



QUARTERLY REPORT

On the consolidated results for the third quarter ended 31 March 2022

The Directors are pleased to announce the following:

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

	Note	Quarter ended 31 March		%	Three quarters ended 31 March		%
		2022	2021		2022	2021	
Revenue	A7	10,572	11,021	(4.1)	31,781	33,141	(4.1)
Operating expenses		(10,228)	(10,640)		(30,677)	(31,981)	
Other operating income		47	72		137	206	
Other gains and losses		(4)	(13)		(2)	307	
Operating profit		387	440	(12.0)	1,239	1,673	(25.9)
Share of results of joint ventures		14	(6)		40	22	
Share of results of associates		9	29		28	58	
Profit before interest and tax	A7	410	463	(11.4)	1,307	1,753	(25.4)
Finance income		13	11		37	32	
Finance costs		(36)	(28)		(102)	(89)	
Profit before tax	B5	387	446	(13.2)	1,242	1,696	(26.8)
Taxation	B6	(123)	(121)		(336)	(397)	
Profit for the period		264	325	(18.8)	906	1,299	(30.3)
Attributable to owners of:							
- the Company		244	300	(18.7)	825	1,214	(32.0)
- non-controlling interests		20	25		81	85	
Profit for the period		264	325	(18.8)	906	1,299	(30.3)
		Sen	Sen		Sen	Sen	
Basic earnings per share attributable to owners of the Company	B12	3.6	4.4	(18.2)	12.1	17.8	(32.0)

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 2021.

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

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

	Quarter ended 31 March		Three quarters ended 31 March	
	2022	2021	2022	2021
Profit for the period	<u>264</u>	<u>325</u>	<u>906</u>	<u>1,299</u>
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss:				
Currency translation differences	246	205	163	414
Share of other comprehensive income of joint ventures and associates	8	11	9	13
Net changes in fair value of cash flow hedges	4	(12)	8	9
Tax (expense)/credit	(1)	3	(3)	(2)
	<u>257</u>	<u>207</u>	<u>177</u>	<u>434</u>
Currency translation differences on repayment of net investment and disposal of subsidiaries reclassified to profit or loss	-	1	-	(5)
Changes in fair value of cash flow hedges reclassified to profit or loss and inventories	5	25	10	9
Tax expense	(1)	(7)	(3)	(3)
	<u>261</u>	<u>226</u>	<u>184</u>	<u>435</u>
Items that will not be reclassified subsequently to profit or loss:				
Share of actuarial gain on defined benefit pension plans of a joint venture	-	-	-	2
Total other comprehensive income	<u>261</u>	<u>226</u>	<u>184</u>	<u>437</u>
Total comprehensive income for the period	<u><u>525</u></u>	<u><u>551</u></u>	<u><u>1,090</u></u>	<u><u>1,736</u></u>
Attributable to owners of:				
- the Company	503	521	1,004	1,640
- non-controlling interests	22	30	86	96
Total comprehensive income for the period	<u><u>525</u></u>	<u><u>551</u></u>	<u><u>1,090</u></u>	<u><u>1,736</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 2021.

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

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

	Note	Unaudited As at 31 March 2022	Audited As at 30 June 2021
<u>Non-current assets</u>			
Property, plant and equipment		6,796	6,225
Right-of-use assets		2,138	2,038
Investment properties		269	275
Intangible assets		1,642	1,629
Joint ventures and associates		1,338	1,236
Financial assets at fair value through profit or loss		133	130
Deferred tax assets		602	590
Tax recoverable		35	41
Receivables and other assets		381	373
		<u>13,334</u>	<u>12,537</u>
<u>Current assets</u>			
Inventories		8,278	8,320
Financial assets at fair value through profit or loss		38	16
Receivables, contract assets and other assets		4,467	4,416
Prepayments		1,042	673
Tax recoverable		97	48
Derivative assets	B9(a)	27	4
Bank balances, deposits and cash		1,853	2,473
		<u>15,802</u>	<u>15,950</u>
Assets held for sale		1	–
Total assets		<u>29,137</u>	<u>28,487</u>
<u>Equity</u>			
Share capital		9,318	9,302
Reserves		6,645	6,581
Attributable to owners of the Company		<u>15,963</u>	<u>15,883</u>
Non-controlling interests		400	377
Total equity		<u>16,363</u>	<u>16,260</u>
<u>Non-current liabilities</u>			
Borrowings	B8	447	373
Lease liabilities		1,562	1,506
Payables, contract liabilities and other liabilities		271	184
Government grants		69	69
Provisions		29	24
Deferred tax liabilities		381	307
		<u>2,759</u>	<u>2,463</u>
<u>Current liabilities</u>			
Borrowings	B8	2,095	1,454
Lease liabilities		403	401
Derivative liabilities	B9(a)	8	11
Payables and other liabilities		4,799	5,285
Contract liabilities		1,877	1,961
Provisions		392	420
Tax payable		169	232
Dividend payable		272	–
		<u>10,015</u>	<u>9,764</u>
Total liabilities		<u>12,774</u>	<u>12,227</u>
Total equity and liabilities		<u>29,137</u>	<u>28,487</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.34</u>	<u>2.33</u>

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 2021.

