



QUARTERLY REPORT

On the consolidated results for the first quarter ended 30 September 2023

The Directors are pleased to announce the following:

Unaudited Condensed Consolidated Statement of Profit or Loss Amounts in RM million unless otherwise stated

	Note	Quarter ended 30 September		% +/(-)
		2023	2022	
<u>Continuing operations</u>				
Revenue	A7	13,980	12,182	14.8
Operating expenses		(13,506)	(11,865)	
Other operating income		58	56	
Other gains and losses		288	(20)	
Operating profit		820	353	>100.0
Share of results of joint ventures and associates		10	14	
Profit before interest and tax	A7	830	367	>100.0
Finance income		27	11	
Finance costs		(129)	(57)	
Profit before tax	B5	728	321	>100.0
Taxation	B6	(154)	(97)	
Profit from continuing operations		574	224	>100.0
<u>Discontinuing/discontinued operations</u>				
Profit from discontinuing/discontinued operations		24	3	
Profit for the period		598	227	>100.0
Attributable to owners of:				
- the Company				
- from continuing operations		565	204	>100.0
- from discontinuing/discontinued operations		24	3	
		589	207	>100.0
- non-controlling interests				
- from continuing operations		9	20	
Profit for the period		598	227	>100.0
		Sen	Sen	
Basic earnings per share attributable to owners of the Company	B12			
- from continuing operations		8.3	3.0	>100.0
- from discontinuing/discontinued operations		0.3	0.1	
Total		8.6	3.1	>100.0

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2023.

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

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

	Quarter ended	
	30 September	
	2023	2022
Profit for the period	<u>598</u>	<u>227</u>
Other comprehensive (loss)/income		
<u>Continuing operations</u>		
Items that will be reclassified subsequently to profit or loss:		
Currency translation differences	(186)	13
Share of other comprehensive (loss)/income of joint ventures and associates	(3)	6
Net changes in fair value of cash flow hedges	(6)	18
Tax credit/(expense)	<u>2</u>	<u>(5)</u>
	(193)	32
Currency translation differences on repayment of net investment reclassified to profit or loss	(13)	–
Changes in fair value of cash flow hedges reclassified to profit or loss and inventories	(7)	(41)
Tax credit	<u>2</u>	<u>12</u>
Other comprehensive (loss)/income from continuing operations	(211)	3
<u>Discontinuing/discontinued operations</u>		
Other comprehensive loss from discontinuing/discontinued operations	<u>(5)</u>	<u>(4)</u>
Total other comprehensive loss	<u>(216)</u>	<u>(1)</u>
Total comprehensive income for the period	<u><u>382</u></u>	<u><u>226</u></u>
Attributable to owners of:		
- the Company		
- from continuing operations	354	208
- from discontinuing/discontinued operations	<u>19</u>	<u>(1)</u>
	373	207
- non-controlling interests		
- from continuing operations	<u>9</u>	<u>19</u>
Total comprehensive income for the period	<u><u>382</u></u>	<u><u>226</u></u>

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2023.

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

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

	Note	Unaudited As at 30 September 2023	Audited As at 30 June 2023
<u>Non-current assets</u>			
Property, plant and equipment		8,095	7,990
Right-of-use assets		2,672	2,669
Investment properties		257	258
Intangible assets		2,227	2,306
Joint ventures and associates ¹		414	1,175
Financial assets at fair value through profit or loss		66	66
Deferred tax assets		659	648
Derivative assets	B9(a)	5	5
Receivables and other assets		307	296
		14,702	15,413
<u>Current assets</u>			
Inventories		11,232	11,454
Financial assets at fair value through profit or loss		78	78
Receivables, contract assets and other assets		6,270	5,930
Prepayments		1,231	920
Tax recoverable		112	129
Derivative assets	B9(a)	21	27
Bank balances, deposits and cash		2,909	3,086
		21,853	21,624
Assets held for sale¹		780	3
Total assets		37,335	37,040
<u>Equity</u>			
Share capital		9,330	9,330
Reserves		7,287	7,596
Attributable to owners of the Company		16,617	16,926
Non-controlling interests		366	357
Total equity		16,983	17,283
<u>Non-current liabilities</u>			
Borrowings	B8	2,054	2,246
Lease liabilities		2,134	2,162
Payables, contract liabilities and other liabilities		295	307
Deferred tax liabilities		438	448
		4,921	5,163
<u>Current liabilities</u>			
Borrowings	B8	5,027	3,611
Lease liabilities		462	435
Derivative liabilities	B9(a)	39	27
Payables and other liabilities		6,915	7,384
Contract liabilities		2,395	2,567
Provisions		427	427
Tax payable		166	143
		15,431	14,594
Total liabilities		20,352	19,757
Total equity and liabilities		37,335	37,040
Net assets per share attributable to owners of the Company (RM)		2.44	2.48

¹ The Group's investment in Ramsay Sime Darby Healthcare Sdn Bhd has been reclassified from joint ventures to assets held for sale during the quarter ended 30 September 2023.

