excluding provisions and SST payable) and derivatives.

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Determination of fair value

Quoted investment in money market funds

Fair value is determined directly by reference to their published market price at the reporting date.

Quoted equity instruments

Fair value is determined directly by reference to their published market price at the reporting date.

Unquoted equity instruments

Fair value is determined by calculating the future expected dividend to be received.

Derivatives

Forward exchange contracts and embedded derivatives are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Borrowings

Fair values of the Group's interest-bearing borrowings are determined by using the discounted cash flow method using discount rates that reflect the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2022 was assessed to be insignificant.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
42. Fair value disclosures (cont'd.)**Determination of fair value (cont'd.)****(i) Financial instruments not carried at fair value**

Group	Note	2022		2021	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities					
Long term borrowings					
- Fixed rate borrowings		89,942	92,323	495,015	681,642
- Fixed rate sukuk		1,249,990	1,277,232	1,599,978	2,211,673
	23	<u>1,339,932</u>	<u>1,369,555</u>	<u>2,094,993</u>	<u>2,893,315</u>

Company**Financial liabilities**

Long term borrowings					
- Fixed rate sukuk	23	<u>1,249,990</u>	<u>1,277,232</u>	<u>1,599,978</u>	<u>2,211,673</u>

(ii) Financial instruments carried at fair value

	Note	2022 RM'000	2021 RM'000
Financial assets:			
Group			
Investment in money market fund	13	196,223	603,198
Quoted shares	13	959	918
Unquoted shares	13	4,302	4,302
Forward currency contracts	14	6,404	463
Embedded derivatives	14	<u>16,246</u>	<u>5,135</u>
Company			
Investment in money market fund	13	<u>74,863</u>	<u>312,038</u>

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

42. Fair value disclosures (cont'd.)

Determination of fair value (cont'd.)

(ii) Financial instruments carried at fair value (cont'd.)

	Note	2022 RM'000	2021 RM'000
Financial liabilities:			
Group			
Forward currency contracts	14	<u>1,174</u>	<u>3,094</u>

Fair value hierarchy

The following provides the fair value measurement hierarchy of the Group's assets and liabilities.

The different levels have been defined as follows:

- (a) Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (c) Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
42. Fair value disclosures (cont'd.)**Fair value hierarchy (cont'd.)**

	Level	Note	Fair value	
			2022 RM'000	2021 RM'000
Assets measured at fair value:				
Group				
Quoted investment in money market fund	1	13	196,223	603,198
Quoted shares outside Malaysia	1	13	959	918
Unquoted shares	3	13	4,302	4,302
Forward currency contracts	2	14	6,404	463
Embedded derivatives	2	14	<u>16,246</u>	<u>5,135</u>
Company				
Investment in money market fund	1	13	<u>74,863</u>	<u>312,038</u>
Assets for which fair values are disclosed:				
Group				
Investment properties	3	5	<u>466,482</u>	<u>555,931</u>
Liabilities measured at fair value:				
Group				
Forward currency contracts	2	14	<u>1,174</u>	<u>3,094</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

**UMW Holdings Berhad
(Incorporated in Malaysia)**
42. Fair value disclosures (cont'd.)**Fair value hierarchy (cont'd.)**

	Level	Note	Fair value	
			2022 RM'000	2021 RM'000
Liabilities for which fair values are disclosed:				
Group				
Long term borrowings				
- Fixed rate borrowings	2	23	92,323	681,642
- Fixed rate sukuk	2	23	<u>1,277,232</u>	<u>2,211,673</u>
Company				
Long term borrowings				
- Fixed rate sukuk	2	23	<u>1,277,232</u>	<u>2,211,673</u>

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There has been no transfers between Level 1 and Level 2 fair values during the financial year (2021: No transfer in either direction).

Valuation process applied by the Group for Level 3 fair value

Investment properties of the Group, which were categorised as Level 3 fair value, have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

43. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating to enjoy the best terms of borrowing and healthy capital ratios in its subsidiaries to support business and maximise shareholders' value.

The Group's dividend policy is for all its subsidiaries to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits and after taking into account any significant capital expenditure on Group's expansion plans among others.

	Group	
	2022	2021
	RM'000	RM'000
Short term borrowings	212,335	638,082
Long term borrowings	1,339,932	2,094,993
Total borrowings	<u>1,552,267</u>	<u>2,733,075</u>
Total equity	<u>7,139,955</u>	<u>6,762,549</u>
Gearing ratio	<u>22%</u>	<u>40%</u>

44. Financial risk management

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group. The financial risk management practices are part of the Group's Enterprise Risk Management ("ERM") Policy & Framework.

The Group's risk governance structure comprises the following:

- (i) The Risk Management & Sustainability Committee ("RMSC") at the Board level that provides independent oversight to the effectiveness of the risk management process;
- (ii) The Management Risk Committee ("MRC") at corporate management level that formulates, implements, articulates, challenges, and makes recommendations on risk management to the RMSC;
- (iii) Group Risk Management & Integrity Division at corporate management level that is responsible to lead, direct, coordinate and ensure application of ERM processes in the Group by working with the MRC and the respective Risk Owners; and
- (iv) The Risk Owner and Risk Champion at the respective operating units who are involved closely in managing and controlling the risk.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

Responsibilities of the RMSC include:

- (i) to monitor the role, effectiveness and efficiency of the MRC, Group Risk Management & Integrity Division and risk management functions at operating units;
- (ii) to review the risk profile of the UMW Group and risk mitigation action plans; and
- (iii) to review the risk management policies, procedures and measurement methodologies of the UMW Group and to effect changes thereto, if deemed necessary.

The MRC comprises members of the Management Committee. The MRC identifies and assesses risks, and makes recommendations on risk management to the RMSC at the Board level.