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

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

	Share capital	Share grant reserve	Capital reserve	Legal reserve	Hedging reserve	Exchange reserve	Retained profits	Reserves	Attributable to owners of the Company	Non-controlling interests	Total equity
Three quarters ended 31 March 2022											
At 1 July 2021	9,302	21	243	119	(5)	624	5,579	6,581	15,883	377	16,260
Total comprehensive income for the period	–	–	–	–	12	167	825	1,004	1,004	86	1,090
Dividends payable	–	–	–	–	–	–	(272)	(272)	(272)	–	(272)
Dividends paid	–	–	–	–	–	–	(612)	(612)	(612)	(37)	(649)
Purchase of additional interest in a subsidiary	–	–	–	–	–	–	(45)	(45)	(45)	(26)	(71)
Performance-based employee share scheme expenses	–	5	–	–	–	–	–	5	5	–	5
Issuance of shares under the performance-based employee share scheme	16	(16)	–	–	–	–	–	(16)	–	–	–
Transfer between reserves	–	–	3	28	–	–	(31)	–	–	–	–
At 31 March 2022	9,318	10	246	147	7	791	5,444	6,645	15,963	400	16,363

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

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

	Share capital	Share grant reserve	Capital reserve	Legal reserve	Hedging reserve	Exchange reserve	Retained profits	Reserves	Attributable to owners of the Company	Non-controlling interests	Total equity
Three quarters ended 31 March 2021											
At 1 July 2020	9,300	15	233	111	3	178	5,157	5,697	14,997	416	15,413
Total comprehensive income for the period	–	–	–	–	13	411	1,216	1,640	1,640	96	1,736
Dividends payable	–	–	–	–	–	–	(408)	(408)	(408)	–	(408)
Dividends paid	–	–	–	–	–	–	(544)	(544)	(544)	(16)	(560)
Disposal of non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	–	(75)	(75)
Purchase of additional interest in a subsidiary	–	–	–	–	–	–	(46)	(46)	(46)	(32)	(78)
Performance-based employee share scheme expenses	–	12	–	–	–	–	–	12	12	–	12
Issuance of shares under the performance-based employee share scheme	2	(2)	–	–	–	–	–	(2)	–	–	–
Transfer between reserves	–	–	(18)	9	–	–	9	–	–	–	–
At 31 March 2021	9,302	25	215	120	16	589	5,384	6,349	15,651	389	16,040

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 2021.

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

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

	Note	Three quarters ended	
		2022	31 March 2021
Cash flow from operating activities			
Profit for the period		906	1,299
Adjustments for:			
Share of results of joint ventures and associates		(68)	(80)
Finance income		(37)	(32)
Finance costs		102	89
Taxation		336	397
Loss on disposal of subsidiaries		-	2
Net gain on disposal of associates		-	(293)
Net gain on disposal of fixed assets		(2)	(3)
Depreciation and amortisation		863	869
Reversal of impairment of property, plant and equipment		-	(1)
Reversal of impairment and write off of receivables (net)		(3)	(7)
Inventory write-down and provision (net)		28	32
Fair value (gain)/loss on financial assets at fair value through profit or loss ("FVTPL")		(4)	2
Other non-cash items		10	(8)
		<u>2,131</u>	<u>2,266</u>
Changes in working capital:			
Inventories		466	1,047
Rental assets		(522)	(531)
Trade, other receivables and prepayments		(304)	(562)
Trade, other payables and provisions		(651)	704
		<u>1,120</u>	<u>2,924</u>
Cash generated from operations			
Tax paid		(440)	(440)
Dividends received from associates and joint ventures		12	110
		<u>692</u>	<u>2,594</u>
Net cash from operating activities			
Cash flow from investing activities			
Finance income received		22	18
Purchase of fixed assets		(525)	(390)
Acquisition of a subsidiary	A11	(244)	-
Acquisition of businesses		-	(26)
Subscription of shares in an associate		-	(1)
Addition to financial assets at FVTPL		(33)	(2)
Proceeds from sale of subsidiaries		-	19
Proceeds from sale of associates		-	388
Proceeds from sale of financial assets at FVTPL		16	-
Proceeds from sale of fixed assets		34	135
Net loans to joint ventures		(99)	(28)
		<u>(829)</u>	<u>113</u>
Net cash (used in)/from investing activities			