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2023.

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

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

	Share capital	Capital reserve	Legal reserve	Hedging reserve	Exchange reserve	Retained profits	Reserves	Attributable to owners of the Company	Non-controlling interests	Total equity
Quarter ended 30 September 2023										
At 1 July 2023	9,330	223	136	–	760	6,477	7,596	16,926	357	17,283
Total comprehensive (loss)/income for the period	–	–	–	(6)	(209)	588	373	373	9	382
Dividends paid	–	–	–	–	–	(682)	(682)	(682)	–	(682)
At 30 September 2023	9,330	223	136	(6)	551	6,383	7,287	16,617	366	16,983

	Share capital	Share grant reserve	Capital reserve	Legal reserve	Hedging reserve	Exchange reserve	Retained profits	Reserves	Attributable to owners of the Company	Non-controlling interests	Total equity
Quarter ended 30 September 2022											
At 1 July 2022	9,318	9	246	148	2	575	5,712	6,692	16,010	361	16,371
Total comprehensive (loss)/income for the period	–	–	–	–	(15)	15	207	207	207	19	226
Dividends paid	–	–	–	–	–	–	(511)	(511)	(511)	–	(511)
Performance-based employee share scheme expenses	–	1	–	–	–	–	–	1	1	–	1
At 30 September 2022	9,318	10	246	148	(13)	590	5,408	6,389	15,707	380	16,087

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2023.

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

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

	Quarter ended	
	30 September	
	2023	2022
Cash flow from operating activities		
Profit for the period from continuing operations	574	224
Adjustments for:		
Share of results of joint ventures and associates	(10)	(14)
Finance income	(27)	(11)
Finance costs	129	57
Taxation	154	97
Net gain on disposal of fixed assets	(277)	–
Depreciation and amortisation	403	291
Impairment of fixed assets/(Reversal of impairment of fixed assets) (net)	1	(1)
Impairment of receivables (net)	3	4
Inventory write-down and provision	45	19
Fair value gain on financial assets at fair value through profit or loss	(1)	–
Other non-cash items	(12)	9
	<u>982</u>	<u>675</u>
Changes in working capital:		
Inventories	52	(66)
Rental assets	(339)	(205)
Trade, other receivables and prepayments	(725)	345
Trade, other payables and provisions	(432)	(389)
Cash (used in)/generated from operations	<u>(462)</u>	<u>360</u>
Tax paid (net)	(125)	(121)
Dividends received from associate	9	1
Operating cash flow (used in)/from continuing operations	<u>(578)</u>	<u>240</u>
Operating cash flow from discontinued operations	–	17
Net cash flow (used in)/from operating activities	<u>(578)</u>	<u>257</u>
Cash flow from investing activities		
Finance income received	24	8
Purchase of fixed assets	(205)	(209)
Acquisition of subsidiary ¹	(30)	(30)
Additions to financial assets at fair value through profit or loss	–	(10)
Proceeds from disposals	256	38
Investing cash flow from/(used in) continuing operations	<u>45</u>	<u>(203)</u>
Investing cash flow from discontinued operations	–	6
Net cash flow from/(used in) investing activities	<u>45</u>	<u>(197)</u>

Fixed assets consist of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

¹ Relates to part payment of the consideration payable for the acquisition of Salmon Earthmoving Holdings Pty Ltd.

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

	Note	Quarter ended 30 September 2023	2022
Cash flow from financing activities			
Finance costs paid		(88)	(32)
Net borrowings raised		1,260	407
Repayment of lease liabilities		(161)	(130)
Dividends paid to shareholders		(682)	(511)
Dividends paid to non-controlling interests ²		(26)	(13)
Financing cash flow from/(used in) continuing operations		<u>303</u>	<u>(279)</u>
Financing cash flow used in discontinued operations		–	(2)
Net cash flow from/(used in) financing activities		<u>303</u>	<u>(281)</u>
Net decrease in cash and cash equivalents		(230)	(221)
Foreign exchange differences		(15)	11
Cash and cash equivalents at beginning of the period		<u>2,938</u>	<u>1,658</u>
Cash and cash equivalents at end of the period		<u>2,693</u>	<u>1,448</u>
For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		2,909	1,366
Less:			
Bank overdrafts	B8	<u>(216)</u>	<u>(77)</u>
		2,693	1,289
Cash and cash equivalents included under disposal group		–	159
		<u>2,693</u>	<u>1,448</u>

² Dividends paid to other shareholders of non-wholly owned subsidiaries. The amount paid in the current period includes RM26 million declared in the previous financial year (previous corresponding period: RM13 million).

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2023.

