Sime Darby
Delivering Sustainable Futures

RESILIENCE THROUGH DIVERSITY

Annual Report 2020

14th Annual General Meeting

Live Broadcast

**Function Room,
Ground Floor, Menara Sime Darby,
Oasis Corporate Park, Jalan PJU 1A/2,
Ara Damansara, 47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia**

**Thursday, 12 November 2020
at 10.00 a.m.**

Our Vision

To be the leading Motors and Industrial player in Asia Pacific.

Our Mission

We are committed to developing a winning portfolio of sustainable businesses.

We subscribe to good corporate governance and high ethical values.

We continuously strive to deliver superior financial returns through operational excellence and high performance standards.

We provide an environment for our people to realise their full potential.

Our Core Values

Integrity
Uphold high levels of personal and professional values in all our business interactions and decisions.

Respect & Responsibility
Respect for the individuals we interact with and the environment that we operate in (internally and externally) and commit to being responsible in all our actions.

Excellence
Stretch the horizons of growth for ourselves and our business through our unwavering ambition to achieve outstanding personal and business results.

Enterprise
Seek and seize opportunities with speed and agility, challenging set boundaries.

Contents

Industrial

Sime Darby Industrial is a major player in the global heavy equipment sector, partnering with one of the biggest names in the industry, Caterpillar, for over 90 years. Sime Darby Industrial is also associated with a comprehensive range of complementary products and industrial solutions throughout Asia Pacific.

Read more on page 60

Healthcare

Ramsay Sime Darby Health Care delivers world-class healthcare services, utilising the latest in medical technologies at our hospitals and specialist facilities in Malaysia, Indonesia and Hong Kong.

Read more on page 76

Motors

Sime Darby Motors is the automotive arm of Sime Darby Berhad and is involved in the retail, distribution and assembly businesses, in nine markets across the Asia Pacific region. It represents luxury brands such as BMW, Jaguar, Land Rover, Porsche and Volvo, and super-luxury names such as Rolls-Royce, Lamborghini, Ferrari and McLaren, as well as broad-appeal market brands such as Ford and Hyundai.

Read more on page 68

Logistics

Sime Darby Logistics is the primary operator of Weifang Port in Shandong Province, China, and the owner of three major river ports along the Grand Canal in Jining, also in the Shandong Province. Its shipping network services customers throughout North-eastern China, Southern China, and East Asia.

Read more on page 80

RESILIENCE THROUGH DIVERSITY

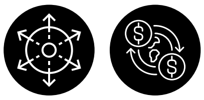
Sime Darby Berhad (Sime Darby) is a thriving multinational. Throughout its 110-year evolution, the Group's diversified portfolio, business innovation and disciplined determination have proven resilient to the challenges of local and global market forces. Sime Darby has time and time again proven its business acuity and dexterity to convert opportunities to gains. This strategic advantage complements its unwavering commitment to grow alongside its stakeholders, cementing a foundation to create sustainable value for years to come.

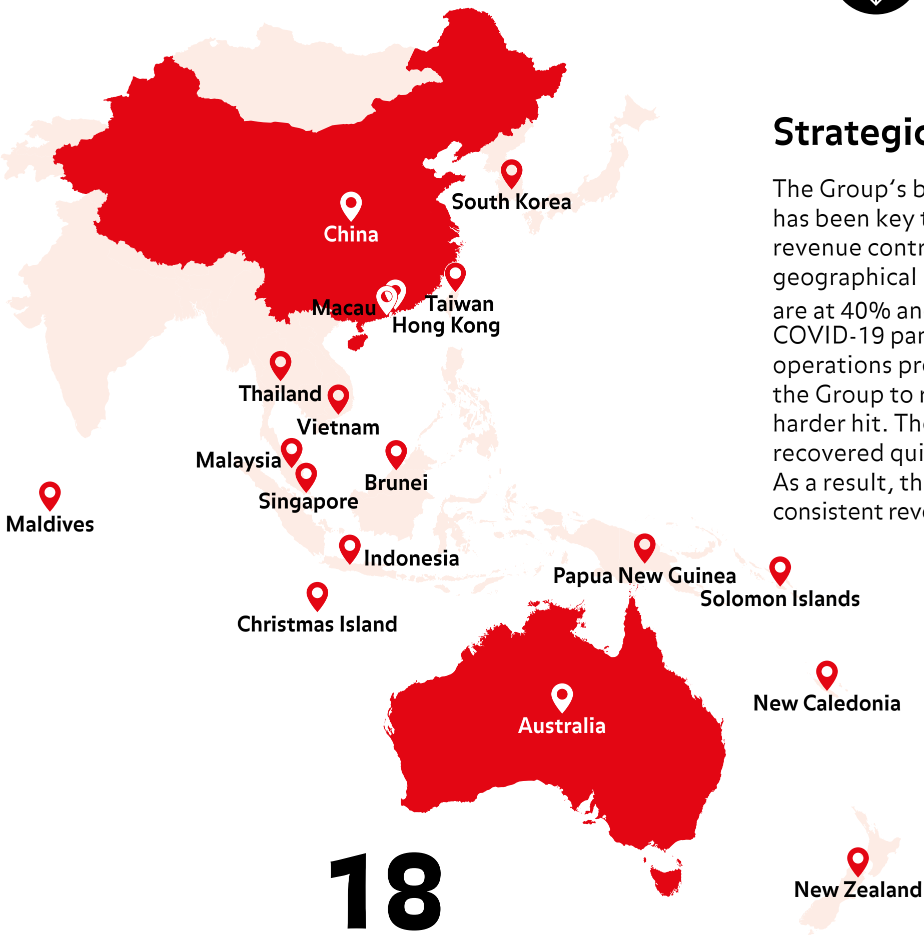
Dato' Jeffri Salim Davidson
Group Chief Executive Officer (GCEO)

The outlook for the global economy is set to be challenging, amid depressed sentiments brought about by the pandemic. Sime Darby's time-tested strategy of geographical and sectoral diversification which provides a broader earnings base, is ever relevant in weathering and navigating the uncertain times ahead.

Diversification

of Sectors and Geographies





Strategic Focus

The Group's broad geographical footprint has been key to its resilience. In FY2020, revenue contribution from its two largest geographical locations, China and Australasia, are at 40% and 36% respectively. During the COVID-19 pandemic, the Industrial Australasian operations provided a stable foundation for the Group to rely on when other markets were harder hit. The Group's China operations also recovered quickly to provide further support. As a result, the Group was able to maintain consistent revenue streams and strong cash flow.

18

countries and territories across the Asia Pacific region allows for a balanced exposure throughout the business cycle

The Industrial Division registered a PBIT increase of 21% to RM967 million in FY2020 due to higher profits from its Australia and China operations. Sime Darby Industrial's Australia operations were mostly spared from the negative impact of the COVID-19 pandemic while its China operations made a strong recovery in the fourth quarter of FY2020, supplemented by incentives from Caterpillar (CAT).

An Essential Industry

Sime Darby Industrial's operations in China were impacted by the pandemic during the months of January and February 2020. Operations were disrupted as authorities implemented pandemic countermeasures such as movement restrictions and temporary business closures in a majority of the provinces where the Group operates. Sime Darby Industrial's China operations resumed in March 2020 when these restrictions were relaxed.

Fortunately, mining in Australia was classified as an essential sector, and Sime Darby Industrial's Australian operations remained uninterrupted all year. Customers in the heavy equipment business continued to depend on Sime Darby Industrial for maintenance and parts, which bolstered its performance for the year, with the strongest results out of Australia. The solid performance served to mitigate the impact of China's lockdown in January and February 2020, and the subsequent lockdown in South-east Asia.

The Group's "ambidexterity" in tapping onto different markets is certainly an advantage in times of crisis.

Datuk Thomas Leong Yew Hong
Group Chief Strategy Officer (GCSO)

Our focus on accelerating our digitalisation plans has provided much needed resilience during these trying times. The move to digital has never been more urgent, with technology fundamentally changing how businesses are run and how we work. Sime Darby has spearheaded technological adoption across all our businesses, preparing the Group for a digital future with the potential to unlock new growth opportunities both in terms of sales and productivity.

Digitalisation

from Offline to Online

The Sime Darby Industrial Australia Integrated Digital Ecosystem

Sime Darby Industrial Australasia (SDIA) is transforming the way they do business by implementing an integrated digital ecosystem. The digital ecosystem aims to simplify processes for customers and employees, boost productivity, save costs and essentially deliver value to shareholders. Built with the future in mind, the systems are designed to integrate with future technologies and enable the seamless connection for the business and its customers.

The focus of the digital ecosystem has been to improve operational excellence through the development of five key capabilities:

1. An enterprise portal to provide a single digital entry point for employees and customers to access core data.
2. A digital marketing platform offering an end-to-end digital content and commerce platform built to reach, engage, and convert customers rapidly with real-time, individualised digital experiences.
3. Employee applications to simplify repetitive tasks for customer facing staff, including parts, service, assets, and sales.
4. 17 new robotic process automation processes including parts order conversion, customer invoice requests, customer statement requests, purchase order and service technician app integration with the ERP system.
5. Investment in data, analytics and business intelligence, focusing on prioritising customer experience and providing end-to-end services to increase customers' uptime and productivity.

The shift to a future-oriented digital ecosystem that delivers meaningful insights will continue to improve operational efficiencies and reduce the cost of ownership and downtime on customer equipment. Anticipating customer needs and integrating intelligence with automation, will deliver high-value services while optimising costs for the business.