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

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

		Three quarters ended	
		31 March	
	Note	2022	2021
Cash flow from financing activities			
Finance costs paid		(43)	(35)
Net borrowings raised/(repaid)		673	(745)
Repayment of lease liabilities		(387)	(370)
Purchase of additional interest in a subsidiary	A11	(71)	(78)
Dividends paid to shareholders		(612)	(544)
Dividends paid to non-controlling interests ¹		(52)	(26)
Net cash used in financing activities		<u>(492)</u>	<u>(1,798)</u>
Net (decrease)/increase in cash and cash equivalents		(629)	909
Foreign exchange differences		24	13
Cash and cash equivalents at beginning of the period		<u>2,417</u>	<u>1,650</u>
Cash and cash equivalents at end of the period		<u>1,812</u>	<u>2,572</u>
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		1,853	2,603
Less:			
Bank overdrafts	B8	<u>(41)</u>	<u>(31)</u>
		<u>1,812</u>	<u>2,572</u>

¹ Dividends paid to other shareholders of non-wholly owned subsidiaries. The amount paid in the current period includes RM15 million declared in the previous financial year.

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2021.

EXPLANATORY NOTES

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (“MASB”). The interim financial report is unaudited and should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 30 June 2021.

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 2021, 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 are set out below:

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

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

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

- Annual Improvements to MFRS Standards 2018 – 2020: Amendments to MFRS 9 ‘Fees in the 10% Test for Derecognition of Financial Liabilities’ and Illustrative Examples accompanying MFRS 16 ‘Lease incentives’.
- Amendments to MFRS 3 ‘Reference to Conceptual Framework’
- Amendments to MFRS 116 ‘Proceeds before Intended Use’
- Amendments to MFRS 137 ‘Onerous Contracts – Cost of Fulfilling a Contract’

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

- MFRS 17 – Insurance Contracts and Amendments to MFRS 17
- Amendments to MFRS 17 ‘Initial Application of MFRS 17 and MFRS 9 – Comparative Information’
- Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’
- Amendments to MFRS 101 ‘Disclosure of Accounting Policies’
- Amendments to MFRS 108 ‘Definition of Accounting Estimates’
- Amendments to MFRS 112 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’

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 and MFRS 128 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’

SIME DARBY BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 2022
Amounts in RM million unless otherwise stated

A2. Seasonal or Cyclical Factors

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

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

Except as disclosed in the financial statements on pages 1 to 7 and notes 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

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

Share capital

On 9 December 2021, the Company issued 1,014,400 new ordinary shares at an issue price of RM2.522 and 5,869,600 new ordinary shares at an issue price of RM2.107 under the Performance-Based Employee Share Scheme of FY2018/19. The Company also issued 497,100 new ordinary shares under the Performance-Based Employee Share Scheme of FY2019/20 at an issue price of RM2.047. With the allotment of the new shares, the Company's issued and paid-up capital has increased from 6,802,537,377 ordinary shares to 6,809,918,477 ordinary shares.

A6. Dividends Paid to Shareholders

The second interim dividend of 8.0 sen per share amounting to RM544 million and special dividend of 1.0 sen per share amounting to RM68 million which totalled RM612 million for the financial year ended 30 June 2021 was paid by way of cash on 30 September 2021.

An interim dividend of 4.0 sen per share amounting to RM272 million for the financial year ending 30 June 2022 was paid by way of cash on 11 May 2022.

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Explanatory Notes on the Quarterly Report – 31 March 2022
Amounts in RM million unless otherwise stated

A7. Segment Information

Three quarters ended 31 March 2022	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Intra-group adjustments	Total
Segment revenue:							
External	11,007	20,592	130	–	52	–	31,781
Inter-segment	3	10	–	–	4	(17)	–
	<u>11,010</u>	<u>20,602</u>	<u>130</u>	<u>–</u>	<u>56</u>	<u>(17)</u>	<u>31,781</u>
Profit/(loss) before interest and tax	<u>523</u>	<u>748</u>	<u>20</u>	<u>37</u>	<u>30</u>	<u>(51)</u>	<u>1,307</u>
Net finance costs							(65)
Taxation							(336)
Profit for the period							<u>906</u>