Financial risk management objectives of UMW Group are as follows:

- (i) to minimise exposure to all financial risks including foreign currency exchange, interest rate, credit, liquidity, and market price risks;
- (ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and
- (iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

- (i) derivatives to hedge its exposure to currency and cash flow risks. However, use of derivatives for speculation is specifically prohibited;
- (ii) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably credit-worthy customers are accepted; and
- (iii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

The Group's strategies and practices in dealing with its major financial risks are set out below:

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. These foreign exchange risk exposures are mainly in United States ("US") Dollar, Great British Pound, Japanese Yen and Euro.

The Group uses forward currency contracts to manage some of the foreign exchange transaction exposures. The forward currency contracts are used mainly for payments in foreign currency for the purchase of imported components and parts. Material foreign currency exposures are hedged via forward exchange contracts and/or cross currency swaps by using foreign exchange facilities maintained with well established banks in Malaysia and overseas. The forward exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The table below demonstrates the sensitivity of the Group's profit after tax as at financial year end to a possible reasonable change in the US Dollar, Great British Pound, Japanese Yen and Euro exchange rates against Ringgit Malaysia with all other variables held constant. The impact on the Group's profit after tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives and embedded derivatives:

		2022 RM'000	2021 RM'000
Effect on profit after tax			
US Dollar	+ 10%	(8,397)	(6,040)
	- 10%	8,397	6,040
Great Britain Pound	+ 10%	(806)	230
	- 10%	806	(230)
Japanese Yen	+ 10%	6,197	3,298
	- 10%	(6,197)	(3,298)
Euro	+ 10%	734	4,033
	- 10%	(734)	(4,033)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)**(b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of their placements with financial institutions, investments in money market funds, bank borrowings at floating rates and loans at floating rates given to related parties. Its policy is to:

- (i) have an optimal mixture of short term deposits or placements; and
 - (ii) manage its interest cost using a combination of fixed and floating rate debts.
- Material interest rate exposures are hedged via interest rate swaps.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's profit after tax, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings:

		2022	2021
		RM'000	RM'000
	Basis points	Effect on profit after tax	
Ringgit Malaysia interest rates	+ 50	5	(2)
	- 50	(5)	2
Singapore Dollar interest rates	+ 50	160	111
	- 50	(160)	(111)
US Dollar interest rates	+ 50	4	5
	- 50	(4)	(5)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade receivables. For deposits, cash and bank balances, the Company minimised credit risk by dealing exclusively with reputable financial institutions.

Credit risk is managed through the application of the UMW Group Credit Control Guidelines. These guidelines outline the credit control policies and procedures for the Group. The Group Risk Management & Integrity Division performs on-going monitoring on compliance and ensures that the respective policies and procedures adopted by each company is consistent with their business requirements.

Due to its diverse customer base, the Group does not have significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial institution.

The total exposure to credit risk comprises total receivables as disclosed in Note 16, corporate guarantees and financial indemnity granted by the Group of RM84.0 million (2021: RM74.9 million).

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations when due, as a result of shortage of funds arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's policy to:

- (i) have the right mixture of liquid assets in its portfolio;
- (ii) maintain a healthy gearing ratio;
- (iii) finance long term assets with long term loans; and
- (iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

(d) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment financial obligations.

	2022				Total RM'000
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	
Group					
Financial liabilities:					
Trade and other payables (excluding provisions and SST payables)	3,281,152	-	-	-	3,281,152
Lease liabilities	14,643	14,863	3,929	26,847	60,282
Derivatives:					
- Forward contracts (gross payments)	1,174	-	-	-	1,174
Borrowings	266,231	88,612	1,379,276	-	1,734,119
Total undiscounted financial liabilities	3,563,200	103,475	1,383,205	26,847	5,076,727
Company					
Financial liabilities:					
Trade and other payables	31,618	-	-	-	31,618
Borrowings	47,780	47,780	1,326,307	-	1,421,867
Total undiscounted financial liabilities	79,398	47,780	1,326,307	-	1,453,485

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW FOR THE FYE 31 DECEMBER 2022 (Cont'd)

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

(d) Liquidity risk (cont'd.)

	2021				Total RM'000
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	
Group					
Financial liabilities:					
Trade and other payables (excluding provisions and SST payables)	2,238,504	-	-	-	2,238,504
Lease liabilities	19,265	10,810	3,733	28,098	61,906
Derivatives:					
- Forward contracts (gross payments)	3,094	-	-	-	3,094
Borrowings	715,161	535,578	1,751,063	43,829	3,045,631
Total undiscounted financial liabilities	2,976,024	546,388	1,754,796	71,927	5,349,135
Company					
Financial liabilities:					
Trade and other payables	14,386	-	-	-	14,386
Borrowings	473,864	410,085	1,374,087	-	2,258,036
Total undiscounted financial liabilities	488,250	410,085	1,374,087	-	2,272,422

There have been no material changes to the Group's and the Company's exposure to the above financial risks or the manner in which it manages and measures the risks for the financial year ended 31 December 2022.

198201010554 (90278-P)

UMW Holdings Berhad
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market price (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in money market funds and quoted securities outside Malaysia.

Sensitivity analysis for market price risk

At the reporting date, if the market price of money market fund had been 1% higher/lower, with all other variables held constant, the Group's and Company's profit after tax would have been RM1.5 million (2021: RM4.6 million) and RM0.6 million (2021: RM2.4 million) higher/lower respectively, arising as a result of higher/lower fair value gains on trading investments. The impact of fluctuation of the quoted securities outside Malaysia would be insignificant.

SALIENT TERMS OF THE SPA

1. AGREEMENT FOR SALE AND PURCHASE OF THE SALE SHARES

Subject to the terms of the SPA, the Sellers shall sell to SDESB and SDESB shall purchase from the Sellers, all of the Sale Shares free from all encumbrances and together with all rights attaching thereto as of the 5th market day immediately after the unconditional date.