BMW Convenience 360

Digitalisation is a core component of the Group's growth strategy, and enables the Group to leverage on digital infrastructure and technological solutions to create new sales channels and to improve service offerings. This is especially relevant today as the Group continue to navigate the new environment brought about by the pandemic. Nevertheless, it also brings with it new opportunities for growth. BMW Group Asia has collaborated with the Group's subsidiary, Performance Motors Limited in Singapore to usher in a new era of car buying experience, with the introduction of BMW Convenience 360. This initiative provides a safe and easy way for customers to purchase the BMW of their choice, whilst ensuring the highest levels of customer service Performance Motors Limited is known for.

An important component of BMW Convenience 360 is the BMW Performance SG Mobile App.

BMW Performance SG Mobile App at a Glance:

Browse BMW Models and Request for a Test Drive

Explore your favourite BMW models and book a test drive, all at your fingertips.

Book a Service Appointment and Access the Status of your Service, Live

Arrange your next service appointment for your BMW and access the status of your service, live through the app.

Receive a Complimentary Car Valuation

Submit your request for a complimentary car valuation and find out the estimated trade-in value of your current car.

Get Notified on the Latest Deals and Activities

Be the first to enjoy our latest deals and RSVP to upcoming events such as car launches and more.

Inventory Management

The Group's key operations entered FY2020 with a focus on optimising inventory holding, increasing inventory turnaround and developing a sustainable inventory holding policy which resonates with the Group's objective to improve returns.

The Industrial Division, particularly in Australia and the Pacific Islands, succeeded in pushing through a reduction in holding of inventory aged more than 180 days through a combination of innovative sales strategy and careful inventory management.

At the Motors Division, inventory levels were centrally monitored across the Division to stem the build-up of inventory. This, coupled with an aggressive sales strategy, resulted in a significant drop in inventory holding in FY2020, notably in the Malaysia, China, Hong Kong and Macau operations, freeing up working capital for other business operations and reducing short term borrowings.

The concerted effort has shown considerable success, with inventory levels for the Group declining to RM8.3 billion in FY2020 compared to RM8.5 billion in FY2019, notwithstanding the acquisition of two major business operations which included RM496 million in acquired inventories.

Mustamir Mohamad
Group Chief Financial Officer (GCFO)

Moving forward, the focus on working capital optimisation will be sharpened to realise our overarching objective of enhancing ROIC to maximise value for our shareholders.

Optimisation

Driven by Financial Management Discipline

Working Capital Management

In recognising the challenges that the Group faced as FY2020 unfolded and the COVID-19 outbreak quickly developed into a pandemic, a Downturn Action Plan was put into place to proactively mitigate the impact of the pandemic on our businesses. A key thrust of the Downturn Action Plan was on working capital management, where the Group restrategised inventory management policies to adapt to a dampened market and renegotiated trade terms with key stakeholders.

Net cash flow from operating activities in FY2020 was RM3.01 billion against the RM1.35 billion generated in FY2019. Notably, working capital management strategies focused on inventories resulted in an increase in operating cash flow by RM947 million. The additional cash flows were largely used to repay borrowings.

With lower borrowings and a strong financial position, the Group has the financial agility to navigate the challenges posed by the global economic uncertainties in the days ahead.

Net cash flow from operating activities in FY2020 was RM3.01 billion against the RM1.35 billion generated in FY2019.

About This Report

The Sime Darby Annual Report (SDAR) covers the financial and non-financial performance of Sime Darby's group of companies (the Group) for the financial year 2020 (FY2020). The SDAR informs our stakeholders regarding the Group's key developments, challenges, solutions and strategies. It reflects our commitment to open communications and full accountability.

How We Can Further Improve

Sime Darby endeavours to engage all stakeholders in a fair and transparent manner, and values all feedback that can help us do this better.

We welcome queries and comments on this Report. Please contact our Investor Relations team:

(603) 7623 2000

investor.relations@simedarby.com

Reporting Philosophy and Principles

The SDAR details our key achievements, initiatives and results in FY2020. It charts our progression towards our medium to long-term strategic goals, and provides insights into our strategy, operations and long-term sustainability. We provide stakeholders with the most relevant information for their needs and investment decisions.

Our financial statements are independently audited and prepared in compliance with the Malaysian Financial Reporting Standards (MFRS).

Reporting Frameworks

As much as possible, the SDAR adopts the International Integrated Reporting Council (IIRC) framework and marks our 7th Integrated Report (IR). It is also aligned to the United Nations Sustainable Development Goals (UN SDG), where strategic sustainability matters, which have a material impact and influence on our business and stakeholders over time, are clearly identified. Our reporting processes and publications meet the relevant requirements of the Malaysian Code on Corporate Governance 2017 (MCCG 2017), the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, the Companies Act 2016, the MFRS and the International Financial Reporting Standards.

Reporting Scope and Boundaries

The SDAR presents the performance of Sime Darby's value-creating activities during the period 1 July 2019 to 30 June 2020. Unless otherwise indicated, data presented encompasses all Sime Darby business units unless stated otherwise. The information on our sustainability efforts covers all Sime Darby business operations, but excludes Ramsay Sime Darby Health Care which is a joint venture with Ramsay Health Care.

In setting our reporting boundaries, we considered both internal and external impacts. Internal impacts refer to all operations and entities the Group manages and has a controlling interest in. External impacts arise in situations where we do not own the assets, directly engage or employ workers, or operate the assets under a contractual obligation. Beyond these prescribed boundaries, we also report on developments, impacts and data deemed to have a high material impact on our business performance, based on our materiality assessment.

Within the SDAR, Lost Time Injury (LTI) is a safety metric used to track workplace safety. It is defined as an occupational injury, illness or fatality that causes the injured worker to be unable to work for any full shift, subsequent to the shift on which the injury occurred. An LTI is registered as a safety statistic when the injury is confirmed as a work-related compensable case. The injury must also be confirmed by a medical practitioner/physician, as deemed appropriate by the jurisdictional Workers' Compensation Board or appropriate regulatory authority. When someone is classified as having a 'Total Incapacity', that person must remain away from work until a medical certificate has been issued stating they are fit for suitable duties or are able to return to full duties.

LTIs excludes situations where the injured workers were medically capable of performing either restricted work activities or their normal work but had been provided Medical Leave by a medical practitioner/physician.

For the purposes of this Report, the term "Net profit" refers to "Net profit attributable to owners of the Company". The SDAR should be read together with the information available on our website http://www.simedarby.com for a comprehensive overview of the Group.

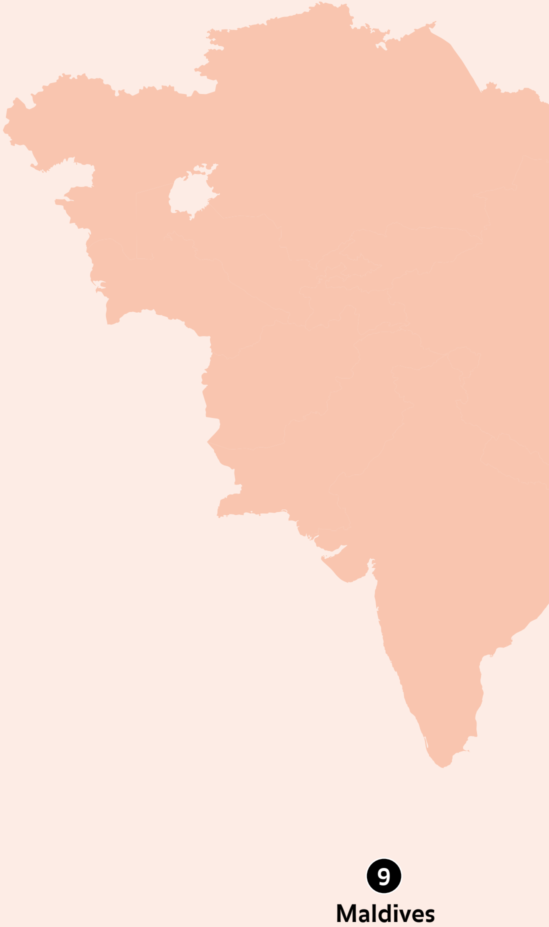
Our Use of Forward-Looking Statements

Throughout the Report, we use forward-looking statements that relate to the plans, objectives, goals, strategies, future operations and performance of our organisation. Such statements usually contain words like 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should', 'would' and 'will', among others. We do not intend for these statements to be guarantees of future operating, financial or other results, as they involve risks, uncertainties and assumptions in their representation of possible scenarios. Actual results and outcomes could differ significantly from those expressed or implied. We make no expressed or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved. We are under no obligation to update either these forward-looking statements, or the historical information presented in this Report.

Glossary

ABMS	Anti-Bribery Management System
AGM	Annual General Meeting
BCM	Business Continuity Management
BEA	Board Effectiveness Assessment
Bursa Securities	Bursa Malaysia Securities Berhad
CAT	Caterpillar
CEL	China Engineers Limited
CEP	Core Executive Programme
COBC	Code of Business Conduct
ERM	Enterprise Risk Management
FY	Financial Year
GAC	Governance & Audit Committee
GCAD	Group Corporate Assurance Department
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GCI	Group Compliance & Integrity
GCSSO	Group Chief Safety & Sustainability Officer
GHO	Group Head Office
GHR	Group Human Resources
GPA	Group Policies & Authorities
GPPA	Group Procurement Policies and Authorities
GRM	Group Risk Management
IR	Integrated Report
JV	Joint Venture
KPI	Key Performance Indicator
KRI	Key Risk Indicators
M&A	Mergers and Acquisitions
MCCG 2017	Malaysian Code on Corporate Governance 2017
MMLR	Main Market Listing Requirements
NGOs	Non-governmental Organisations
NRC	Nomination & Remuneration Committee
PBIT	Profit Before Interest and Tax
RMC	Risk Management Committee
ROAIC	Return on Average Invested Capital
ROIC	Return on Invested Capital (calculated as PBIT/ Invested Capital)
RPT	Related Party Transactions
RRPT	Recurrent Related Party Transactions
Sime Darby	Sime Darby Berhad
VCP	Value Creation Plan

Group Overview



With operations in 18 countries and territories across Asia Pacific, we continue to grow, delivering sustainable value to our stakeholders.