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

As at 31 March 2022	Industrial	Motors	Logistics	Healthcare	Others	Corporate/ Intra-group adjustments	Total
Segment assets	12,421	12,042	1,965	698	181	1,096	28,403
Segment liabilities	(2,959)	(3,972)	(141)	–	(377)	(268)	(7,717)
Segment invested capital	<u>9,462</u>	<u>8,070</u>	<u>1,824</u>	<u>698</u>	<u>(196)</u>	<u>828</u>	<u>20,686</u>
Net tax assets							184
Borrowings and lease liabilities							(4,507)
Total equity							<u>16,363</u>
As at 30 June 2021							
Segment assets	11,973	11,792	1,893	659	154	1,337	27,808
Segment liabilities	(2,981)	(4,450)	(149)	–	(355)	(19)	(7,954)
Segment invested capital	<u>8,992</u>	<u>7,342</u>	<u>1,744</u>	<u>659</u>	<u>(201)</u>	<u>1,318</u>	<u>19,854</u>
Net tax assets							140
Borrowings and lease liabilities							(3,734)
Total equity							<u>16,260</u>

SIME DARBY BERHAD
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Explanatory Notes on the Quarterly Report – 31 March 2022
Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Revenue comprise the following:

	Three quarters ended 31 March	
	2022	2021
Revenue from contracts with customers	31,115	32,549
Rental income	666	592
	31,781	33,141

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

Three quarters ended 31 March 2022	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	5,297	16,965	–	–	22,262
Sale of parts, assembly charges and provision of after-sales services	5,004	3,127	–	–	8,131
Engineering services	235	–	–	–	235
Port and related charges	–	–	130	–	130
Commission, handling fees and others	–	322	–	35	357
	10,536	20,414	130	35	31,115
Geographical location					
Malaysia	652	3,269	–	30	3,951
China	2,132	10,151	130	2	12,415
Other countries in Asia	490	3,453	–	3	3,946
Australasia	7,262	3,541	–	–	10,803
	10,536	20,414	130	35	31,115
Timing of revenue recognition					
At a point in time	8,262	17,577	–	26	25,865
Over time	2,274	2,837	130	9	5,250
	10,536	20,414	130	35	31,115

Three quarters ended 31 March 2021	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	6,081	17,730	–	–	23,811
Sale of parts, assembly charges and provision of after-sales services	4,961	3,055	–	–	8,016
Engineering services	209	–	–	–	209
Port and related charges	–	–	139	–	139
Commission, handling fees and others	–	337	–	37	374
	11,251	21,122	139	37	32,549

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Explanatory Notes on the Quarterly Report – 31 March 2022
Amounts in RM million unless otherwise stated

A7. Segment information (continued)

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

Three quarters ended 31 March 2021	Industrial	Motors	Logistics	Others	Total
Geographical location					
Malaysia	686	3,278	–	31	3,995
China	3,484	10,500	139	2	14,125
Other countries in Asia	454	4,009	–	4	4,467
Australasia	6,627	3,335	–	–	9,962
	<u>11,251</u>	<u>21,122</u>	<u>139</u>	<u>37</u>	<u>32,549</u>
Timing of revenue recognition					
At a point in time	9,115	18,342	–	24	27,481
Over time	2,136	2,780	139	13	5,068
	<u>11,251</u>	<u>21,122</u>	<u>139</u>	<u>37</u>	<u>32,549</u>

A8. Capital Commitments

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

	As at 31 March 2022	As at 30 June 2021
Contracted:		
- Property, plant and equipment	447	342
- Other capital expenditure	22	6
	<u>469</u>	<u>348</u>

A9. Significant Related Party Transactions

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

	Three quarters ended 31 March	
	2022	2021
a. Transactions with joint ventures and associates		
Purchase of products and services from Sitech Construction Systems Pty Ltd	13	12
Contribution paid to Yayasan Sime Darby	20	10
Loans to Weifang Sime Darby West Port Co Ltd	6	36 ¹
Loans repaid by Weifang Sime Darby West Port Co Ltd	–	36 ¹
Loans to Weifang Sime Darby Liquid Terminal Co Ltd	93	28

¹ Relates to exercise to effect change in the lending entity

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Explanatory Notes on the Quarterly Report – 31 March 2022
Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions (continued)

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

	Three quarters ended 31 March	
	2022	2021
b. Transactions between subsidiaries and non-controlling interests		
Contract assembly service provided by Inokom Corporation Sdn Bhd (“ICSB”) to Mazda Malaysia Sdn Bhd	52	63
Rental income received by ICSB from Mazda Malaysia Sdn Bhd	2	1
Sale of motor vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	6	18

c. Transactions with shareholders and their related companies

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad together, as at 31 March 2022, own approximately 51% of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra (“YPB”). The Group considers that, for the purpose of MFRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government’s controlled bodies (collectively referred to as government-related entities) are related parties of the Group and the Company.

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

	Three quarters ended 31 March	
	2022	2021
Sales, servicing and leasing of equipment and vehicles	23	18
Rental income	12	8
Royalty income	2	2
Foreign currency payment arrangement	–	54

On 27 October 2021, the Group entered into a Sale and Purchase Agreement with a subsidiary of Sime Darby Property Berhad for the disposal of 760.12 acres of land in Labu, Negeri Sembilan, for a cash consideration of RM280 million. Refer also to note B7.