2. CONDITIONS PRECEDENT

The completion of the sale and purchase of the Sale Shares is conditional on the following matters ("**Conditions Precedent**") being fulfilled, waived or completed by the date falling three (3) months after the date of the SPA or such other later date as may be agreed in writing between SDESB, SDHB and the Sellers ("**Cut-Off Date**"):

- (a) in respect of SDESB:
- (i) the passing of the requisite resolution(s) by the non-interested shareholders of our Company to approve the Proposals;
 - (ii) the receipt of consent, approval and/or waiver (as applicable) as required for the sale and purchase of the Sale Shares from the owners of the brands carried by Sime Darby Group;
 - (iii) the receipt of a waiver(s) and/or consent(s) from the SC, for:
 - (A) the appointment of up to three (3) persons nominated by the Purchaser as directors of UMW; and
 - (B) the resignation of the existing nominee directors of PNB from their directorships and/or offices in UMW,both effective on the Completion Date.

As at the LPD, the Condition Precedent set out in Section 2(a)(ii) above has not been fulfilled.

In respect of Section 2(a)(iii) above, the SC had, vide its letter dated 18 October 2023, approved the application by SDESB dated 3 October 2023 in respect of the relevant waiver(s) and/or consent(s).

- (b) in respect of the Sellers and UMW:
- (i) the receipt of written consents or waivers (as applicable) from the key partners and/or the counterparties to the material contracts whose consents or waivers are required in connection with the sale and purchase of the Sale Shares including for a change of control of UMW and/or restriction for UMW and any of its subsidiaries to engage in competing business under the terms of the relevant material contracts (where applicable) of UMW and/or its material subsidiary and/or associate company; and
 - (ii) the receipt of written consents or waivers (as applicable) from governmental authorities whose consents or waivers are required in connection with a change of control of UMW under the terms of relevant material licences (where applicable) of UMW or its material subsidiary and associate company.

As at the LPD, SDESB has received written confirmation from the Sellers regarding the fulfilment of the Condition Precedent set out in Section 2(b)(ii), while the fulfilment of the Condition Precedent outlined in Section 2(b)(i) above is still pending from the Sellers.

SALIENT TERMS OF THE SPA (Cont'd)

3. UNCONDITIONAL DATE

The SPA shall become unconditional on the market day that the final Condition Precedent is fulfilled, deemed fulfilled or waived in accordance with the terms of the SPA and after each other party of the SPA has been notified in writing of such satisfaction or agreed to its waiver.

4. COMPLETION

Subject to the fulfilment of the Conditions Precedent, the clearance and settlement of the transfer of the Sale Shares and payment of the Purchase Consideration shall be effected by way of a direct business transfer in accordance with the clearing rules established by Bursa Malaysia Securities Clearing Sdn. Bhd. and the rules of Bursa Malaysia Depository Sdn. Bhd.

The completion of the sale and purchase of the Sale Shares shall be deemed to occur when:

- (a) the Securities Account of SDESB is credited with the Sale Shares; and
- (b) the Securities Account of the Sellers have been credited with the Purchase Consideration in the proportion set out against the Sellers names in the SPA,

which shall be no later than the Completion Date.

5. TERMINATION

If any of the Conditions Precedent shall not have been fulfilled or waived on or prior to the Cut-Off Date, the SPA shall automatically terminate and cease to be of any effect other than the surviving provisions which shall remain in force and save in respect of claims arising out of any antecedent breach of the SPA.

The Sellers shall be entitled to terminate the SPA by giving written notice to SDESB before the Completion Date, if:

- (a) there is a breach of representation, warranty or statement which is made by SDESB and/or SDHB, which if capable of being remedied is not remedied within fourteen (14) days from the date of written notification by the Sellers to SDESB and/or SDHB;
- (b) a petition for winding-up is presented against SDESB and/or SDHB, and SDESB and/or SDHB has not filed an application to strike out such petition within thirty (30) days of the service of the petition on SDESB and/or SDHB;
- (c) an order is made, a members' resolution is passed for the winding up of SDESB and/or SDHB; or
- (d) an administrator, a receiver and/or manager is appointed by the court or any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and/or properties of SDESB and/or SDHB or any part of its undertakings, assets and/or properties.

SDESB shall be entitled to terminate the SPA by giving written notice to the Sellers before the Completion Date, if:

- (a) there is a breach of representation, warranty or statement which is made by the Sellers, which if capable of being remedied is not remedied within fourteen (14) days from the date of written notification by SDESB to the Sellers;
- (b) there is any breach of any pre-completion undertakings by the Sellers, which if capable of being remedied is not remedied within fourteen (14) days from the date of written notification by SDESB to the Sellers;

SALIENT TERMS OF THE SPA (Cont'd)

- (c) in respect of UMW:
 - (i) a petition for winding-up is presented against UMW or any of its material subsidiaries and/or associate companies, and UMW or the relevant material subsidiaries and/or associate companies has not filed an application to strike out such petition within thirty (30) days of the service of the petition on UMW or the relevant material subsidiaries and/or associate companies;
 - (ii) an order is made, a members' resolution is passed or any legislation enacted for the winding up of UMW or the relevant material subsidiaries and associate companies; or
 - (iii) an administrator, a receiver and/or manager is appointed by the court or any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and/or properties of UMW or the relevant material subsidiaries and/or associate companies or any part of their undertakings, assets and/or properties;
- (d) there is an occurrence of a material adverse change;
- (e) in respect of the Sellers:
 - (i) a petition for winding-up is presented against any of the Sellers, and such Seller has not filed an application to strike out such petition within thirty (30) days of the service of the petition on the Seller;
 - (ii) an order is made, or a members' resolution is passed for the winding up of the any of the Sellers; or
 - (iii) an administrator, a receiver and/or manager is appointed by the court or any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and/or properties of the Sellers or any part of the undertakings, assets and/or properties of the Sellers.

If any of the Parties fail to perform or comply with their respective completion obligations as outlined in the SPA on Completion Date, the non-defaulting Party is entitled to defer the completion for up to twenty (20) business days, or such other date as specified in the notice, or alternatively, to terminate the SPA without incurring any obligations.