EXPLANATORY NOTES

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting. The interim financial report is unaudited and should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 30 June 2023.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 30 June 2023, except as set out below.

a) New accounting pronouncements

i) Accounting pronouncements adopted for this interim financial report that do not have a material impact on the Group in the current quarter are set out below:

- MFRS 17 – ‘Insurance contracts and amendments to MFRS 17’
- Amendments to MFRS 17 ‘Initial application of MFRS 17’ and MFRS 9 – ‘Comparative information’
- Amendments to MFRS 101 and MFRS Practice Statement 2 ‘Disclosure of accounting policies’
- Amendments to MFRS 108 ‘Definition of accounting estimates’
- Amendments to MFRS 112 ‘Deferred tax related to assets and liabilities arising from a single transaction’
- Amendments to MFRS 112 ‘International tax reform – Pillar Two model rules’

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

Effective for annual reporting periods beginning on or after 1 January 2024

- Amendments to MFRS 16 ‘Lease liability in a sale and leaseback’
- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’
- Amendments to MFRS 101 ‘Non-current liabilities with covenants’
- Amendments to MFRS 107 and MFRS 7 ‘Supplier finance arrangements’

Effective for annual reporting periods beginning on or after 1 January 2025

- Amendments to MFRS 121 ‘Lack of Exchangeability’

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

- Amendments to MFRS 10 ‘Consolidated financial statements’
- MFRS 128 ‘Investments in associates and joint ventures - sale or contribution of assets between an investor and its associate or joint venture’.

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Explanatory Notes on the Quarterly Report – 30 September 2023
Amounts in RM million unless otherwise stated

A2. Seasonal or Cyclical Factors

The Group's operations are not materially affected by seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

Except as disclosed in the financial statements on pages 1 to 6 and notes B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

A4. Material Changes in Estimates

Except as disclosed in notes B1 and B2, there were no material changes in the estimates of amounts reported in the previous financial years that have a material effect on the results for the current quarter under review.

A5. Debt and Equity Securities

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

A6. Dividends Paid to Shareholders

The second interim dividend of 10.0 sen per share amounting to RM682 million for the financial year ended 30 June 2023 was paid by way of cash on 29 September 2023.

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

Explanatory Notes on the Quarterly Report – 30 September 2023
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A7. Segment Information

The results of the Healthcare division for the current and previous financial years have been reclassified as discontinuing operations in view of the proposed disposal of the Group's entire equity interest in Ramsay Sime Darby Health Care Sdn Bhd. The discontinued operations relates to the Logistics division. Refer also to A10.

	<u>Continuing operations</u>					<u>Discontinuing/ discontinued operations</u>		
	Industrial	Motors	Others	Corporate/ Intra-group adjustments	Total	Logistics	Healthcare	Total
Quarter ended 30 September 2023								
Segment revenue:								
External	4,741	9,221	18	–	13,980	–	–	13,980
Inter-segment	1	3	4	(8)	–	–	–	–
	4,742	9,224	22	(8)	13,980	–	–	13,980
Profit/(Loss) before interest and tax	358	203	283	(14)	830	–	24	854
Net finance costs					(102)	–	–	(102)
Taxation					(154)	–	–	(154)
Profit for the period					574	–	24	598
Quarter ended 30 September 2022								
Segment revenue:								
External	4,212	7,955	15	–	12,182	44	–	12,226
Inter-segment	1	3	–	(4)	–	–	–	–
	4,213	7,958	15	(4)	12,182	44	–	12,226
Profit/(Loss) before interest and tax	216	176	(7)	(18)	367	(18)	19	368
Net finance (costs)/income					(46)	3	–	(43)
Taxation					(97)	(1)	–	(98)
Profit/(Loss) for the period					224	(16)	19	227

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Explanatory Notes on the Quarterly Report – 30 September 2023
Amounts in RM million unless otherwise stated

A7. Segment Information (continued)

	Continuing operations					Discontinuing operations	
	Industrial	Motors	Others	Corporate/ Intra-group adjustments	Total	Healthcare	Total
As at 30 September 2023							
Segment assets	16,601	16,419	453	2,313	35,786	778	36,564
Segment liabilities	(3,757)	(5,843)	(463)	(8)	(10,071)	–	(10,071)
Segment invested capital	12,844	10,576	(10)	2,305	25,715	778	26,493
Net tax assets					167	–	167
Borrowings and lease liabilities					(9,677)	–	(9,677)
Total equity					16,205	778	16,983
As at 30 June 2023							
Segment assets	16,809	15,803	416	2,476	35,504	759	36,263
Segment liabilities	(4,501)	(5,732)	(466)	(13)	(10,712)	–	(10,712)
Segment invested capital	12,308	10,071	(50)	2,463	24,792	759	25,551
Net tax assets					186	–	186
Borrowings and lease liabilities					(8,454)	–	(8,454)
Total equity					16,524	759	17,283

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Explanatory Notes on the Quarterly Report – 30 September 2023
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A7. Segment information (continued)

Revenue from continuing operations comprise the following:

	Quarter ended 30 September	
	2023	2022
Revenue from contracts with customers	13,402	11,915
Rental income	578	267
	13,980	12,182

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

Quarter ended 30 September 2023	Industrial	Motors	Others	Total
<u>Continuing operations</u>				
<u>Segment revenue</u>				
Sale of equipment and vehicles	1,678	7,625	–	9,303
Sale of parts, assembly charges and provision of after-sales services	2,472	1,305	–	3,777
Engineering services	103	–	3	106
Commission, handling fees and others	–	205	11	216
	4,253	9,135	14	13,402
<u>Geographical location</u>				
Malaysia	295	2,113	13	2,421
China	552	3,917	-	4,469
Other countries in Asia	260	1,485	1	1,746
Australasia	3,146	1,620	-	4,766
	4,253	9,135	14	13,402
<u>Timing of revenue recognition</u>				
At a point in time	3,418	7,897	10	11,325
Over time	835	1,238	4	2,077
	4,253	9,135	14	13,402

Quarter ended 30 September 2022	Industrial	Motors	Others	Total
<u>Continuing operations</u>				
<u>Segment revenue</u>				
Sale of equipment and vehicles	2,011	6,592	–	8,603
Sale of parts, assembly charges and provision of after-sales services	1,950	1,155	–	3,105
Engineering services	59	–	–	59
Commission, handling fees and others	–	139	9	148
	4,020	7,886	9	11,915

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Explanatory Notes on the Quarterly Report – 30 September 2023
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A7. Segment information (continued)

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

Quarter ended 30 September 2022	Industrial	Motors	Others	Total
Geographical location				
Malaysia	219	1,357	8	1,584
China	686	3,881	–	4,567
Other countries in Asia	229	1,285	1	1,515
Australasia	2,886	1,363	–	4,249
	<u>4,020</u>	<u>7,886</u>	<u>9</u>	<u>11,915</u>
Timing of revenue recognition				
At a point in time	3,238	6,821	7	10,066
Over time	782	1,065	2	1,849
	<u>4,020</u>	<u>7,886</u>	<u>9</u>	<u>11,915</u>

A8. Capital Commitments

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

	As at 30 September 2023	As at 30 June 2023
- Property, plant and equipment	953	962
- Other capital expenditure	8	15
	<u>961</u>	<u>977</u>

On 14 August 2023, the Group 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 million (RM1,510 million), on a cash-free and debt-free basis and subject to customary adjustments for working capital, capital expenditure and stocktake. The acquisition was completed on 1 November 2023. Refer also to A10.

On 24 August 2023, the Group entered into a conditional share purchase agreement with Permodalan Nasional Berhad and Amanahraya Trustees Berhad as trustee for several unit trust funds to acquire approximately 61.2% equity interest in UMW Holdings Berhad for a total cash consideration of RM3,574 million. Refer also to A10.

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Explanatory Notes on the Quarterly Report – 30 September 2023
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A9. Significant Related Party Transactions

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

	Quarter ended 30 September	
	2023	2022
a. Transactions with joint ventures and associates		
<u>Continuing operations</u>		
Purchase of products and services from Sitech Construction Systems Pty Ltd	5	3
Contribution paid to Yayasan Sime Darby	15	10
<u>Discontinued operations</u>		
Loans repaid by Weifang Sime Darby Liquid Terminal Co Ltd	–	6
b. Transactions between subsidiaries and non-controlling interests		
<u>Continuing operations</u>		
Contract assembly service provided by Inokom Corporation Sdn Bhd (“ICSB”) to Mazda Malaysia Sdn Bhd	27	20
Contract assembly service provided by ICSB to Kia Malaysia Sdn Bhd	9	6
Rental income received by ICSB from Mazda Malaysia Sdn Bhd and Bermaz Motor Trading Sdn Bhd	1	1

c. Transactions with shareholders and their related companies

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad together, as at 30 September 2023, own approximately 47% of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra (“YPB”). The Group considers that, for the purpose of MFRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as government-related entities) are related parties of the Group and the Company.

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

	Quarter ended 30 September	
	2023	2022
<u>Continuing operations</u>		
Sales, servicing and leasing of equipment and vehicles	6	1
Rental income	3	4

On 24 August 2023, the Group entered into a conditional share purchase agreement with Permodalan Nasional Berhad and Amanahraya Trustees Berhad as trustee for several unit trust funds to acquire approximately 61.2% equity interest in UMW Holdings Berhad for a total cash consideration of RM3,574 million. Refer also to A10.

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Explanatory Notes on the Quarterly Report – 30 September 2023
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A10. Material Events Subsequent to the End of the Financial Period

Other than the events below, there were no material events subsequent to the end of the current quarter under review to 24 November 2023, being a date not earlier than 7 days from the date of issue of the quarterly report.