A10. Material Events Subsequent to the End of the Financial Period

There were no material events subsequent to the end of the current quarter under review to 18 May 2022, being a date not earlier than 7 days from the date of issue of the quarterly report.

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

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

1. Acquisition of a subsidiary

On 1 October 2021, the Group completed the acquisition of the entire equity interest of Salmon Earthmoving Holdings Pty Ltd for a total purchase consideration of AUD115 million (approximately RM347 million).

Salmon Earthmoving is a leading provider of rental and maintenance services in Australia servicing the civil construction, agricultural and mining sectors.

Details of net assets and net cash outflow arising from the acquisition of the subsidiary are as follows:

Fair value of net assets acquired	318
Goodwill	29
Purchase consideration	347
Less: Cash and cash equivalents of subsidiary acquired	(17)
Balance consideration payable	(86)
Net cash outflow on acquisition	244

The fair value of net assets and goodwill in the above acquisition are provisional and will be adjusted, if necessary, upon completion of the purchase price allocation as allowed under MFRS 3.

2. Purchase of additional interest in a subsidiary

On 28 October 2021, the Group acquired the remaining 40% equity interest in Performance Premium Selection Limited ("PPSL") for a consideration of SGD23 million (approximately RM71 million), resulting in PPSL becoming a wholly-owned subsidiary of the Group.

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A12. Contingent Liabilities – unsecured

a) Guarantees

In the ordinary course of business, the Group issues surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. Financial guarantees are also issued to financial institutions in respect of credit facilities granted to certain joint ventures. A liability from the performance and financial guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The performance guarantees and financial guarantees are as follows:

	As at 31 March 2022	As at 30 June 2021
Performance guarantees and advance payment guarantees to customers of the Group	2,036	2,228
Guarantees in respect of credit facilities granted to certain joint ventures	91	197
	<u>2,127</u>	<u>2,425</u>

In addition, the Group guarantees the payment from its customers under a risk sharing arrangement with a third party leasing company in connection with the sale of its equipment up to a pre-determined amount. As at 31 March 2022, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM379 million (30 June 2021: RM431 million).

b) Claims

	As at 31 March 2022	As at 30 June 2021
Potential claims	<u>18</u>	<u>18</u>

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

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

B1. Review of Group Performance

	Quarter ended 31 March			Three quarters ended 31 March		
	2022	2021	% +/(-)	2022	2021	% +/(-)
Revenue	<u>10,572</u>	<u>11,021</u>	(4.1)	<u>31,781</u>	<u>33,141</u>	(4.1)
Segment results:						
Industrial	150	211	(28.9)	523	663	(21.1)
Motors	237	250	(5.2)	748	755	(0.9)
Logistics	8	–	>100.0	20	9	>100.0
Healthcare	13	(6)	>100.0	37	19	94.7
Others	19	22	(13.6)	30	354	(91.5)
	<u>427</u>	<u>477</u>	(10.5)	<u>1,358</u>	<u>1,800</u>	(24.6)
Foreign exchange gain from repayment of net investments	–	–		–	2	
Corporate expenses	<u>(17)</u>	<u>(14)</u>		<u>(51)</u>	<u>(49)</u>	
Profit before interest and tax	410	463	(11.4)	1,307	1,753	(25.4)
Finance income	13	11		37	32	
Finance costs	<u>(36)</u>	<u>(28)</u>		<u>(102)</u>	<u>(89)</u>	
Profit before tax	387	446	(13.2)	1,242	1,696	(26.8)
Taxation	<u>(123)</u>	<u>(121)</u>		<u>(336)</u>	<u>(397)</u>	
Profit for the period	264	325	(18.8)	906	1,299	(30.3)
Non-controlling interests	<u>(20)</u>	<u>(25)</u>		<u>(81)</u>	<u>(85)</u>	
Profit attributable to owners of the Company	244	300	(18.7)	825	1,214	(32.0)

An analysis of the results for the quarter ended 31 March 2022 against the quarter ended 31 March 2021 is as follows:

The Group's profit attributable to owners of the Company ("Net Profit") declined by 18.7% mainly due to the Singapore Goods and Services Tax ("GST") refund of RM39 million and share of results, net reversal of impairment of the Group's investment in Eastern & Oriental Berhad ("E&O") of RM21 million recorded in the previous corresponding period. Excluding these gains, the Group's Net Profit would have been marginally higher by 1.7%.

a) Industrial

Profit before interest and tax ("PBIT") decreased by 28.9% to RM150 million in the current quarter mainly due to a 27.1% decline in profit from the Australasia region from RM166 million to RM121 million. The lower profit was predominantly due to higher operating costs as a result of COVID-19 related disruptions.