DETAILS OF THE SELLERS

1. INFORMATION ON PNB

PNB was incorporated in Malaysia under the Companies Act 1965 on 17 March 1978.

PNB is principally involved in the acquisition and holding of shares to promote greater ownership of share capital in the corporate sector in Malaysia by Bumiputeras.

As at the LPD, the issued share capital of PNB is RM100,000,000 comprising 100,000,000 ordinary shares.

As at the LPD, the shareholders of PNB and their shareholding in PNB are as follows:

Name	Direct		Indirect	
	No. of shares	%⁽¹⁾	No. of shares	%⁽¹⁾
Yayasan Pelaburan Bumiputra	99,999,999	99.9999	-	-
Minister of Finance, Incorporated	1	Negligible	-	-

Note:

(1) Based on 100,000,000 ordinary shares of RM1.00 each in PNB, being the issued and paid-up share capital of PNB as at the LPD.

As at the LPD, the directors of PNB are as follows:

Directors	Designation
YM Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	Group Chairman Non-Independent / Non-Executive Director
Encik Ahmad Zulqarnain bin Che On	President & Group Chief Executive / Non-Independent Executive Director
Y.Bhg. Tan Sri Datuk Zainun binti Ali	Independent Non-Executive Director
Y.Bhg. Datuk Dr. Mohd. Yaakub bin Haji Johari	Independent Non-Executive Director
Y.Bhg. Datu Haji Soedirman bin Haji Aini	Independent Non-Executive Director
Y.Bhg. Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive Director
Y.Bhg. Dato' Johan bin Ariffin	Independent Non-Executive Director
Y.Bhg. Datin Norazah binti Mohamed Razali	Independent Non-Executive Director
Y.Bhg. Datuk Johan bin Mahmood @ Johan Mahmood Merican	Independent Non-Executive Director

None of the directors of PNB has any direct and/or indirect shareholding in PNB as at the LPD.

DETAILS OF THE SELLERS (Cont'd)

2. INFORMATION ON ART

ART was incorporated in Malaysia on 23 March 2007 under law of Malaysia. ART is registered as a trust company under the Trust Companies Act 1949 and is eligible to act as trustee to collective investment scheme, corporate bonds and private retirement schemes by the SC.

As at the LPD, the issued share capital of ART is RM2,000,000 comprising 200,000 ordinary shares.

As at the LPD, the substantial shareholders of ART and their shareholdings in ART are as follows:

Name	Direct		Indirect	
	No. of shares	%	No. of shares	%
Amanah Raya Capital Sdn Bhd	40,000	20	-	-
Amanah Raya Berhad	40,000	20	160,000 ⁽¹⁾	80
AmanahRaya Ventures Sdn Bhd	40,000	20	-	-
Amanah Raya Nominees (Tempatan) Sdn Bhd	40,000	20	-	-
AmanahRaya Legacy Services Sdn Bhd	40,000	20	-	-

Note:

(1) Deemed interested by virtue of its 100% interest in Amanah Raya Capital Sdn Bhd, AmanahRaya Ventures Sdn Bhd, Amanah Raya Nominees (Tempatan) Sdn Bhd and AmanahRaya Legacy Services Sdn Bhd.

As at the LPD, the directors of ART are as follows:

Directors	Designation
Dato' Professor Dr Noor Inayah Ya'akub	Non-Independent Non-Executive Chairperson
Dato' Haji Che Pee Bin Samsudin	Independent Non-Executive Director
Datuk Ismail Bin Kamaruddin	Independent Non-Executive Director
Dato' Ahmad Suhaimi Bin Endut	Non-Independent Non-Executive Director
Haliza Aini Binti Othman	Independent Non-Executive Director

None of the directors of ART has any direct and/or indirect shareholding in ART as at the LPD.

COMPARABLE TRADING MULTIPLES

The Total Consideration translates into implied PER and PBR of 14.1 times and 1.3 times based on audited consolidated financial statements of UMW for the FYE 31 December 2022. The implied multiples as at the LTD are within the range of the trading PER and PBR of the comparable companies as follows:

Name of Company	Market capitalisation	FYE	Audited Consolidated	Audited	PER ⁽⁴⁾	PBR ⁽⁵⁾
	as at LTD ⁽²⁾		PATNCI ⁽³⁾	Consolidated NA attributable to equity holders ⁽³⁾		
	RM'million		RM'million	RM'million		
Sime Darby Berhad	14,313	30 June 2022	1,103	16,010	13.0x	0.9x
DRB-HICOM Berhad	2,861	31 December 2022	188	7,366	15.2x	0.4x
Bermaz Auto Berhad	2,574	30 April 2023	304 ⁽⁶⁾	763 ⁽⁶⁾	8.5x	3.4x
MBM Resources Berhad	1,442	31 December 2022	280	2,055	5.1x	0.7x
Tan Chong Motor Holdings Berhad	717	31 December 2022	(51)	2,872	Not meaningful	0.2x
Low ⁽⁷⁾					5.1x	0.4x
High ⁽⁷⁾					15.2x	3.4x
Simple average (including MBM Resources Berhad) ⁽⁷⁾					10.5x	1.3x
Simple average (excluding MBM Resources Berhad) ⁽⁷⁾					12.2x	1.6x
Implied adjusted PER and PBR of the Total Consideration after adjustment⁽¹⁾					13.5x	1.3x
Implied PER and PBR of the Total Consideration					14.1x	1.3x

(Source: Bloomberg and the audited financial statements of the respective companies)

Notes:

- (1) Our Company has also considered the Total Consideration, after adjusting to exclude the estimated net realisable value of HVM Park, being the development properties of UMW Development, as the businesses of UMW Development does not fall within the core businesses of our Group and the development properties are carried at historical costs or book values.