- a) On 14 August 2023, the Group 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 million (RM1,510 million), on a cash-free and debt-free basis and subject to customary adjustments for working capital, capital expenditure and stocktake. The acquisition was completed on 1 November 2023 and the provisional purchase consideration was AUD535 million (RM1,615 million), subject to finalisation of the completion accounts.
- b) On 24 August 2023, the Group entered into a conditional share purchase agreement (“SPA”) with Permodalan Nasional Berhad and Amanahraya Trustees Berhad as trustee for several unit trust funds to acquire approximately 61.2% equity interest in UMW Holdings Berhad for a total cash consideration of RM3,574 million (“Proposed UMW Acquisition”). The Proposed UMW Acquisition was approved by the shareholders of Sime Darby Berhad on 16 November 2023. On 24 November 2023, the Group announced that the parties have mutually agreed to extend the cut-off date for the fulfillment of the Conditions Precedent under the SPA to 1 December 2023. When the SPA becomes unconditional, the Group will be obliged to undertake a mandatory take-over offer to acquire the remaining equity interest in UMW Holdings Berhad not owned by the Group (“Proposed UMW MGO”). The Proposed UMW Acquisition is deemed a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Barring any unforeseen circumstances, the Proposed UMW Acquisition is expected to be completed by the fourth quarter of calendar year 2023 and followed by the completion of the Proposed UMW MGO by the first quarter of calendar year 2024.
- c) On 10 November 2023, the Group and AH Holdings Health Care Pty Ltd, a subsidiary of Ramsay Health Care Limited (“Ramsay”) entered into a Sale and Purchase Agreement with Columbia Asia Healthcare Sdn Bhd to dispose 100% equity interest held in Ramsay Sime Darby Health Care Sdn Bhd (“RSDH”) for a cash consideration of RM5,683 million (“Proposed Disposal”). RSDH is a 50:50 indirect joint venture between the Group and Ramsay. Accordingly, the Group will be disposing of its entire 50% equity interest held in RSDH under the Proposed Disposal for RM2,842 million. Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the end of the first quarter of calendar year 2024.

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

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

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Explanatory Notes on the Quarterly Report – 30 September 2023
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A12. Contingent Liabilities – unsecured

a) Guarantees

In the ordinary course of business, the Group issues surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. A liability from the performance would only arise in the event the Group fails to fulfil its contractual obligations.

The performance guarantees are as follows:

	As at 30 September 2023	As at 30 June 2023
<u>Continuing operations</u>		
Performance guarantees and advance payment guarantees to customers of the Group	<u>2,167</u>	<u>2,184</u>

In addition, the Group guarantees the payment from its customers under a risk sharing arrangement with a third party leasing company in connection with the sale of its equipment up to a pre-determined amount. As at 30 September 2023, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM153 million (30 June 2023: RM197 million).

b) Claims

	As at 30 September 2023	As at 30 June 2023
<u>Continuing operations</u>		
Potential claims	<u>14</u>	<u>12</u>

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

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

B1. Review of Group Performance

	Quarter ended 30 September		
	2023	2022	% +/(–)
<u>Continuing operations</u>			
Revenue	13,980	12,182	14.8
Segment results:			
Industrial	358	216	65.7
Motors	203	176	15.3
Others	4	(7)	>100.0
	565	385	46.8
Gain on disposal of Malaysia Vision Valley (“MVV”) land	279	–	
Foreign exchange gain from repayment of net investments	13	–	
Corporate expenses	(27)	(18)	
Profit before interest and tax	830	367	>100.0
Finance income	27	11	
Finance costs	(129)	(57)	
Profit before tax	728	321	>100.0
Taxation	(154)	(97)	
Profit from continuing operations	574	224	>100.0
Non-controlling interests	(9)	(20)	
Profit from continuing operations attributable to owners of the Company	565	204	>100.0
<u>Discontinuing/discontinued operations</u>			
Profit/(Loss) from discontinuing/discontinued operations attributable to owners of the Company:			
Healthcare	24	19	
Logistics	–	(16)	
Profit attributable to owners of the Company	589	207	>100.0

The analysis of the results for the quarter ended 30 September 2023 against the quarter ended 30 September 2022 is as follows:

The Group’s profit attributable to owners of the Company (“Net Profit”) was higher by 184.5% at RM589 million. Included in the results is gain on disposal of MVV land to Sime Darby Property of RM251 million (after tax). Excluding this, the Net Profit was still higher by 63.3% mainly due to higher profit from Industrial division partly offset by higher finance costs.

a) Industrial

Profit before interest and tax (“PBIT”) increased by 65.7% to RM358 million in the current quarter mainly due to 66.1% increase in profit from Australasia from RM186 million to RM309 million. The increase was mainly due to higher product support revenue and profit contribution from Onsite Rental which was acquired in April 2023.