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B1. Review of Group Performance (continued)

An analysis of the results for the quarter ended 31 March 2022 against the quarter ended 31 March 2021 is as follows: (continued)

b) Motors

PBIT decreased by 5.2% to RM237 million in the current quarter mainly due to the Singapore GST refund of RM39 million in the previous corresponding period. Excluding this, PBIT was higher by 12.3% largely due to higher contribution from Malaysia, partly negated by lower operating profits in Singapore and Greater China.

PBIT in Malaysia more than tripled mainly from higher vehicle margins and higher profit from assembly operations.

The Singapore operations registered a loss during the quarter mainly due to lower revenue, while the lower PBIT in the Greater China region was mainly due to lower unit sales (due to vehicle supply constraints) and lower incentives.

c) Logistics

PBIT was higher partly due to the recognition of a foreign exchange gain of RM2 million (previous corresponding period: foreign exchange loss of RM2 million). In addition, the Logistics operations also benefitted from higher throughput.

d) Healthcare

Share of results from the Ramsay Sime Darby Health Care Sdn Bhd joint venture showed an improvement as the results in the previous corresponding period were affected by dividend withholding tax and write-down of deferred tax assets.

e) Others

Included under Others in the current quarter was RM12 million income relating to a legacy corporate exercise. Foreign exchange losses from the legacy oil and gas operations were also lower in the current quarter at RM2 million (previous corresponding period: foreign exchange loss of RM7 million). The previous corresponding period also included the net reversal of impairment of E&O of RM21 million.

f) Finance costs

Finance costs were higher predominantly due to higher average borrowings in the current quarter.

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B1. Review of Group Performance (continued)

An analysis of the results for the three quarters ended 31 March 2022 against the three quarters ended 31 March 2021 is as follows:

The Group's Net Profit decreased by 32.0% largely due to one-off gains in the previous corresponding period from the disposal of the Group's investment in Tesco Stores (Malaysia) Sdn Bhd of RM272 million (net of tax), Singapore GST refund of RM39 million and net reversal of impairment of E&O of RM33 million. Excluding these gains, the Group's Net Profit was lower by 5.2%.

a) Industrial

PBIT decreased by 21.1% to RM523 million primarily due to lower profits from the China and Australasia regions. The China operations registered a 48.9% decline in PBIT from RM139 million to RM71 million due to the significant contraction in the heavy equipment industry volume. The lower profit in the Australasia region was largely due to similar reasons as explained in the results for the quarter ended 31 March 2022.

b) Motors

PBIT was slightly lower mainly due to the Singapore GST refund of RM39 million in the previous corresponding period. Excluding this, profit was higher by 4.5% largely due to higher profits from the Malaysia operations stemming from higher margins and lower net inventory provisions.

The lower operating profit in Singapore for the current period was largely as explained in the results for the quarter ended 31 March 2022.

The lower profits from Greater China were mainly due to wage subsidies recognised in Hong Kong in the previous corresponding period and as explained in the results for the quarter ended 31 March 2022.

c) Logistics

PBIT was higher mainly due to the fair value gain on the Jining investment of RM4 million and the losses from consolidating the results of the Jining Ports operations in the previous corresponding period.

d) Others

The results in the current period includes RM12 million income from a legacy corporate exercise and foreign exchange loss from the legacy oil and gas operations of RM3 million (previous corresponding period: foreign exchange gain of RM8 million). The previous corresponding period included the gain on disposal of Tesco Malaysia of RM294 million (before tax); and net reversal of impairment of E&O of RM33 million.

The variance for Healthcare and finance costs are as explained in notes (d) and (f) of the results for the quarter ended 31 March 2022.

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

	Quarter ended		% + / (-)
	31 March 2022	31 December 2021	
Revenue	<u>10,572</u>	<u>10,536</u>	0.3
Segment results:			
Industrial	150	213	(29.6)
Motors	237	284	(16.5)
Logistics	8	9	(11.1)
Healthcare	13	11	18.2
Others	19	7	>100.0
	<u>427</u>	<u>524</u>	(18.5)
Corporate expenses	<u>(17)</u>	<u>(21)</u>	
Profit before interest and tax	410	503	(18.5)
Finance income	13	11	
Finance costs	<u>(36)</u>	<u>(33)</u>	
Profit before tax	387	481	(19.5)
Taxation	<u>(123)</u>	<u>(106)</u>	
Profit for the period	264	375	(29.6)
Non-controlling interests	<u>(20)</u>	<u>(30)</u>	
Profit attributable to owners of the Company	244	345	(29.3)

An analysis of the results for the quarter ended 31 March 2022 against the quarter ended 31 December 2021 is as follows:

The Group's Net Profit decreased by 29.3% against the preceding quarter mainly due to lower profit from both the Industrial and Motors divisions.

a) Industrial

PBIT decreased by 29.6% to RM150 million primarily due to lower profits from the Australasia and Malaysia regions. The Australasia operations were mainly impacted by lower contribution from the product support segment. The lower PBIT in Malaysia was mainly due to higher net impairment of receivables and lower revenue from the energy solutions business.

b) Motors

PBIT declined by 16.5% to RM237 million in the current quarter mainly due to lower profit from the Greater China operations resulting from the lower vehicle margins at the BMW operations.

c) Others

The results for the current quarter included the RM12 million income from a legacy corporate exercise as explained in B1.

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B3. Prospects

The Group's operations for the three quarters ended 31 March 2022 were impacted by weakness in the industrial equipment market in China and higher operating expenses in Industrial Australasia, as a result of the COVID-19 restrictions. The Motors division continued to perform well despite the impact of inventory shortages of certain models.

The military conflict in Ukraine has adversely impacted the global economic outlook, with rising commodity prices and disruption to the global supply chain. The spread of the COVID-19 Omicron variant in China and resultant lockdowns had negatively impacted business sentiment. These factors as well as the raising of interest rates by central banks to control inflation have resulted in increased uncertainty in general business sentiment.

The positive outlook for metallurgical coal prices should lead to increased demand for mining equipment in Australia. However, the outlook for the China industrial equipment market remains uncertain, with recent lockdowns in China impacting machines and parts delivery and causing deferment in construction projects.

The current lockdown is beginning to affect the Motors operations in China. The impact on the Group's financial performance is uncertain and will depend on the duration of these lockdowns. Demand for luxury vehicles in other markets, however, remains strong, although availability of certain models will continue to be impacted by supply chain disruptions.

Taking into consideration the net one-off gains mainly from disposal of non-core assets recorded in the previous financial year, the Board expects the Group's financial performance for the financial year ending 30 June 2022 to be lower than the previous 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 31 March		Three quarters ended 31 March	
	2022	2021	2022	2021
Included in operating profit are:				
Depreciation and amortisation	(291)	(288)	(863)	(869)
Inventory writedown and provision (net)	(15)	(4)	(28)	(32)
(Impairment)/reversal of impairment and write off of receivables (net)	(5)	6	3	7
Reversal of impairment of property, plant and equipment	–	–	–	1
Loss on disposal of subsidiaries	–	–	–	(2)
Net (loss)/gain on disposal of associates	–	(1)	–	293
Net gain on disposal of fixed assets	–	1	2	3
Net foreign exchange (loss)/gain	(4)	(14)	(7)	14
Fair value gain/(loss) on financial assets at fair value through profit or loss	1	–	4	(2)
Net (loss)/gain on derivatives	(1)	1	(2)	–
Net gain on lease modification/termination	–	–	1	–
Included in share of associate results is:				
Reversal of impairment of associates	–	22	–	34

B6. Taxation

	Quarter ended 31 March		Three quarters ended 31 March	
	2022	2021	2022	2021
Current tax:				
- current year	128	151	326	392
- previous years	–	10	12	7
	<u>128</u>	<u>161</u>	<u>338</u>	<u>399</u>
Deferred tax:				
- origination and reversal of temporary differences and other deferred tax adjustments	(5)	(40)	(2)	(2)
	<u>123</u>	<u>121</u>	<u>336</u>	<u>397</u>

The effective tax rate excluding share of results of associates and joint ventures for the current quarter ended 31 March 2022 of 33.8% was higher than the applicable tax rate of 26.1%, mainly due to adjustments to tax estimates during the quarter.

The effective tax rate excluding share of results of associates and joint ventures for the three quarters ended 31 March 2022 of 28.6% was higher than the applicable tax rate of 25.7%, mainly due to impact of tax expense relating to prior years and withholding taxes.

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B7. Status of Corporate Proposals

The corporate proposals announced but not completed as at 18 May 2022 are as follows:

- a) On 27 October 2021, Kumpulan Sime Darby Berhad, a wholly-owned subsidiary of the Group entered into a Sale and Purchase Agreement (“SPA”) with Sime Darby Property (MVV Central) Sdn. Bhd. (“MVV Central”), a wholly-owned subsidiary of Sime Darby Property Berhad, for the disposal of 760.12 acres of land in Labu, Negeri Sembilan, to MVV Central for a cash consideration of RM280 million.

The agreement is expected to be completed within 15 months from the date of SPA, subject to further extension as may be mutually agreed.