Total Consideration	<u>RM'million</u>
	5,841.5
Less: Estimated net realisable value of HVM Park	568.6 ⁽ⁱ⁾
Total Consideration after adjustment	<u>5,272.9</u>

- (i) The estimated net realisable value of HVM Park was arrived at based on internal assessment after taking into account the proceeds from the sale of 140 acres of land at the HVM Park in Serendah Land to LONGI (Kuching) Sdn. Bhd for RM304.9 million (based on UMW's press release dated 31 August 2022) and the estimated net realisable value of the remaining properties available for sale at HVM Park.

COMPARABLE TRADING MULTIPLES (Cont'd)

The implied adjusted PER and PBR of the Total Consideration after adjustment were computed based on the following basis:

Implied adjusted PER	Implied adjusted PBR
RM'million	RM'million
5,272.9	5,272.9
391.1 ^(a)	4,187.1 ^(b)
13.5x	1.3x

Total Consideration after adjustment
Divided by: Adjusted PATNCI^(a) and NA attributable to equity holders of UMW Group
Implied adjusted PER and PBR of the Total Consideration after adjustment (times)

UMW was not involved in the discussions leading to the execution of the SPA. In arriving at the Purchase Consideration during the bidding process, our Group's assessment of UMW Group's businesses was mainly based on publicly available information.

- (a) The adjusted PATNCI of RM391.1 million was derived based on the audited consolidated PATNCI of UMW of RM415.0 million for the FYE 31 December 2022 and after adjustment to exclude UMW Development's profit after tax of RM23.9 million for the FYE 31 December 2022.
- (b) The adjusted NA attributable to equity holders of RM4,187.1 million was derived based on the audited consolidated NA attributable to the equity holders of UMW Group amounted to RM4,350.0 million for the FYE 31 December 2022, and after adjustment to exclude UMW Development's current and non-current inventory (assumed to be the net book value of HVM Park) amounting to a total of RM162.9 million as at 31 December 2022.
- (2) The market capitalisation of the comparable companies was calculated based on the last traded price as at the LTD, multiplied with the total number of outstanding shares of the respective companies as at the LTD.
- (3) Based on the audited financial statements of the respective comparable companies for the financial year indicated.
- (4) Computed based on the market capitalisation as at the LTD over the audited consolidated PATNCI of the respective comparable companies.
- (5) Computed based on the market capitalisation as at the LTD over the audited consolidated NA of the respective comparable companies.
- (6) As at the LTD, the audited consolidated financial statements of Bermaz Auto Berhad for the FYE 30 April 2023 had yet been made available on Bursa Securities. The consolidated PATNCI and NA attributable to equity holders of Bermaz Auto Berhad was extracted from the company's Unaudited Quarterly (Q4) Interim Financial Report for the FYE 30 April 2023, being the company's latest full financial year results announced on Bursa Securities.
- As at the LPD, the audited consolidated financial statements of Bermaz Auto Berhad for the FYE 30 April 2023 have been made available and the audited consolidated PATNCI and NA attributable to equity holders of Bermaz Auto Berhad for the FYE 30 April 2023 are not materially different from the unaudited consolidated PATNCI and NA attributable to equity holders of Bermaz Auto Berhad reported in the company's Unaudited Quarterly (Q4) Interim Financial Report for the FYE 30 April 2023.
- (7) Excluded Tan Chong Motor Holdings Berhad as an outlier due to losses incurred for the financial year.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the completeness and accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to the Sellers as contained in this Circular has been obtained from the Sellers. All information relating to UMW as contained in this Circular has been obtained from publicly available information and the Sellers. Therefore, the responsibility of our Board with respect to such information is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS AND DECLARATION OF CONFLICT OF INTEREST**2.1 CIMB Investment Bank Berhad**Consent

CIMB, being our Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to include its name and all references thereto in this Circular in the form and context in which they appear.

Declaration of conflict of interest

CIMB, as well as its holding company, CIMB Group Holdings Berhad, and the subsidiaries, related and associated companies of its holding company ("**CIMB Group**"), form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and fund management and credit transaction services businesses. CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the role set out in this Circular.

In addition, any member of CIMB Group may at any time, in the ordinary course of business, offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Group, UMW Group and/or their affiliates and/or any other entity or person, hold long or short positions in securities issued by our Group, UMW Group and/or their affiliates, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Group, UMW Group and/or their affiliates.

This is a result of the businesses of CIMB Group generally acting independently of each other, and accordingly, there may be situations where parts of CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group, UMW Group and/or its affiliates.

As at the LPD, CIMB Bank Berhad and CIMB Islamic Bank Berhad, being the subsidiaries of CIMB Group Holdings Berhad ("**CIMB Banking Entities**"), have on an arms' length basis extended credit facilities as well as foreign exchange and derivatives facilities to our Group and UMW Group amounting to approximately RM5,960.2 million and RM821.1 million respectively, as part of their ordinary course of business. In addition, CIMB Banking Entities are also the sukuk holders of the sukuk programme established by UMW Group amounting to approximately RM344.0 million.

FURTHER INFORMATION (Cont'd)

CIMB is of the view that the aforementioned does not result in a conflict of interest situation in respect of its capacity to act as the Principal Adviser for the Proposals and any potential conflict of interest that exists or is likely to exist in relation to its capacity as the Principal Adviser for the Proposals is mitigated by the following:

- (i) CIMB is a licensed investment bank and its appointment as the Principal Adviser to our Company for the Proposals is in the ordinary course of its business and CIMB does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the Principal Adviser to our Company for the Proposals;
- (ii) the extension of such credit facilities as well as foreign exchange and derivative facilities arose in the ordinary course of business of CIMB Group in view of the CIMB Group's extensive participation in the Malaysian capital market and banking industry;
- (iii) the Corporate Finance division of CIMB is required under its investment banking license to comply with strict policies and guidelines issued by BNM, SC and Bursa Securities governing its advisory operations. These guidelines require, among others, the establishment of "Chinese Wall" policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and
- (iv) the conduct of CIMB Group in its banking business is regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013, Capital Markets and Services Act 2007 and CIMB Group's internal controls and checks.