18
Countries & Territories[1]

20,920
Employees[2]

Industrial	Motors	Logistics	GHO	Others
8,147	**11,767**	**785**	**121**	**100**
Staff Strength	Staff Strength	Staff Strength	Staff Strength	Staff Strength

Geographical Diversification
We have a diversified portfolio across different sectors and geographies, giving us the unique ability to leverage on an established network to broaden our earnings base.

Leading Partnership with Premium Brands
We are the partner of choice for some of the world's leading brands, giving our customers access to a network of world-class products and services.

Significant Growth Potential
We are continually growing our position and strengthening our foothold in key markets through strategic expansion opportunities and organic investment in innovation.

Strong Financial Profile
Our strong balance sheets and low gearing ratio are underpinned by our capital allocation framework, allowing us to enhance shareholder returns and optimise future growth.

Empowered and Engaged People
Our talent pool of employees with diverse experiences and strong capabilities is supported by an inclusive and collaborative workplace culture, enabling the successful delivery of our Value Creation Plan (VCP).

1 Geographical footprint is defined as locations in which Sime Darby has assets, employees or distribution rights, and includes joint venture (JV) operations (i.e. Ramsay Sime Darby Health Care's operations in Indonesia).
2 As at 30 June 2020. Includes Group Head Office, Sime Darby Industrial, Sime Darby Motors, Sime Darby Logistics and other businesses. Excludes employees of Ramsay Sime Darby Health Care.

Industrial Motors Healthcare Logistics

		Industrial	Motors	Healthcare	Logistics
1	Australia	●	●		
2	Brunei	●			
3	China	●	●		●
4	Christmas Island	●			
5	Hong Kong	●	●	●	
6	Indonesia			●	
7	Macau	●	●		
8	Malaysia	●	●	●	
9	Maldives	●			
10	New Caledonia	●			
11	New Zealand	●	●		
12	Papua New Guinea	●			
13	Singapore	●	●		
14	Solomon Islands	●			
15	South Korea	●			
16	Taiwan		●		
17	Thailand	●	●		
18	Vietnam	●			

Corporate Structure

As at 30 June 2020

Sime Darby

Delivering Sustainable Futures

Industrial

- **100%** Sime Darby Industrial Holdings Sdn Bhd
  - **100%** Sime Darby Industrial Sdn Bhd
  - **100%** Sime Darby Industrial Singapore Pte Ltd
  - **100%** Sime Darby CEL (South China) Limited
  - **100%** Sime Darby Industrial Australia Pty Ltd

Motors

- **100%** Sime Darby Motors Sdn Bhd
  - **100%** Sime Darby Auto Bavaria Sdn Bhd
  - **100%** Sime Darby Motor Holdings Limited (Singapore)
  - **100%** Sime Darby (Thailand) Limited
  - **100%** Sime Darby Motor Group (NZ) Limited
  - **100%** Sime Darby Motors Group (Australia) Pty Limited
  - **100%** Sime Darby Motor Group (HK) Limited

Healthcare & Others

- **50%** Ramsay Sime Darby Health Care Sdn Bhd
- **60%** Sime Darby Lockton Insurance Brokers Sdn Bhd
- **11%** Eastern & Oriental Berhad

Logistics

- **100%** Sime Darby Overseas (HK) Limited
  - **99%** Weifang Sime Darby Port Co Ltd
  - **70%** Jining Sime Darby Port Co Ltd

Note:
Only key subsidiaries, JV and associates in the respective segments are shown above.
Please refer to pages 276 to 291 for the list of companies in Sime Darby Berhad.

Highlights

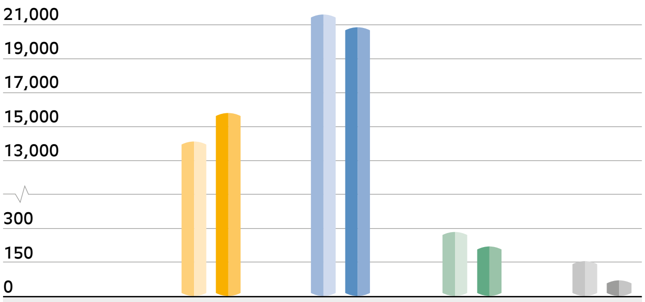
Financial

Revenue (RM million)

RM36,934m

(RM36,156m in FY2019)

FY2019 FY2020



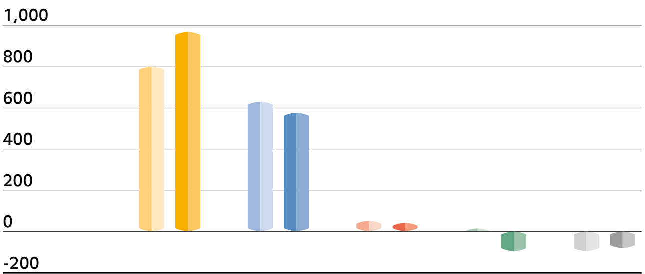
	Industrial	Motors	Logistics	Others
FY2019	14,113	21,606	283	154
FY2020	15,794	20,852	219	69

Profit Before Interest and Tax (RM million)

RM1,407m

(RM1,383m in FY2019)

FY2019 FY2020



	Industrial	Motors	Healthcare	Logistics	Others & Corporate
FY2019	798	628	49	2	(94)
FY2020	967	574	39	(94)	(79)

Net Profit (RM million)

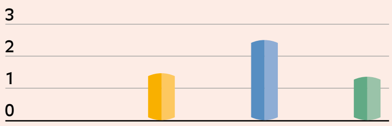
Non-Financial

Safety

1.99

1.87 (FY2019)

Lost Time Injury Frequency Rate
(Incidents Per Million Man-hours Worked)



Industrial	Motors	Logistics
1.47	2.51	1.36

People

20,920

employees

25%

of employees are female

Community

RM20m

contributed to Yayasan Sime Darby

Chairman's Statement

"Sime Darby turns 110 this year. Our company is no stranger to market volatility, having survived two world wars and multiple economic and financial downturns. Each time, we have adapted, innovated and taken the necessary strategic steps to evolve our businesses."

Tan Sri Samsudin Osman
Chairman

Our Response to COVID-19 – Putting Employees First

In line with our culture of "No Harm", we have put the safety of our employees at the forefront of the COVID-19 pandemic. We quickly transitioned our staff to work from home, and equipped our front line workers with personal protection equipment so they are enabled to work in a safe environment.

The Group implemented various measures to promote workplace safety in light of the COVID-19 pandemic, such as the installation of perspex dividers to promote physical distancing.

RM37b
Revenue

RM820m
Net profit

Dear Valued Shareholders,

It is an honour for me to be appointed as the Chairman of Sime Darby, a position I assumed in June 2020. Whilst new to this role, I have been privileged to have served as a Board member since 2008. And I am very much looking forward to working with my fellow Board members and the Management team to continue building on the strong operating and financial performance of the past few years.

Since the demerger in 2017, Sime Darby has been fortunate to have sailed with the wind behind our backs in that the economies in the Asia Pacific region where we operate have remained resilient. This has provided the platform for the strong financial performance of the Group over the past few years.

Sime Darby's deep relationship with our major Principals like CAT and BMW, our detailed understanding of the many local markets we serve and our geographical spread will continue to provide us with the opportunities and competitive advantage to flourish in the fast-developing Asia Pacific region.

Sime Darby turns 110 this year. Our company is no stranger to market volatility, having survived two world wars and multiple economic and financial downturns. Each time, we have adapted, innovated and taken the necessary strategic steps to evolve our businesses.

Financial Performance

The pandemic has had a significant impact on people and economies worldwide. The extensive and recurring lockdowns imposed across the globe have curtailed business activities and dampened revenues. Even though Sime Darby has not been spared, our sectoral and geographical diversification has enabled us to deliver a solid set of results.

I am pleased to announce that for the year under review, the Group's revenue rose 2% year-on-year to RM37 billion. Although net profit has declined by 14% to RM820 million, I am pleased to report that our core net profit for the year was up 10% to just over RM1 billion.

Chairman's Statement

Moving forward, we will place a sharper emphasis on enhancing the ROIC of our businesses, to ensure that we are maximising the productivity of our assets.

I am also pleased to report that the Group generated RM3.0 billion of operating cash flow this year and maintained a healthy gearing level of 26%, which provides us with the agility to pursue new growth opportunities.

Business Expansion

In FY2020, we were also able to expand our business, with the completion of two large acquisitions; the Gough Group, which is the Caterpillar dealer for New Zealand as well as three car dealerships in Sydney. These acquisitions consolidate Sime Darby's leadership in the Industrial and Motors sectors in Australasia. Since the demerger, we have also been consciously streamlining our portfolio to focus on a trading model, and in line with this, we have sold our 30% stake in Tesco Malaysia. The transaction is expected to be completed in the second half of 2020.

Dividend and Share Price Performance

The Group's policy is to distribute a dividend of not less than 50% of net profit. For FY2020, we are pleased to have declared a dividend of 10 sen per share, including the first interim dividend of 2 sen per share paid in May 2020. The total dividend pay-out for FY2020 amounted to RM680 million, equivalent to 83% of our net profit for the year.

Our share price opened at RM2.26 per share at the start of the financial year and closed at RM2.15 per share. This reflected the market weaknesses as a result of the uncertainties around the impact of the pandemic. Nevertheless, in FY2020, with the dividend declared, our Total Shareholder Return (TSR) outperformed the FTSE Bursa Malaysia KLCI by 7 percentage points.