- b) On 22 March 2022, the Group announced that it has received a non-binding indicative proposal for its 50% joint venture interest in Ramsay Sime Darby Health Care Sdn. Bhd. The indicative proposal is subject to due diligence and negotiation and finalisation of a sale and purchase agreement.

The discussion is at a preliminary stage and no agreement has been reached in relation to the indicative proposal. There is no guarantee that an agreement will be reached in respect of the indicative proposal or that a transaction will materialise.

B8. Group Borrowings

The breakdown of the borrowings as at 31 March 2022 is as follows:

	Secured	Unsecured	Total
<u>Long-term</u>			
Term loans	16	431	447
	<u>16</u>	<u>431</u>	<u>447</u>
<u>Short-term</u>			
Term loans due within one year	9	235	244
Bank overdrafts	–	41	41
Revolving credits, bankers acceptances, trade facilities and other short-term borrowings	–	1,810	1,810
	<u>9</u>	<u>2,086</u>	<u>2,095</u>
Total borrowings	<u>25</u>	<u>2,517</u>	<u>2,542</u>

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

	Long-term borrowings	Short-term borrowings	Total
Ringgit Malaysia	–	28	28
Australian dollar	211	1,102	1,313
Chinese renminbi	–	213	213
Hong Kong dollar	–	19	19
New Zealand dollar	220	521	741
Pacific franc	16	20	36
Taiwan dollar	–	26	26
Thailand baht	–	84	84
Singapore dollar	–	73	73
United States dollar	–	9	9
Total borrowings	<u>447</u>	<u>2,095</u>	<u>2,542</u>

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

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B9. Financial Instruments

a) Derivatives

The Group uses forward foreign exchange contracts to primarily manage its exposure to foreign exchange risk. The fair values of these contracts as at 31 March 2022 are as follows:

	Classification in		Net fair value
	Statement of Financial Position		
	Assets	Liabilities	
	Current	Current	
Forward foreign exchange contracts	<u>27</u>	<u>(8)</u>	<u>19</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 2021 other than an embedded forward contract in an agreement containing a commitment by the Group to invest in a company. The carrying value of this embedded derivative is immaterial to the financial results of the Group.

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

Forward foreign exchange contracts

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

As at 31 March 2022, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional amount	Net fair value assets
- less than 1 year	<u>3,225</u>	<u>19</u>

b) Fair Value Changes of Financial Liabilities

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

B10. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 18 May 2022 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 RM347 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.

At the Court session on 13 January 2022, the Plaintiffs submitted an oral application to rectify a clerical error in Prayer (4) of the Statement of Claim. On 8 February 2022, the Court disallowed the oral application on the basis that this formed part of the premise on which the Defendants agreed to enter into the Consent Judgement in 2014. On advice of counsel, the Plaintiffs will not be appealing the decision of the oral application and will be withdrawing their claim under Prayer (4) of the Statement of Claim against Dato’ Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid (1st Defendant).

On 10 March 2022, the Plaintiffs completed their evidence for the assessment of damages hearing. The Court fixed 7 to 11 November 2022 to continue with the hearing for the assessment of damages.

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 18 May 2022 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 RM2.7 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 RM334 million).

On 22 March 2018, the tribunal ordered ONGC to pay the Consortium a net sum of USD5.12 million (approximately RM22 million) as full and final settlement of all claims. On 27 March 2018, ONGC filed an application at the High Court in Mumbai, India to set aside the arbitration award.

On 16 October 2020, SDE and Swiber filed an execution application against ONGC to seek recovery of the arbitration award. The warrant of attachment for movable properties was issued by the Court and the Court’s bailiff executed the warrant on 5 April 2021. On 19 April 2021, ONGC deposited a sum of INR 447 million (approximately RM25 million), which includes costs and interest, to the Court and the Consortium’s warrant of attachment against ONGC has been stayed until the Court hears ONGC’s application to set aside the arbitration award, the date of which has yet to be fixed.

B11. Dividend

An interim dividend of 4.0 sen per share amounting to RM272 million for the financial year ending 30 June 2022 was declared on 16 February 2021 and paid by way of cash on 11 May 2022.

B12. Earnings Per Share

	Quarter ended 31 March		Three quarters ended 31 March	
	2022	2021	2022	2021
Basic earnings per share attributable to owners of the Company are computed as follows:				
Profit attributable to owners of the Company	<u>244</u>	<u>300</u>	<u>825</u>	<u>1,214</u>
Weighted average number of ordinary shares in issue (million)	<u>6,810</u>	<u>6,803</u>	<u>6,806</u>	<u>6,802</u>
Basic earnings per share (sen)	<u>3.6</u>	<u>4.4</u>	<u>12.1</u>	<u>17.8</u>

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

Petaling Jaya
 24 May 2022

By Order of the Board
 Noor Zita Hassan
 Group Secretary