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B1. Review of Group Performance (continued)

b) Motors

PBIT increased by 15.3% to RM203 million in the current quarter as higher profit from the Malaysian operations was partly offset by lower profit from the China operations. In Malaysia, PBIT increased by 80.0% as a result of higher contribution from the assembly and strategic businesses.

Profit from the China operations declined by 60.4% mainly due to lower margins at the Mainland China operations.

c) Finance costs

The higher finance costs were predominantly due to higher interest rates and higher average borrowings (mainly arising from the Onsite Rental acquisition).

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

	Quarter ended		
	30 September 2023	30 June 2023	% +/(-)
<u>Continuing operations</u>			
Revenue	<u>13,980</u>	<u>13,286</u>	5.2
Segment results:			
Industrial	358	375	(4.5)
Motors	203	555	(63.4)
Others	4	(12)	>100.0
	<u>565</u>	<u>918</u>	(38.5)
Gain on disposal of MVV land	279	-	
Foreign exchange gain from repayment of net investments	13	10	
Corporate expenses	(27)	(21)	
Profit before interest and tax	<u>830</u>	<u>907</u>	(8.5)
Finance income	27	23	
Finance costs	(129)	(127)	
Profit before tax	<u>728</u>	<u>803</u>	(9.3)
Taxation	(154)	(176)	
Profit from continuing operations	<u>574</u>	<u>627</u>	(8.5)
Non-controlling interests	(9)	(14)	
Profit from continuing operations attributable to owners of the Company	<u>565</u>	<u>613</u>	(7.8)
<u>Discontinuing operations</u>			
Profit from discontinuing operations attributable to owners of the Company:			
Healthcare	24	9	
Profit attributable to owners of the Company	<u>589</u>	<u>622</u>	(5.3)

The analysis of the results for the quarter ended 30 September 2023 against the quarter ended 30 June 2023 is as follows:

The Group's Net Profit in the current quarter was 5.3% lower against the preceding quarter. This was mainly due to gain on disposal of Motors properties of RM177 million (net of deferred tax adjustment) and Motors dividend income of RM194 million in the preceding quarter while the current quarter includes gain on disposal of MVV land of RM251 million (after tax).

a) Industrial

PBIT decreased by 4.5% to RM358 million in the current quarter predominantly due to lower profit from the Australasia operations, which stemmed from lower equipment revenue and share of results from associates.

b) Motors

PBIT for the quarter decreased by 63.4% to RM203 million. The preceding quarter included dividend income of RM194 million and gain on disposal of properties of RM179 million. Excluding these items, PBIT increased by 11.5%, mainly due to higher profit from the Malaysian operations.

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B3. Prospects

The Group's results in the current year continue to be affected by challenging business conditions in China for both the Industrial and Motors divisions. In addition, expectation that interest rates will remain high for an extended period as well as the impact of geopolitical tensions continue to weigh on global economic growth.

The mining sector in Australia is expected to benefit from high commodity prices, supporting the Industrial division's continued strong order book. In China, the timing of the construction industry's recovery remains uncertain. The recent acquisitions of Onsite Rental (acquired in April 2023) and Cavpower group (acquired in November 2023) are expected to contribute positively to the results of the Industrial division.

The Motors division's operations in Mainland China are expected to continue to face challenging business conditions in the current financial year. In Malaysia, growth is expected to moderate following the expiration of the sales tax exemption. However, tax incentives for electric vehicles and the introduction of new models are expected to support demand.

When completed, the acquisition of UMW Holdings would further strengthen the Group's Motors division, particularly its Malaysian operations and also expand the Industrial division's material handling business. The proposed acquisition is expected to contribute positively to the Group's results in the second half of the financial year.

Taking into account the one-off gains mainly from the disposal of non-core assets expected to be recognised in the current financial year, the Board expects the Group's financial performance for the financial year ending 30 June 2024 to be better than that of the previous financial year.

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

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

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B5. Profit before tax

	Quarter ended 30 September	
	2023	2022
Included in operating profit of continuing operations are:		
Depreciation and amortisation	(403)	(291)
Inventory write-down and provision	(45)	(19)
Impairment of receivables (net)	(3)	(4)
(Impairment of fixed assets)/Reversal of impairment of fixed assets (net)	(1)	1
Gain on disposal of properties	279	–
Fair value gain on financial assets at fair value through profit or loss	1	–
Net loss on disposal of other fixed assets	(2)	–
Net foreign exchange gain/(loss)	9	(25)
Net gain on derivatives	2	4
	<u>2</u>	<u>4</u>

B6. Taxation

	Quarter ended 30 September	
	2023	2022
Continuing operations		
Current tax:		
- current year	159	103
- previous years	6	2
	<u>165</u>	<u>105</u>
Deferred tax:		
- origination and reversal of temporary differences and other deferred tax adjustments	(11)	(8)
	<u>154</u>	<u>97</u>
Discontinued operations	<u>–</u>	<u>1</u>

The effective tax rate of continuing operations (excluding share of results of joint ventures and associates) for the current quarter ended 30 September 2023 of 21.4% was lower than the applicable tax rate for the current quarter of 25.3%, mainly due to the lower Real Property Gains Tax rate applicable to the gain on disposal of land in Malaysia, partly offset by adjustments to tax expense relating to prior years.