Strategic Areas

Besides managing operating performance, we must always look ahead to anticipate changes in the rapidly evolving business environment. The Board, having considered, discussed and evaluated the initiatives during the annual strategy retreat, is supportive of the Management's strategic focus areas and initiatives.

Moving forward, we will place a sharper emphasis on enhancing the ROIC of our businesses, to ensure that we are maximising the productivity of our assets. In line with this, we will be implementing initiatives on working capital management, cost optimisation and network rationalisation to improve returns. A Capital Allocation Framework has also been developed to set ROIC targets for our businesses

Evolving over 110 years

1910

Founding of Sime, Darby & Co., in Melaka, a plantation agent company focused on rubber plantation, marking the birth of a business icon whose ascent began from a single commodity and grew to become a multinational conglomerate.

1929

Sime, Darby & Co., acquired the Sarawak Trading Company and became the Sarawak dealer for the Caterpillar Tractor Company. This partnership is today the oldest Caterpillar dealership in Asia, and the world's second largest CAT® dealer.

1942

All operations of Sime, Darby & Co., in Malaya were transferred to Singapore due to WWII.

1964

The success of the heavy equipment business saw the incorporation of Tractors Malaysia Limited in Singapore.

We are exploring opportunities in asset management and productivity solutions to harness data and provide value-adding services to our customers.

and to guide future investment decisions in terms of geographies, financial targets and business areas.

Another area of focus for us will be on the future of our Motors business against the backdrop of technological disruption from electric vehicles, ride-hailing services, omni-channel sales and the disintermediation of dealers. We are developing a plan on how the role of the dealer will transform in order remain relevant. We also aim to put a larger emphasis on our after-sales operations.

In the Industrial business, our focus will be on exploring opportunities in asset management and productivity solutions to harness data and provide value-adding services to our customers. Besides increasing customer engagement, it will foster recurring income and improve customer satisfaction.

As part of our Value Creation Plan, we remain committed to streamlining our portfolio and will continue with the rationalisation of our non-core assets.

1972

Sime Darby Motors became the sole importer and distributor of BMW cars and motorcycles in Hong Kong and Macau, launching Sime Darby's storied partnership with BMW and the automotive industry.

Tractors Malaysia relocated to Malaysia.

China Engineers Limited became a wholly-owned subsidiary of Sime Darby Berhad.

1980

Sime Darby Berhad commenced trading on the Kuala Lumpur Stock Exchange.

1981

The Dawn Raid: Permodalan Nasional Berhad gained control of Guthrie Corporation Limited (GCL) through the implementation of a dawn raid on GCL shares, bringing GCL under Malaysian control.

Our Commitment to Good Corporate Governance

The Group upholds the highest principles of transparency and accountability and at the core of this is our robust governance framework. We recognise that good corporate governance is essential in supporting our businesses in executing its strategies and in generating long-term shareholder value and we ensure that our standards in corporate governance are aligned to global best practices.

An important area of focus for the Group during the year was to ensure our preparedness in meeting the requirements of Section 17A of the Malaysia Anti-Corruption Commission Act 2009. The Act, which was amended to introduce corporate liability for corruption offences of commercial organisations, was enforced on 1 June 2020. While Sime Darby's Code of Business Conduct has made it clear that the Group has zero tolerance towards bribery and corruption, we have also taken the necessary steps to identify various corruption risks across our operations, in order to plan and adopt adequate mitigation measures.

Learn more from our Corporate Governance section of the Annual Report from pages 116 to 148.

We continue to empower our community through our support of Yayasan Sime Darby, which funds impactful conservation, outreach and development programmes in education, environment, community and health, sports as well as arts and culture.

Nurturing Our Human Capital

Our people are really the heart of our business. Sime Darby provides training and development programmes to upskill capabilities, support the career aspirations of our people and enhance internal competencies. By investing in human capital, we are ensuring leadership succession in our drive towards our goals. One of the ways in which we encourage talent development is through the cross transfer of employees between different operating units, business functions and geographies. This, we have found, broadens perspectives and expands skillsets, leading to our aim of fostering a truly global workforce that propels the organisation forward.

We also believe strongly in maintaining a conducive and safe work environment for our people. The aim of our safety initiatives is to realise the goal of "No Harm" while creating value in all aspects of the Group's operations. This year, the focus has been to embed a stronger safety culture across the organisation. With this in mind, we implemented standardised injury reporting across the Group and inculcated an improved reporting culture for all incidents, which has seen an increase in the reporting of lead and lag indicators. We will

Evolving over 110 years *(Continued)*

1985

Sime Darby purchased a large stake in United Estates Projects, renaming it to Sime UEP Properties Berhad. The company was tasked to develop former oil palm plantation lands to property lands, marking Sime Darby's entry into the property business.

1992

Acquired Hastings Deering Caterpillar dealership for Queensland, Northern Territory, Papua New Guinea and Solomon Islands, solidifying Sime Darby Industrial's position as a leader in heavy equipment in Asia Pacific.

2007

Merger of Sime Darby, Guthrie and Golden Hope with a market capitalisation of RM59.5 billion to become the largest palm oil company in the world, by planted area.

2013

Sime Darby Berhad and Ramsay Health Care Limited formed a 50:50 JV to expand their healthcare business in Asia, establishing Ramsay Sime Darby Health Care.

remain focused on promoting an embedded safety culture, and on developing our people, along with systems and processes to manage risks, build resilience and achieve continuous improvement in safety performance.

Caring for Our Community and Our Environment

We are also deeply aware of our responsibility to support our local communities and to mitigate the impact of our operations on the environment. Sime Darby established Yayasan Sime Darby in 1982 and has spent more than 30 years in the corporate philanthropic sphere, funding impactful conservation, outreach and development programmes in education, environment, community and health, sports as well as arts and culture. This is made possible thanks partly to an annual grant of RM20 million from Sime Darby.

Some of Yayasan Sime Darby's notable projects during the year include a community-based mangrove conservation and sustainable livelihood programme in Manjung, Perak and projects surrounding the conservation of biodiversity and ecosystem services within the Central Forest Spine forest complex.

This year as well, RM6.3 million was channelled through Yayasan Sime Darby to COVID-19 relief efforts involving donations of food supplies and hygiene kits to B40 communities and orphanages, as well as personal protective equipment to healthcare and other frontline workers.

As part of the Group's commitment to reduce its environmental footprint, we have set our focus on emissions reduction, energy efficiency, better waste and effluent management and more efficient water consumption. We remain on track to achieving our target to reduce our carbon and energy footprint by 5% in 2023 from our 2018 baseline. To manage our water usage and waste generation, we have established procedures across all our operations to monitor and measure our performance and to determine reduction targets.

Sime Darby is committed to champion sustainability not only in how we do business, but also in how we report our performance. Sime Darby shall benchmark our sustainability initiatives against the UN SDG and we look forward to sharing our progress on these efforts with you in our next annual report.

Read more about our approach to sustainability in our Creating Sustainable Value section on pages 86 to 105.

Acknowledgements

I would like to thank Dato' Abdul Rahman Ahmad, who resigned as Chairman of the Board in June 2020, for his invaluable contribution during his tenure. I would also like to thank Dato Sri Lim Haw Kuang, who retired as Senior Independent Non-Executive Director after serving for nine years. And finally, I would like to welcome Tan Sri Ahmad Badri Mohd Zahir, who was appointed as a Non-Independent Non-Executive Director, and Dato' Dr Nirmala Menon, who was appointed Independent Non-Executive Director to the Board.

On behalf of the Board of Directors, I would like to express our gratitude to our valued shareholders for your faith and support all these years. My sincere thanks go to my fellow Board members, to Management and to staff for their hard work, dedication and loyalty.

Tan Sri Samsudin Osman
Chairman

2017

Transformation of Sime Darby Berhad from a conglomerate to three independent entities through a demerger, with Sime Darby Berhad now focused as a trading company.

2018

Sime Darby Motors launched its first Engine Assembly Facility in Kulim, Kedah, under Sime Darby Auto Engineering.

2019

Two major acquisitions to expand the Group's Industrial and Motors Divisions in the Australasia region: Gough Group for New Zealand's Caterpillar dealership and three car dealerships in Sydney.

Group Chief Executive Officer's Review

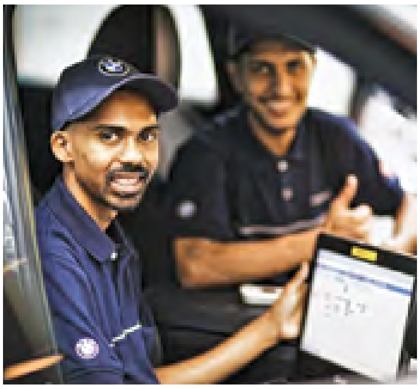
"What has helped us navigate through this incredibly challenging time, has been our strength in diversity. We are extremely proud of being a home-grown Malaysian company, but many people tend to forget that we are a true international business. Our operations are scattered far and wide throughout 18 countries and territories across the Asia Pacific region. This diversity, and the resilience of our multinational workforce, is what has helped us deliver a very creditable set of results for this financial year."

Dato' Jeffri Salim Davidson
Group Chief Executive Officer

Diversity is Our Strength

With businesses across Asia Pacific in the motors, industrial, logistics and healthcare sectors, we are well poised to capture opportunities and at the same time, mitigate risks.

18
countries and territories across Asia Pacific



Our multinational workforce is key to our success.

Dear Valued Shareholders,

FY2020 was a strange year.
And quite a challenging one!

We had finished FY2019 on an upward trajectory as demand for both cars and industrial equipment was strong. This momentum saw us completing the first half of this financial year with an exceptionally solid set of results, as demand for Caterpillar machines from our coal mining customers in Australia and from our construction customers in China remained robust. Car sales were also very encouraging.