2.2 AmInvestment BankConsent

AmInvestment Bank, being our Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to include its name, the IAL and all references thereto in this Circular in the form and context in which they appear.

Declaration of conflict of interest

AmInvestment Bank, is a wholly-owned subsidiary of AMMB Holdings Berhad ("**AMMB**"). AMMB, its subsidiaries and its related and associated companies (collectively, the "**AmBank Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with the Sime Darby and its subsidiaries or UMW and its subsidiaries (collectively, the "**Companies**"). AmBank Group has engaged and may in the future, engage in transactions with and perform services for the Companies in addition to AmInvestment Bank's role as the Independent Adviser for the Proposed Acquisition.

Furthermore, in the ordinary course of business, any member of the AmBank Group may at any time offer or provide its services to or engage in any transactions (whether on its own account or otherwise) with any member of the Companies, hold long or short positions in the securities offered by any member of the Companies, make investment recommendations and/or publish or express independent research views on such securities and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of the Companies.

FURTHER INFORMATION (Cont'd)

As at the LPD, AmBank Group has extended certain credit facilities amounting to approximately RM25.68 million in aggregate, to the Companies as well as deposits placed by the Companies with the bank. The said facilities represent approximately 0.02% compared to the audited consolidated loans, advances and financing of AmBank Group as at 31 March 2023. Additionally, AmInvestment Bank wish to highlight that Dr Veerinderjeet Singh A/L Tejwant Singh, who is an Independent Non-Executive Director of AmBank (M) Berhad, also sits on the board of UMW as the Senior Independent Non-Executive Director. Additionally, he holds 66 UMW Shares as at the LPD. Nonetheless, he is not involved in the day-to-day operations of AmBank (M) Berhad and UMW, and was not involved in any of the deliberation relating to the Proposed Acquisition.

Notwithstanding the above, AmInvestment Bank, as part of AmBank Group confirms that there is no conflict of interest that exist or is likely to exist in relation to its role as the Independent Adviser for the Proposed Acquisition, in view of the following:

- (i) AmInvestment Bank is a licensed investment bank and its appointment as the Independent Adviser for the Proposed Acquisition is in its ordinary course of business. AmInvestment Bank does not have any interest in the Proposed Acquisition other than acting as an Independent Adviser based on the terms of engagement that are mutually agreed between both parties. Further, AmInvestment Bank does not receive or derive any financial interest or benefit save for the professional fees received in relation to its appointment as the Independent Adviser for the Proposed Acquisition;
- (ii) the Corporate Finance Department of AmInvestment Bank ("**AmCF**") is required under its investment banking license to comply with strict policies and guidelines issued by SC, Bursa Securities and BNM governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of independent committees to review its business operations. In any event, its team in charge for this transaction is independent from the team handling the credit facilities. Further, there is no involvement by AmCF in respect of any credit application process undertaken by other departments within AmBank Group;
- (iii) the conduct of AmBank Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets & Services Act, 2007 and AmBank Group's own internal controls and checks which includes, segregation of reporting structures, where its activities are monitored and reviewed by independent parties and committees; and
- (iv) AmBank Group does not hold any substantial shares nor have any board representatives in the Companies and the Companies do not have any representatives on the board of directors of AmBank Group.

Save for its appointment by Sime Darby as the Independent Adviser for the Proposed Acquisition as well as the credit facilities extended by AmBank Group to the Companies and deposits placed by the Companies with AmBank Group, AmInvestment Bank does not have any other professional relationship with the Companies within the past 2 years preceding the LPD.

FURTHER INFORMATION (Cont'd)

3. MATERIAL COMMITMENT AND CONTINGENT LIABILITIES**3.1 Material commitments**

As at 30 June 2023, save for the Proposals and as disclosed below, there are no material capital commitments contracted or known to be contracted by our Group, which may have a material impact on the financial results or position of our Group:

	<u>As at 30 June 2023</u> RM'million
Property, plant and equipment ⁽¹⁾	962
Other capital expenditure ⁽¹⁾	<u>15</u>
	<u>977</u>

Note:

(1) Refers to contracted capital expenditure not provided for in our audited consolidated financial statements for the FYE 30 June 2023.

On 14 August 2023, our Group had on even date entered into a share sale agreement to acquire the entire equity interest in Cavpower Group, the Caterpillar dealer in South Australia, for a cash consideration of AUD500.0 million (approximately RM1,494.8 million), on a cash-free and debt-free basis and subject to customary adjustments for working capital, capital expenditure and stocktake. This transaction is expected to be completed by the second quarter of FYE 30 June 2024.

3.2 Contingent liabilities

As at 30 June 2023, save as disclosed below, our Group is not aware of any material contingent liabilities incurred or known to be incurred by our Group which upon being enforced may materially and adversely affect the financial results or position of our Group:

	<u>As at 30 June 2023</u> RM'million
<u>Continuing operations</u>	
Performance guarantees and advance payment guarantees to customers of our Group	2,184
Potential claims ⁽¹⁾	<u>12</u>
	<u>2,196</u>

Note:

(1) RM8.5 million relates to a potential liability exposure due to uncertainty in interpreting legislation in relation to long service leave obligations of a subsidiary in Australia. The balance mainly relates to disputes with various customers in relation to the supply of goods and services. Our Group is undertaking various measures, including legal defence, to arrive at a resolution.

In addition, our Group guarantees the payment from our customers under a risk sharing arrangement with a third-party leasing company (related to one of our Group's principal vendors), in connection with the sale of its equipment up to a pre-determined amount. This is an on-going arrangement that our Group has with the said principal vendor for more than 10 years, in order to facilitate the access to financing by our Group's customers.