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B7. Status of Corporate Proposals

The corporate proposals announced but not completed as at 21 November 2023 are as follows:

- a) On 24 August 2022, the Group entered into a Sale and Purchase Agreement (“SPA”) with NS Corporation for the disposal of approximately 1,382.2 acres of land located in the Malaysia Vision Valley area in Labu, Negeri Sembilan, for a cash consideration of RM460 million. On 23 September 2022, the Group entered into a second SPA with NS Corporation for the disposal of approximately 1,281.8 acres of land located in the Malaysia Vision Valley area for a cash consideration of RM445 million.

The agreements are expected to be completed in the financial year ending 30 June 2025, subject to further extension as may be mutually agreed.

- b) On 24 August 2023, the Group entered into a conditional share purchase agreement with Permodalan Nasional Berhad and Amanahraya Trustees Berhad to acquire approximately 61.2% equity interest in UMW Holdings Berhad. Refer also to A10.
- c) On 10 November 2023, the Group entered into a Sale and Purchase Agreement with Columbia Asia Healthcare Sdn Bhd to dispose of its 50% equity interest held in RSDH for a cash consideration of RM2,842 million. Refer also to A10.

B8. Group Borrowings

The breakdown of the borrowings as at 30 September 2023 is as follows:

	Secured	Unsecured	Total
<u>Long-term</u>			
Term loans	<u>20</u>	<u>2,034</u>	<u>2,054</u>
<u>Short-term</u>			
Term loans due within one year	10	412	422
Bank overdrafts	–	216	216
Islamic financing	–	1,339	1,339
Revolving credits, bankers acceptances, trade facilities and other short-term borrowings	<u>–</u>	<u>3,050</u>	<u>3,050</u>
	<u>10</u>	<u>5,017</u>	<u>5,027</u>
Total borrowings	<u><u>30</u></u>	<u><u>7,051</u></u>	<u><u>7,081</u></u>

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B8. Group Borrowings (continued)

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

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	–	1,344	1,344
Australian dollar	2,034	1,736	3,770
Chinese renminbi	–	397	397
Hong Kong dollar	–	4	4
New Zealand dollar	–	817	817
Pacific franc	20	16	36
Singapore dollar	–	257	257
Taiwan dollar	–	149	149
Thailand baht	–	103	103
United States dollar	–	162	162
European Union euro	–	15	15
Indonesian rupiah	–	27	27
Total borrowings	<u>2,054</u>	<u>5,027</u>	<u>7,081</u>

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

B9. Financial Instruments

a) Derivatives

The Group uses forward foreign exchange contracts and interest rate swap contracts primarily to manage its exposure to financial risks. The fair values of these contracts as at 30 September 2023 are as follows:

	Classification in Statement of Financial Position		Net fair value
	Assets	Liabilities	
Forward foreign exchange contracts	23	(39)	(16)
Interest rate swap contracts	3	–	3
	<u>26</u>	<u>(39)</u>	<u>(13)</u>

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 30 June 2023.

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

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B9. Financial Instruments (continued)

a) Derivatives (continued)

Forward foreign exchange contracts

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

As at 30 September 2023, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional Amount	Net fair value liabilities
- less than 1 year	3,870	(21)
- 1 year to 3 years	127	5
	<u>3,997</u>	<u>(16)</u>

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to reduce the Group's exposure to adverse fluctuations in interest rates on underlying debt instruments. The differences between the rates calculated by reference to the agreed notional principal amounts are exchanged at periodic intervals. All changes in fair value during the period are recognised in the other comprehensive income unless hedge accounting is not applied, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 30 September 2023, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Notional Amount	Fair Value Assets
- less than 1 year	<u>143</u>	<u>3</u>

b) Financial instruments measured at fair value

The measurement and categorisation of the financial instruments carried at fair value are as follows:

Financial assets at fair value through profit or loss

The fair values of these assets are based on valuation techniques with significant unobservable inputs (Level 3) as quoted market prices in active markets (Level 1) or valuation techniques using market observable inputs (Level 2) are not available.

Derivatives

The fair values of derivatives are based on price quotes for similar instruments or valuation techniques based on market observable inputs (Level 2) as quoted prices of identical instruments from an active market (Level 1) are not available.

The fair value of forward foreign exchange contracts are calculated using observable forward exchange rates at the end of the reporting period, with the resulting value discounted to present value.

The fair value of interest rate swap contracts are calculated as the present value of the estimated future cash flows based on observable yield curves.