Then came an unprecedented health crisis which restricted movements, disrupted supply chains, shut businesses, spooked markets and plunged economies into recession.

What has helped us navigate through this incredibly challenging time, has been our strength in diversity. We are extremely proud of being a home-grown Malaysian company, but many people tend to forget that we are a true international business. Our operations are scattered far and wide throughout 18 countries and territories across the Asia Pacific region.

This diversity, and the resilience of our multinational workforce, is what has helped us deliver a very creditable set of results for this financial year.

We also recognised very early on that we needed to institute a detailed Downturn Action Plan to mitigate the impact of the COVID-19 storm. This involved bringing forward revenue, re-negotiating terms with our suppliers, deferring non-essential capital expenditure, fast forwarding digitalisation plans and, essentially, focusing on cash preservation.

We launched various sales and after-sales promotions to get as many customers as possible into our showrooms and workshops. We accelerated the enhancement of our websites and the development of digital applications to meet the changing behaviours of our customers. We also instituted programmes to reduce expenses, lower inventory levels and defer non-essential capital expenditure plans.

Fortunately, by the fourth quarter, our businesses slowly started returning to normal.

Group Chief Executive Officer's Review

We reported a marginal 2% year-on-year increase in revenue to RM36.9 billion. And whilst our net profit did decrease by 14% to RM820 million, our core net profit for the year was up 10% to just over RM1 billion. These results are, in my view, pretty good when you consider that many of our businesses were largely shut down for two months.

I am also pleased to report that the Group generated a post-demerger record of RM3.0 billion in operating cashflow this year.

Operations Review

Industrial

The Industrial Division reported very strong results for FY2020. PBIT increased 21% from RM798 million in FY2019 to RM967 million in FY2020.

Hastings Deering, our Caterpillar dealership in Queensland and Northern Territories in Australia, led the way. Their results were underpinned by the continuing strong exports of coal, largely metallurgical, for the Asian steel industry.

Our operations in China were impacted by the lockdown in January and February but recovered very quickly. The Chinese government's pump-priming measures created strong demand for our equipment and services from the many infrastructure projects initiated. Competition from local Chinese equipment manufacturers though, remained fierce.

The Malaysian business has been extensively impacted by longer term structural shifts in the logging industry where activities have been curtailed and from the ship-building industry where operations have largely moved off-shore. Demand from the construction sector has also been a little muted.

And at the current oil price, major oil producers have not initiated many new capital expenditure projects. Tractors Singapore Ltd, which supplies Caterpillar engines and generator sets to the marine and oil & gas industry, has been somewhat impacted as a result of reduced ship and rig building activity.

Motors

Car sales have undoubtedly been impacted by the COVID-19 pandemic and its subsequent lockdowns. Our Motors Division recorded overall unit sales decline of 9% from 86,906 units in FY2019 to 79,241 units in FY2020. This has translated to a 9% decrease in PBIT to RM574 million.

All regions have generally suffered a decline in car sales and profitability as a result of lockdowns, with the notable exception of China and Australia, which saw an increase in both revenue and profit.

In the first half of the financial year, demand for cars in China actually declined. However, sales of our BMW and super-luxury marques, supported by the introduction of new model launches, remained strong. Margins had also improved. But the lockdown saw a grinding halt to all activity in February. The market returned very strongly after the restrictions were eased and we witnessed what some Chinese commentators described as "revenge spending", as a result of the pent-up of demand from consumers following the reopening of businesses. Travel restrictions have curbed international travel plans and diverted spending domestically towards luxury products, like BMWs.

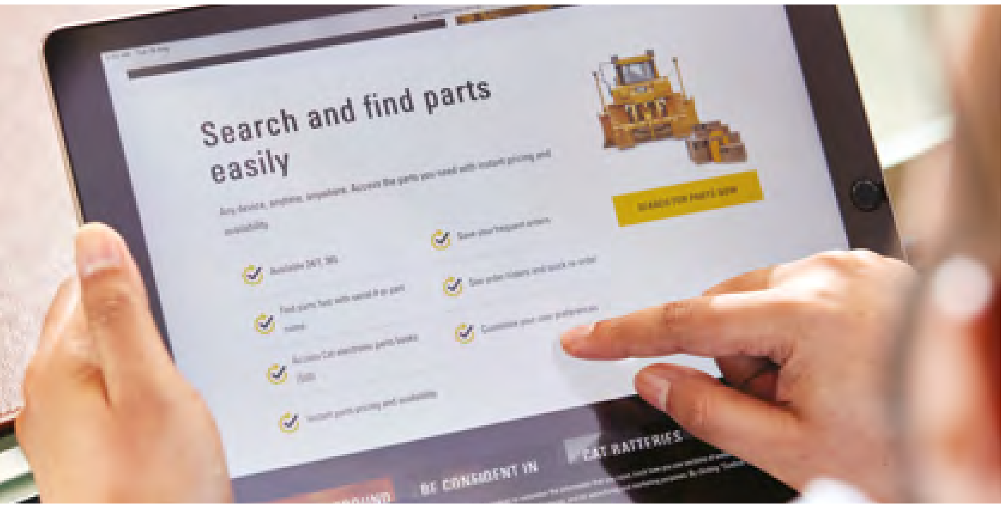
In Australia, we recorded stronger profits, driven by higher margins from the Brisbane BMW and Sydney Porsche dealerships. Corefleet, which provides long-term vehicle leases to the mining industry, benefited from sustained mining activities. The acquisition of three additional car dealerships in Sydney during the year will provide the economies of scale for our Motors Division in Australia for the longer term.

And on the other side of the Tasman, both our retail and commercial vehicle businesses were impacted by the lockdown and the subsequent decline in economic activities.

Expanding our business

We secured three car dealerships in Parramatta, Sydney representing BMW, MINI, Jaguar, Land Rover and Volkswagen.

79,241
cars sold in FY2020



In Australia, our Industrial Division developed a customer enterprise portal that allows customers to track assets, review fleet performance, order parts and initiate payments through their smart phones, tablets or desktops.

In our home market of Malaysia, PBIT declined by 14%. However, new model launches, in particular the new BMW 3-series boosted car sales during the year. The sales tax exemptions on new cars, which was effective towards the end of the financial year, boosted demand and provided a much-needed stimulus to the local automotive sector.

Elsewhere in South-east Asia, the pandemic subdued demand. This situation was compounded by the suspension of the Certificate of Entitlement bidding imposed by the Singapore government and by lower margins due to stiffer competition.

Healthcare

FY2020 was a challenging year for our hospital operations. Our Healthcare Division saw a decline in profits for the first time in many years. The Group's share of profit declined from RM49 million in FY2019 to RM39 million in FY2020.

The lockdown resulted in reduced admissions, deferral of elective surgeries and, to a lesser degree, a decline in medical tourism. Total admissions declined by 8%, inpatient days by 9% and outpatient visits by 7%.

I am, however, glad to note that activity had mostly returned by the end of the financial year.

Logistics

Weifang Port was hard hit. Economic activity ground to a halt in February as China grappled with the pandemic. And once the lockdowns ended, throughput was slow to recover amidst the resultant weaker industrial activity in the surrounding hinterland.

Our three river ports on the Grand Canal in Jining, which largely serves as a coal trans-shipment port between the coal mines of the North and North-west to the markets on the Eastern seaboard of China, were impacted by the lockdown and by the numerous enforced stoppages affecting all industries due to the worsening air pollution in the region.

The Logistics Division recorded a Loss Before Interest and Tax of RM94 million in FY2020, which included an impairment of RM98 million for Weifang Port Services, our 37% joint-venture company.

For deeper insights on our performance and outlook, please refer to the Divisional Operations Review on pages 60 to 85.

Value Creation Plan

We had developed our Value Creation Plan in 2018 which essentially provides a clear "Road Map" on the direction forward for the Group.

Digitalisation

We recognise how instrumental technology has become to operational efficiency and customer engagement, both of which are essential in boosting our revenues. Our various digitalisation efforts, introduced in FY2019, have been accelerated in response to the global pandemic, and we will continue to prioritise them to stay ahead of the game.

Our Industrial operations in Australia, for example, has spearheaded the development of a customer enterprise portal, which allows customers to track assets, review fleet performance, order parts and initiate payments through their smart phones, tablets or desktops, helping to improve productivity and service delivery, resulting in a far better customer experience.

Our Motors Division has launched its digital showrooms which now allows customers to browse and purchase cars from the comfort and safety of their homes. And to provide a complete experience for the customer, a smart after-sales system has also been developed, to include a booking application that is fully integrated with workshops for a seamless experience.

Read more on our digital initiatives on page 04.

Group Chief Executive Officer's Review

The state-of-the-art Sime Darby Motors City in Ara Damansara is equipped with the latest digital solutions to meet the growing demands of our customers.

Growth and Business Expansion

In FY2020, we completed the acquisition of the Gough Group, the Caterpillar dealer in New Zealand, for RM574 million. Now rebranded as Terra Cat, it has the distribution and service rights for Caterpillar throughout New Zealand. It also has a transport business which complements our commercial trucks operations. There are not too many opportunities to acquire Caterpillar dealerships such as this and so, I am especially proud that Sime Darby, which is already amongst Caterpillar's largest dealers, has been recognised as a top-performing dealer and therefore fully deserving of this opportunity to further develop the important market of New Zealand.

We were also successful in securing three car dealerships in Parramatta, Sydney representing BMW, MINI, Jaguar, Land Rover and Volkswagen, for RM440 million from the Inchcape Group.

Both acquisitions are being embedded into our operations, and despite the disruptions caused by the pandemic, results from both businesses have been encouraging.