FURTHER INFORMATION *(Cont'd)*

As at 30 June 2023, the total outstanding risk sharing amount on which our Group has an obligation to pay the leasing company should the customers default, amounted to RM197 million. For the FYE 30 June 2023, RM7 million of the provision for risk sharing was utilised due to the occurrence of default by customers.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 9, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) the Constitution of our Company and UMW;
- (ii) the audited consolidated financial statements of our Company for the past 2 FYEs 30 June 2023 and 30 June 2022;
- (iii) the audited consolidated financial statements of UMW for the past 2 FYEs 31 December 2022 and 31 December 2021 as well as the unaudited quarterly financial results of UMW for the FPE 30 June 2023;
- (iv) letters of consent from CIMB and AmInvestment Bank referred to in Section 2 of Appendix VI; and
- (v) the SPA.

For information, the UT Agreements referred to in Section 6 of Appendix I of this Circular are not available for inspection as our Group is not a party to the aforementioned agreements and will not hold any shareholding interest in UMW until after the completion of the Proposed Acquisition.

(the remainder of this page is intentionally left blank)



SIME DARBY BERHAD
(Registration No.: 200601032645 (752404-U))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of Sime Darby Berhad (“**Company**”) will be conducted virtually through live streaming from the broadcast venue at Function Room, Ground Floor, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 16 November 2023 at 12.30 p.m., or after the conclusion of the Seventeenth Annual General Meeting of the Company or at any adjournment thereof, whichever is later, for the purpose of considering and if thought fit, passing with or without any modification the following resolution:-

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY SIME DARBY ENTERPRISE SDN BHD (“SDESB”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF SIME DARBY BERHAD (“SIME DARBY” OR “COMPANY”), OF 714,813,100 ORDINARY SHARES IN UMW HOLDINGS BERHAD (“UMW”) (“UMW SHARES”), REPRESENTING APPROXIMATELY 61.18% EQUITY INTEREST IN UMW FROM PERMODALAN NASIONAL BERHAD (“PNB”) AND AMANAHRAYA TRUSTEES BERHAD (“ART”) AS TRUSTEE FOR ITS UNIT TRUST FUNDS WHICH OWN UMW SHARES (COLLECTIVELY, THE “SELLERS”) FOR A TOTAL CASH CONSIDERATION OF RM3,574,065,500 (“PROPOSED ACQUISITION”) AND PROPOSED MANDATORY TAKE-OVER OFFER TO ACQUIRE ALL THE REMAINING UMW SHARES NOT ALREADY OWNED BY SDESB AND SIME DARBY SUBSEQUENT TO THE PROPOSED ACQUISITION (“PROPOSED MGO”)

(THE PROPOSED ACQUISITION AND PROPOSED MGO ARE COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

“**THAT**, subject to all approvals and consents being obtained from all relevant authorities and/or parties (where applicable), approval be and is hereby given to Sime Darby for SDESB to acquire:

- (i) 714,813,100 UMW Shares, representing approximately 61.18% equity interest in UMW from the Sellers for a total cash consideration of RM3,574,065,500 or RM5.00 per UMW Share (“**Purchase Consideration**”), in accordance with the terms in the conditional share purchase agreement dated 24 August 2023; and
- (ii) all the remaining UMW Shares not already owned by SDESB and Sime Darby after the Proposed Acquisition (“**Offer Share**”) at a cash offer price of RM5.00 per Offer Share pursuant to Section 218(2) of the Capital Markets and Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia;

AND THAT, the Board be and is hereby authorised to do or to procure to be done all acts, deed and things and to execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect and to complete the Proposals, with full power to assent to any condition, modification, variation and/or amendment thereto as the Board may deem fit, necessary or expedient in the best interest of the Company in connection with the Proposals;

AND THAT, any and all previous actions taken by the Board for the purpose of or in connection with the Proposed Acquisition be and are hereby adopted, approved, ratified and confirmed.”

BY ORDER OF THE BOARD

Noor Zita Hassan

Group Secretary
(MIA 15073)
(SSM PC No. 202008002513)
Selangor Darul Ehsan, Malaysia

1 November 2023

Notes:

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members and proxies WILL NOT BE ALLOWED to attend this EGM in person at the broadcast venue on the day of the EGM. Members and proxies are advised to participate and vote remotely at this EGM using the Remote Participation and Voting ("RPV") facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") through its TIIH Online website at <https://tiih.online>. Members are advised to read the Administrative Guide carefully and follow the procedures in the Administrative Guide for this EGM in order to participate remotely.
2. For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Rule 64 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA"), to issue to the Company, a Record of Depositors as at 7 November 2023. Only a Member whose name appears on this Record of Depositors as at 7 November 2023 shall be entitled to attend this EGM or appoint a proxy to attend, participate, speak and vote on his/her behalf.
3. A Member entitled to attend and vote at this EGM is entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to attend, participate, speak and vote at this EGM on his/her behalf. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a Member of the Company. A Member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolution(s) at the EGM of the Company shall be put to vote by way of a poll.
5. Where a Member of the Company is an Authorised Nominee as defined under SICDA, he/she may appoint not more than two (2) proxies in respect of each Securities Account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at a meeting of the Company instead of him/her.
6. Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds PROVIDED THAT each beneficial owner of ordinary shares, or where the ordinary shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall only be entitled to instruct the Exempt Authorised Nominee to appoint not more than two (2) proxies to attend and vote at a general meeting of the Company instead of the beneficial owner or joint beneficial owners.
7. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. Any alteration to the instrument appointing a proxy must be initialled.
8. The Form of Proxy and power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority, must be deposited with Tricor not less than 24 hours before the time appointed for the taking of the poll or no later than Wednesday, 15 November 2023 at 12.30 p.m. The Form of Proxy can be submitted through either one of the following avenues:

- (i) Lodgement of Form of Proxy in hard copy : To be deposited at Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at Tricor's Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) Electronic lodgement of Form of Proxy : The Form of Proxy can be lodged electronically via Tricor's TIIH Online website at <https://tiih.online>. Please follow the procedures for electronic lodgement of Form of Proxy in the Administrative Guide for this EGM.
9. A Member who has appointed a proxy to participate in this EGM must request his/her proxy to register himself/herself for the RPV at Tricor's TIIH Online website at <https://tiih.online>. Please follow the procedures in the Administrative Guide for this EGM.
10. The Administrative Guide on the conduct of a virtual EGM of the Company is available at the Company's website at <https://www.simedarby.com/investor/agmegm>.