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B9. Financial Instruments (continued)

c) Fair Value Changes of Financial Liabilities

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

B10. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 21 November 2023 are as follows:

a) Qatar Petroleum Project (“QP Project”), Maersk Oil Qatar Project (“MOQ Project”) and the Marine Project Civil Suit (“Oil & Gas Suit”)

On 23 December 2010, Sime Darby Berhad and four subsidiaries (collectively, “the Plaintiffs”) filed a civil suit against Dato’ Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato’ Mohamad Shukri Baharom, Abdul Rahim Ismail, Abdul Kadir Alias and Mohd Zaki Othman (collectively, “the Defendants”) for damages arising from the Defendants’ negligence and breaches of duty relating to the QP Project, the MOQ Project and the project relating to the construction of a derrick lay barge for an aggregate amount of RM93 million and USD79 million (approximately RM367 million) together with general and aggravated damages and other relief.

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

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

The hearing for the assessment of damages continued on 27 July 2023.

The Court then tentatively fixed 1 December 2023 to continue with the hearing for the assessment of damages pending the hearing of the Plaintiffs’ application to set aside subpoenas served on a director and a former director to appear as witnesses.

b) Bakun Hydroelectric Project (“Bakun Project”) and the Indemnity Agreement Civil Suit (“Bakun Suit”)

On 24 December 2010, Sime Darby Berhad and three subsidiaries (collectively, “the Plaintiffs”) filed a civil suit against Dato’ Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato’ Mohamad Shukri Baharom (“DMS”) and Abdul Rahim Ismail (collectively, “the Defendants”) for damages in connection with the Defendants’ negligence and breaches of duty relating to the Package CW2-Main Civil Works for the Bakun Project and in respect of the Receipt, Discharge and Indemnity Agreement dated 12 January 2010 given to DMS for an aggregate amount of RM91 million together with general and aggravated damages to be assessed and other relief.

On 13 June 2014, all the Defendants consented to an Interlocutory Judgement being recorded on the Defendants’ liability and for damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce any final judgement entered after the assessment of damages, upon the Malaysia-China Hydro Joint Venture receiving full settlement from Sarawak Hidro Sdn Bhd or the Ministry of Finance in relation to the Bakun Project, or after the expiry of 3 years from the date of final judgement, whichever is earlier.

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

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B10. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 21 November 2023 are as follows: (continued)

c) B-193 Process Platform Project (“PP Project”)

Sime Darby Engineering Sdn Bhd (“SDE”) and Swiber Offshore Construction Pte Ltd (“SOC”) entered into a Consortium Agreement to govern their relationship as a consortium (“the Consortium”) to undertake works relating to the PP Project awarded by Oil and Natural Gas Corporation Ltd (“ONGC”). A contract dated 3 July 2010 was executed for a total contract price of USD618 million (approximately RM2.9 billion).

Disputes have arisen between the Consortium and ONGC and on 1 June 2016, the Consortium initiated arbitration proceedings against ONGC. SDE’s portion of the Consortium’s claim is circa USD76 million (approximately RM353 million).

On 22 March 2018, the tribunal ordered ONGC to pay the Consortium a net sum of USD5.12 million (approximately RM24 million), together with interest at 14% per annum, as full and final settlement of all claims. On 27 March 2018, ONGC filed an application at the High Court in Mumbai, India to set aside the arbitration award.

On 16 October 2020, SDE and Swiber filed enforcement proceedings against ONGC to seek recovery of the arbitration award. The warrant of attachment for movable properties was issued by the Court. On 19 April 2021, ONGC deposited a sum of INR 447 million (approximately RM25 million) to the Court, which includes interest at 14% on the principal sum awarded from the period of 22 March 2018 to 25 August 2020.

As a result of the sum deposited by ONGC, the award rendered by the arbitral tribunal has been stayed until the Court hears ONGC’s application to set aside the arbitration award. The Court had fixed 31 October 2023 to hear the application to set aside the arbitration award. However, the judge was on leave and the matter was not taken up. Pending new date from the Court.

B11. Dividend

On 24 August 2023, the Board declared a second interim dividend in respect of the financial year ended 30 June 2023, which was paid on 29 September 2023.

The total dividend is as follows:

	Per share (sen)	Total dividends
Second interim dividend	<u>10.0</u>	<u>682</u>

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B12. Earnings Per Share

	Quarter ended 30 September	
	2023	2022
Basic earnings per share attributable to owners of the Company are computed as follows:		
Profit attributable to owners of the Company		
- continuing operations	565	204
- discontinuing/discontinued operations	24	3
	<u>589</u>	<u>207</u>
Weighted average number of ordinary shares in issue (million)	<u>6,816</u>	<u>6,810</u>
Basic earnings per share (sen)		
- continuing operations	8.3	3.0
- discontinuing/discontinued operations	0.3	0.1
	<u>8.6</u>	<u>3.1</u>

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

Petaling Jaya
27 November 2023

By Order of the Board
Noor Zita Hassan
Group Secretary