As we continue to engage our Principals for further opportunities to expand our dealership network, I am happy to report that a number of organic expansion initiatives during the year to support our growth plans have been successful:

- Sime Darby Motors – China secured two new BMW dealerships in Changsha and Dongguan, three Volvo dealerships in Shenzhen, Kunming and Guangzhou and a new Lamborghini dealership in Changsha;
- Sime Darby Motors – Malaysia acquired the BMW dealership from a competitor in Johor Bahru; and
- Sime Darby Industrial – Malaysia secured the Hyster materials handling dealership for Malaysia and Brunei.

We are also proud to have moved into our recently completed Sime Darby Motors City complex in Ara Damansara. It is a "state-of-the-art" facility with showrooms and service workshops equipped with the latest digital solutions to meet the growing demand from our customers for our BMW, MINI, Motorrad, Jaguar, Land Rover, Porsche, Ford and Hyundai vehicles. Our first Volvo showroom in Malaysia is also located at this facility.

Monetisation of Non-Core Assets

We have been very clear that Sime Darby would focus on its core trading business activity; that of selling and of providing after-sales support for industrial equipment and motor cars. We have also been squarely focused on the divestment of assets in the Group which have been identified as non-core.

We continue to pursue this divestment strategy. During the year under review, we successfully divested our 30% stake in Tesco Malaysia to the CP Group from Thailand for RM300 million. Completion is subject to various regulatory approvals, including approval from the Malaysian Ministry of Domestic Trade and Consumer Affairs, but we expect the deal to be fully concluded in the second half of 2020. We also finalised the smaller divestment of our Nissan dealership in Auckland, New Zealand during the year.

Growing the Healthcare Business

We believe that the healthcare business offers significant scope for growth and will continue to identify opportunities to grow this segment of the business.

During the year, we pursued the acquisition of a large regional primary care hospital group but were unsuccessful in the final stages. We will continue exploring greenfield and brownfield opportunities to expand the healthcare component in our portfolio.

Read more about our Value Creation Plan on pages 36 and 37.

Creating Sustainable Value

We endeavour to strike a meaningful balance between our economic aspirations and our environmental, social and governance obligations. Our sustainability report will give our stakeholders a more comprehensive overview of the efforts that we have made during the year.

In this report, I would only like to highlight the importance of safety. The safety of our employees is paramount and every day, we strive to ensure that our people return home safely to their families. Sadly, despite our best efforts, there was a fatality

Safety is Our Priority

We are focused on promoting "No Harm" through safety leadership and culture programmes across the Group. We regularly review our safety policies and implement measures to prevent incidents and minimise risks.

"No Harm"

A common goal we embrace through our collective actions.

involving a contracted stevedore at our Weifang Port in China, who died of heatstroke whilst unloading cargo.

We take a serious view towards any lapses in safety and are taking expedient steps to further embed a "No Harm" culture across the Group. "No Harm" is not simply a culture we espouse, but a common goal we all embrace through our collective actions.

We have introduced a next-generation safety culture programme called "SELF". "SELF" stands for Safe, Engage, Lead, Focus. The programme emphasises personal values and beliefs to assist us in achieving our goal of a "No Harm" organisation.

Sime Darby's Board and Management are absolutely committed to enhance safety across all the Group's operations. The initiatives we have implemented include capabilities building, enhancements of lead indicator reporting, strengthening of critical controls and increasing the number of safety audits.

Outlook

Although the COVID-19 outbreak in the regions we operate has been relatively well managed so far, its continuing impact in the upcoming financial year cannot be accurately estimated at this juncture. There remain significant uncertainties around how long restrictions remain in place, whether the outbreak might recur in a more significant manner, and whether a vaccine can be developed swiftly enough so that "things can return quickly to normal". Nevertheless, we have been encouraged by the various support measures introduced by governments to stimulate economic activity resulting in improved demand for our products and services.

We continue to keep a close eye on the ongoing trade conflict between the United States and China. As a trading company, we have benefitted from the growth and prosperity of the Asia Pacific region as result of free trade, over the last many decades. Trade protectionism and the risk of more inward-looking trade policies remain a concern for us.

Some of the emerging trends impacting the traditional dealership model include the disintermediation of dealers, the gradual displacement of internal combustion engines with electric vehicles, "Uberisation" and its resultant impact on future car ownership models and, though still in its infancy, autonomous driving. The Group continues to monitor these longer-term trends and has established our "Engine 2" strategy to better understand and to invest resources into possible new ventures.

The reality is that these major factors make prediction a little difficult, but looking ahead, we remain optimistic that the economies of the Asia Pacific region will continue to grow and will provide the growth opportunities for the Group in the coming years.

Acknowledgements

On behalf of the Board, I would like to offer our heartfelt thanks to Dato' Abdul Rahman Ahmad, our former Chairman, for his valuable guidance during his relatively short tenure with us. We do wish him all the best in his new role as the Group Chief Executive Officer of the CIMB Group.

The Management team and I look forward to working with Tan Sri Samsudin Osman, our new Chairman, to build on our momentum towards achieving our vision of becoming the leading Motors and Industrial player in Asia Pacific. My sincere thanks and appreciation go to the Board of Directors for their constant guidance and wise counsel, and to our shareholders and stakeholders for your continued support of Sime Darby.

We are where we are thanks to the hard work, enthusiasm and commitment of our remarkable team at Sime Darby. You will all continue to be a key part of our growth story. So, on behalf of the Management team, I would like to thank you for your unwavering support and dedication to the Group.

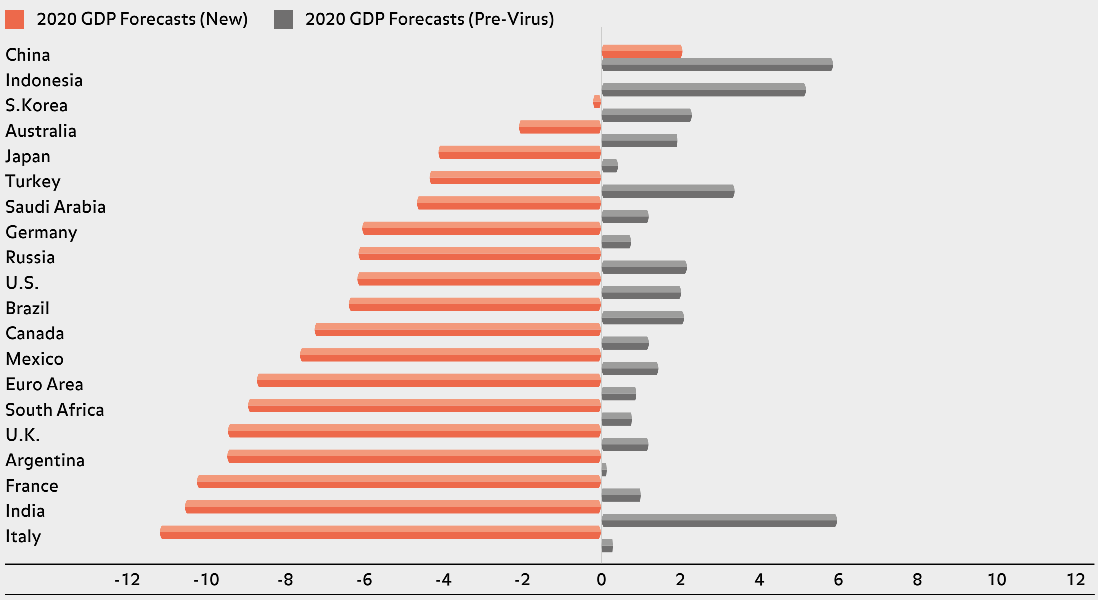
Dato' Jeffri Salim Davidson
Group Chief Executive Officer

Business Environment

As an organisation with a large geographical footprint, the performance of our businesses is influenced by various unique market dynamics and the business environments in the countries we operate.

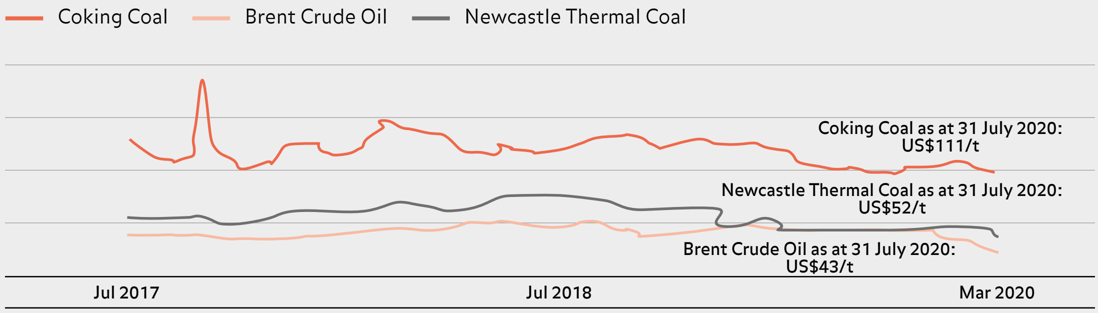
Market Trend	Description
Impact of COVID-19 on the Global Economy	COVID-19 has adversely impacted global economies. In China, although the virus shock came earlier it has been contained more quickly, opening the path to a speedier recovery. Even so, with a demand drag from the rest of the world, growth has tapered. For other economies, unprecedented challenges ranging from unchecked and recurring virus outbreaks, inadequate economic stimuli, nosediving export demand and capital outflows, to crumbling commodity prices exacerbated a deep downturn and a faltering recovery.
Commodity & Resource Cycle	Commodity prices, in particular coal prices, have remained relatively flat and are forecasted to soften as economies are still finding their footing following the outbreak. Negative demand from COVID-19 lockdowns in the major importing regions of Europe, India and the more developed parts of Asia have exerted the most influence on the market. Notwithstanding Chinese demand for coal, China's coal import policy remains a key uncertainty which may impact prices. For thermal coal, prices have dropped in the first half of 2020 mainly due to lower demand from India resulting from a higher supply of domestic coal.