FORM OF PROXY

Number of ordinary shares held	CDS Account No.

I/We
(FULL NAME OF SHAREHOLDER AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

(NRIC/Passport/Company No.) of
(ADDRESS)

.....
(ADDRESS)

Tel. No. and Email Address:being a member/members of SIME DARBY BERHAD hereby appoint

..... (NRIC/Passport No.)
(FULL NAME OF PROXY AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

of Tel. No. and Email Address:
(ADDRESS)

*and/or (NRIC/Passport No.)
(FULL NAME OF PROXY AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

of Tel. No. and Email Address:
(ADDRESS)

**or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to participate and vote for me/us and on my/our behalf at the Extraordinary General Meeting ("EGM") of Sime Darby Berhad ("Company") be held virtually through live streaming from the broadcast venue at Function Room, Ground Floor, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 16 November 2023 at 12.30 p.m. or after the conclusion of the Seventeenth Annual General Meeting of the Company or at any adjournment thereof, whichever is later, for the resolution as set out in the Notice of EGM.

My/our proxy/proxies is/are to vote as indicated below. If no indication is given, my/our proxy/proxies shall vote or abstain from voting as he/she/they think(s) fit.

Resolution	For	Against
PROPOSED ACQUISITION AND PROPOSED MGO		

(Please indicate with an "X" in the appropriate box against the resolution on how you wish your proxy/proxies to vote. The proxy/proxies is/are to vote on the resolution set out in the Notice of Meeting as you have indicated. If no specific instruction as to voting is given, this form will be taken to authorise the proxy/proxies to vote at his/her/their discretion.)

My/Our proxy/proxies is/are to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy/proxies shall vote or abstain from voting as he/she/they think(s) fit.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies must be indicated below:	
	Percentage (%)
First proxy	
Second proxy	

IMPORTANT: Disclosure of Shareholder's and Proxy's Personal Data

Please refer to the Notice to Shareholders under the Personal Data Protection Act 2010 ("PDPA Notice") in the Annual Report 2023 concerning the Company's collection of your personal data for the purpose of the Company's general meeting(s).

You hereby declare that you have read, understood and accepted the statements and terms contained in the PDPA Notice.

In disclosing the proxy's personal data, you as a shareholder, warrant that the proxy/proxies has/have given his/her/their explicit consent for his/her/their personal data being disclosed and processed in accordance with the Notice to Proxies under the Personal Data Protection Act 2010 attached.

Dated this day of 2023

.....
Signature/Common Seal of Member(s)

* Please delete as applicable.

** If you do not wish to appoint the Chairman of the Meeting as your proxy/one of your proxies, please strike out the words "or failing him/her, the Chairman of the Meeting" and insert the name(s) of the proxy/proxies you wish to appoint in the blank space(s) provided.



Notes:

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members and proxies WILL NOT BE ALLOWED to attend this EGM in person at the broadcast venue on the day of the EGM. Members and proxies are advised to participate and vote remotely at this EGM using the Remote Participation and Voting ("RPV") facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") through its TIH Online website at <https://tjih.online>. Members are advised to read the Administrative Guide carefully and follow the procedures in the Administrative Guide for this EGM in order to participate remotely.
2. For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Rule 64 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA"), to issue to the Company, a Record of Depositors as at 7 November 2023. Only a Member whose name appears on this Record of Depositors as at 7 November 2023 shall be entitled to attend this EGM or appoint a proxy to attend, participate, speak and vote on his/her behalf.
3. A Member entitled to attend and vote at this EGM is entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to attend, participate, speak and vote at this EGM on his/her behalf. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a Member of the Company. A Member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolution(s) at the EGM of the Company shall be put to vote by way of a poll.
5. Where a Member of the Company is an Authorised Nominee as defined under SICDA, he/she may appoint not more than two (2) proxies in respect of each Securities Account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at a meeting of the Company instead of him/her.
6. Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds PROVIDED THAT each beneficial owner of ordinary shares, or where the ordinary shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall only be entitled to instruct the Exempt Authorised Nominee to appoint not more than two (2) proxies to attend and vote at a general meeting of the Company instead of the beneficial owner or joint beneficial owners.
7. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. Any alteration to the instrument appointing a proxy must be initialed.
8. The Form of Proxy and power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority, must be deposited with Tricor not less than 24 hours before the time appointed for the taking of the poll or no later than Wednesday, 15 November 2023 at 12.30 p.m. The Form of Proxy can be submitted through either one of the following avenues:
 - (i) Lodgement of Form of Proxy in hard copy : To be deposited at Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at Tricor's Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (ii) Electronic lodgement of Form of Proxy : The Form of Proxy can be lodged electronically via Tricor's TIH Online website at <https://tjih.online>. Please follow the procedures for electronic lodgement of Form of Proxy in the Administrative Guide for this EGM.
9. A Member who has appointed a proxy to participate in this EGM must request his/her proxy to register himself/herself for the RPV at Tricor's TIH Online website at <https://tjih.online>. Please follow the procedures in the Administrative Guide for this EGM.
10. The Administrative Guide on the conduct of a virtual EGM of the Company is available at the Company's website at <https://www.simedarby.com/investor/agmeggm>.

1st Fold Here

AFFIX
STAMP

THE SHARE REGISTRAR

SIME DARBY BERHAD (200601032645 (752404-U))
c/o Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

2nd Fold Here

Fold This Flap For Sealing