GDP Forecasts (%)



Source: Bloomberg Intelligence "GLOBAL INSIGHT: Goodbye Hope, Clarity; Hello Gloom, Confusion" – June 2020

Coal Prices



Source: Bloomberg – July 2020

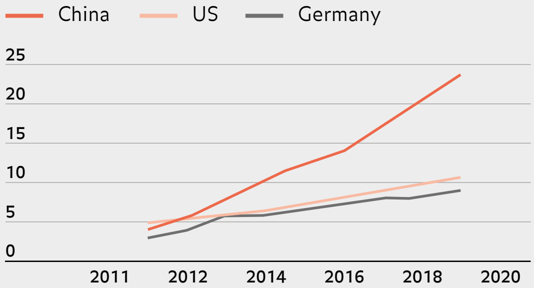
Our Response	Industries Involved
Our China operations which were impacted by the COVID-19 outbreak in January and February 2020 rebounded strongly and positively since reopening. Our Industrial business in Australia was allowed to operate throughout the outbreak (as mining is an essential industry). Nevertheless, lockdowns and a slower recovery in South-east Asia impacted our full year earnings for FY2020. The Group is fortunate to have a wide footprint across Asia Pacific that gives us the ability to leverage on different markets to gain exposure to a broader earnings base. Looking ahead, as the situation improves, we believe that our products in both the Industrial and Motors Divisions will benefit from the economic recovery.	
Australia remains one of the world's largest exporters of coal. Throughout the COVID-19 outbreak, mining is classified as an essential service, hence our operations continued to work throughout the lockdown. This has helped carry the Group's earnings in FY2020. Despite lower forecasted prices of metallurgical coal, we believe that the demand for coal may strengthen as regional governments embark on infrastructure development to stimulate their economies. This should bode well for us in terms of demand for construction and mining equipment. In addition, our focus on product support and after-sales will provide the recurring income to help cushion any softening in demand.	Industrial Australia

Business Environment

Market Trend	Description
Digitalisation	Today, digitalisation is not only accelerating in the typical B2C applications and channels, it is also gaining traction in the traditionally less digitalised parts of the economy, such as areas requiring heavy physical interactions and the B2B sector. Even before the onset of COVID-19, one of our main markets – China, has been a global front-runner in the digital economy. Indeed, China is the world's largest e-commerce market, accounting for nearly ~45% of global retail e-commerce transaction value. The growth of digitalisation provides an avenue for original equipment manufacturers (OEMs) to engage customers directly, potentially posing a threat to the traditional car dealership model. Dealerships will need to embrace digital platforms as alternative sales channels and evolve to stay relevant to consumers.

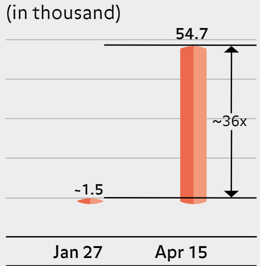
China has been a global leader in the digital economy

E-commerce as Share of Total Retail Value (%)

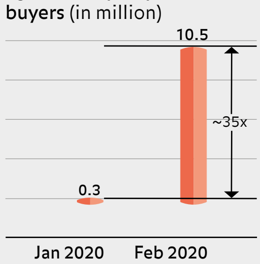


Consumers and businesses have accelerated their use of digital platforms since COVID-19

Online medical consultations
WeDoctor's number of registered doctors on their free consultation platform (in thousand)



Virtual property 'showrooms'
Beike VR virtual property showing sessions between agents and prospective buyers (in million)



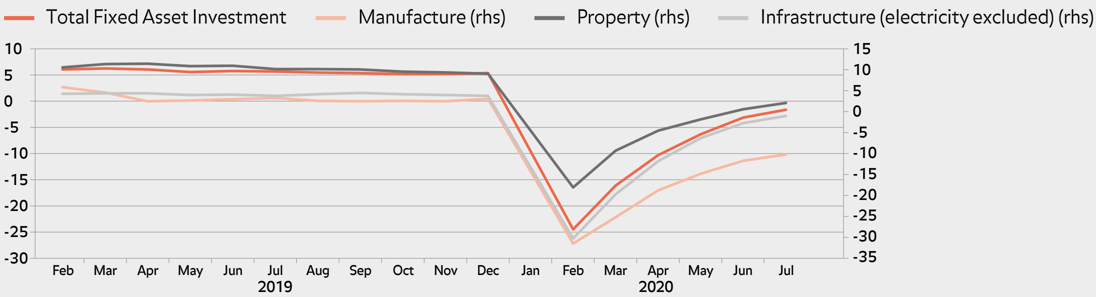
Source: IResearch and MOFCOM for China; eMarketer for other countries; literature search; McKinsey analysis – September 2019

Higher Frequency of Digital Touchpoints for Searching Car Information

Source: Ipsos Report on "Impact of Coronavirus to new car purchase in China" – March 2020

Market Trend	Description
Increased Infrastructure Spend in China	COVID-19 is a new challenge for the Chinese economy which is already facing a slowdown. The government's response to this pressure is to use public spending to promote investment, particularly in infrastructure. Tens of trillions of yuan of investment is planned in major projects across China this year, according to figures in the state-run publication, Economic Information Daily. The latest figures indicate that among the batch of special-purpose bonds (SPBs) issued by local governments earlier in the year, about 67% has gone to the infrastructure sector which is a higher proportion compared to previous years.

Fixed Assets Investment (YoY%)



Source: Wind Info – July 2020

Our Response	Industries Involved
Our Motors business sees these trends as opportunities to expand its existing business model and sales channels to achieve greater efficiency and to increase revenue. We are digitalising our business to counter the disruptions and to improve operational efficiency in an ever competitive market. Our Motors business aspires to adopt a new retail model – an omni-channel approach consisting of online virtual showrooms and offline showrooms that deliver a complementary and seamless user experience. Our Industrial business has also spearheaded the development of a customer enterprise portal which allows customers to track assets, review fleet performance, order parts and initiate payments through their smartphones and tablets to improve productivity and service delivery.	
Sime Darby has multi-sectoral businesses spread across numerous cities throughout China, poised to capitalise on the projected increase in infrastructural investments to stimulate the Chinese economy. Our Industrial Division should benefit from higher demand for construction equipment. The multiplier effect from construction projects may also feed into consumer spending, improving sales for luxury automobiles. Indirectly, greater infrastructure spend in China may also spur demand for iron ore and metallurgical coal which are key components of steel making and which may lead to increased mining activity in Australia – this will benefit our Industrial equipment business in Australia.	Mainly Industrial China, and Australia but multiplier effects to benefit Motors China

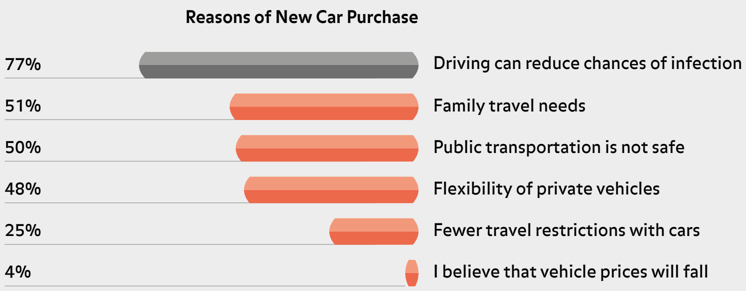
Business Environment

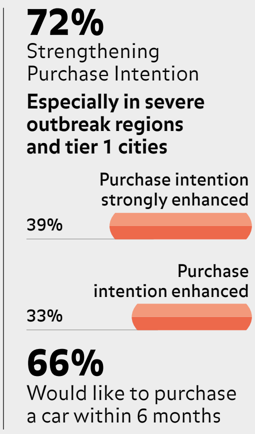
Market Trend | **Description**

Increased Demand for New Car Purchases in China

Consumers Tend to Use More Private Cars and Less Public Transportation

Intention to Purchase New Cars is Increasing Among Consumers Who Currently Do Not Own a Car, Due to Lack of Trust in Public Transportation



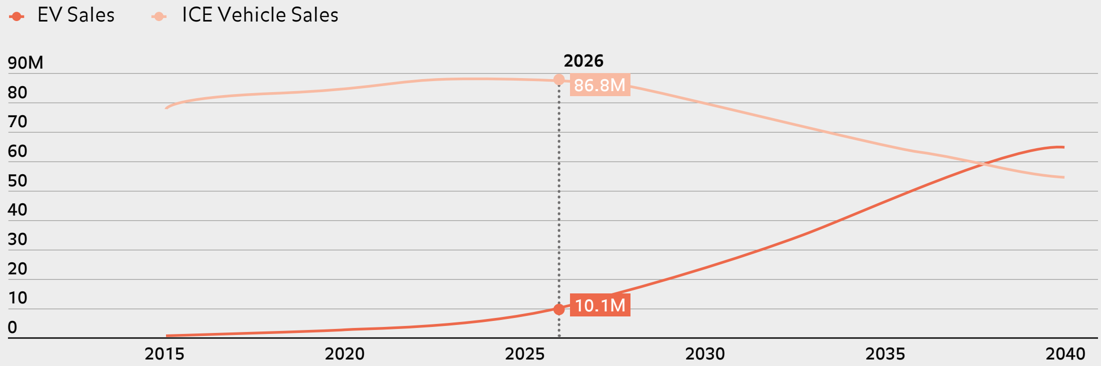


Source: Ipsos Report on "Impact of Coronavirus to new car purchase in China" – March 2020

Electric Vehicles

The automotive industry is in the midst of a fundamental change driven by the four mega trends of ACES (autonomous, connected, electrification and shared mobility), that are reshaping the overall automotive ecosystem. OEMs and dealer groups will need to change and adapt to remain relevant. As battery electric vehicles (BEVs) are critical for OEMs to meet emission targets, we see that mainstream adoption of BEVs will begin to take place beyond 2025. From an infrastructure readiness standpoint, one of our major markets i.e. China is the front runner in the global charging station ramp-up which is a prerequisite for EV adoption.

Road Revolution
Electric vehicle sales is forecasted to overtake internal combustion engine vehicle sales within just over 20 years



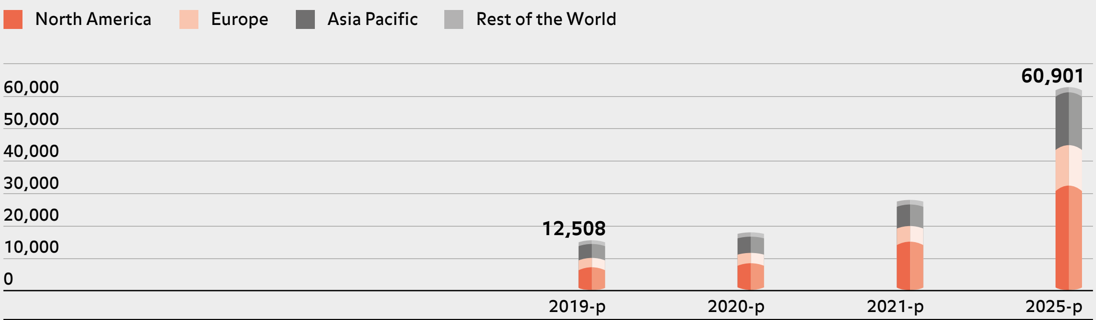
Source: Bloomberg NEF Electric Vehicle Outlook 2020

Our Response	Industries Involved
Following the easing of the lockdowns, the China automotive market has rebounded strongly and we witnessed what some Chinese commentators described as "revenge spending", as a result of pent-up of demand from consumers. Travel restrictions and border closures which have curbed international travel plans for Chinese consumers have diverted spending domestically towards luxury products, such as BMW. Our BMW and super-luxury brands in China should benefit from this uptake in luxury consumer goods.	Motors China
For widespread BEV adoption, we are aware that different markets will move at a different pace due to government regulations, infrastructure roll out and consumer preference with China being furthest along the BEV sales curve. Our Motors business will need to balance existing internal combustion engine (ICE) vehicle business models whilst building new capabilities and partnerships within the new EV ecosystem. We believe BMW's new EV line up will be a strong contender in this space. We have also taken the BYD dealership in Singapore as a test case for the adoption of EVs in South-east Asia. Nevertheless, we have established an internal Mobility Team to better understand the EV landscape, build partnerships and devise strategies to leverage on the new trend and find opportunities for growth.	

Business Environment

Market Trend	Description
Autonomous Fleets for Mining	As autonomous vehicles continue to develop, and the Internet of Things and wireless connectivity becomes more prevalent, the mining industry will begin adopting autonomous haul trucks and other mobile equipment for mine sites. Autonomous mining vehicles can be safer for workers and the data collected can increase productivity and efficiency. Equipment services companies will need to adapt to this new trend.

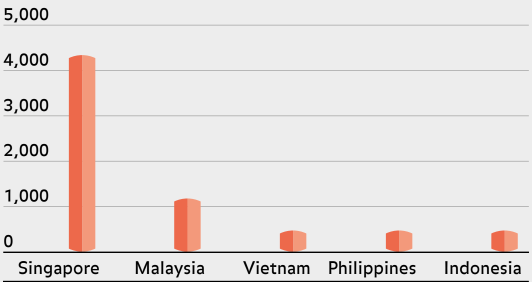
Autonomous Tractors Market, by Region (Units)



Source: Markets and Markets Autonomous Tractors Market Report – Global Forecast up to 2025

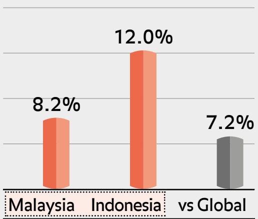
Market Trend	Description
Increased Healthcare Demand in Asia Pacific	Several converging structural megatrends have put the healthcare sector in the Asia Pacific region on a sustained growth trajectory. By 2025, 460 million of the global population will be over 65 years old, 60% of whom will be living in Asia Pacific. This will mean an increase in demand for health services. In addition, the fast expanding affluent middle-class citizens in Asia will also drive demand for better quality healthcare. The growing prevalence of chronic lifestyle diseases such as diabetes and obesity is another demand driver, one that is rising most rapidly in South-east Asia. Given the strong underlying demand and the industry's resilience at any stage of the economic cycle, the healthcare sector in Asia Pacific should continue a multi-year growth trajectory.

Healthcare Expenditure Per Capita
(As of 2017; Purchasing Power Parity, in Dollars)

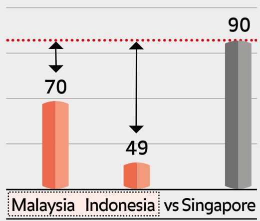


Source: World Health Organisation

Annual Healthcare Expenditure Per Capita CAGR'19-23E



Universal Healthcare Coverage Index



Source: JPMorgan Healthcare Market Analysis 2020

Our Response	Industries Involved
Our Industrial Division is actively leveraging our partnership with CAT, which has carved out its unique role for autonomy in the industrial world. CAT's autonomous and semi-autonomous machines are driving step-change improvements in operational efficiency and keeping humans safer by allowing work in extreme and hazardous conditions. These machines work 24/7, choosing the most efficient routes possible and helping to automate a critical part of the mining process. We believe that the improved efficiency and productivity offered by these tractors are major factors that will drive the demand for autonomous tractors in the near future. In addition, we have developed a proprietary productivity solution offering that leverages the endless streams of data generated across the assets from our customers' operations to be utilised to enhance productivity, utilisation and predictive maintenance.	
Our hospital assets in Malaysia and Indonesia are poised to benefit from ongoing shifts in structural megatrends such as aging demographics and demand for quality healthcare with rising affluence. Investors will continue to look to Asia to capitalise on the growing demand for quality healthcare. The burgeoning medical tourism industry will broaden and diversify the patient volume base as Malaysia is fortunate to be one of the top three medical tourism destinations in the world.	

Business Model

Inputs

Financial

Our strong cash flow and robust balance sheet provides us with the ability to implement and execute our growth strategy.

Intellectual

Our businesses are empowered by our track record of developing industry-leading products and services backed by strong management expertise.

Manufactured

We have a portfolio of high quality facilities and infrastructure supported by a wide distribution network across Asia Pacific to which allows us to tap into a broad earnings base.

Social

We work hard to build strong relationships with our stakeholders while giving back to the communities we operate in.

Human

We tap into a diverse talent pool of people to build a collaborative, inclusive workforce that shares knowledge and experience. Our scholarship programme, run by Yayasan Sime Darby, ensures a leadership pipeline of young talent to invigorate the business.

Natural

We use water, energy and other natural resources efficiently in creating sustainable value for our stakeholders.

Value Creation Process

Activities

Assembly

Dealer and Distributor

After-sales and Product Support

Rental

Port Management

Healthcare Operations

Value Adding Elements

1. Bringing world-leading marques into Asia Pacific
2. Provide a wide selection of products at competitive prices
3. High quality service and assurance of original parts
4. Local assembly to increase competitive product pricing
5. Enable Malaysian shareholders to access world-class businesses across Asia Pacific

Value Creation Plan

After incorporating a combination of key inputs and business activities with our value-adding elements and strategic focus areas, we have created a value creation plan that allows us to optimise the opportunities available to us to create sustainable growth and returns for our stakeholders.

Read about our Value Creation Plan on the next page

Outputs

Creating value for our shareholders

We adopt a prudent approach to capital management and a disciplined investment strategy that allows us to deliver consistent returns to our shareholders amidst macroeconomic headwinds and geopolitical tensions.

Read more on the GCFO's Review on page 52

Creating value for our customers

We strive to provide our customers with access to excellent products and high quality services from world renowned and innovative brands.

Read more on Divisional Operations Review on page 60

Creating value for our employees

We invest in a platform that motivates our people to learn and develop themselves continuously with the aim of enabling them to achieve their career aspirations.

Read more on the People and Community section on pages 94 to 99

Creating value for our partners

We form long-term relationships with our principals, suppliers and business partners that allow us to share our capabilities and pool our resources to achieve a common goal.

Creating value for our communities

We understand the impact we have on the local communities where we operate, and we support the economy and society through job creation, tax contributions and community development.

Read more about our initiative on People and Community on pages 94 to 99

Outcomes

Displaying our financial strength

- FY2020 ROAIC of 7.3%
- FY2020 Net Profit of RM820 million
- Despite the challenging business environment and dampened market conditions, we successfully delivered higher core net profits of RM1.04 billion this year.

Providing access to world-class brands and high quality service

- Sime Darby Industrial: 16 countries and territories, 192 branches, 30 brands
- Sime Darby Motors: 9 markets, 203 outlets, 30 brands
- We continue to expand our portfolio to bring world-class brands to our customers and focus our efforts on investing in digitalisation and technology to enhance our sales channels and provide a premium customer experience.

Developing best-in-class infrastructure and facilities

- Our Inokom assembly plant assembling passenger and commercial vehicles caters for the domestic and export market in ASEAN.
- Its "plant within a plant" concept fosters flexibility to serve various brands with split lines, dedicated staff and individual brand identities.
- Brands assembled: BMW, MINI, Mazda and Hyundai
- Engine assembly: 3- and 4-cylinder petrol, diesel and combustion engines for BMW's plug-in hybrid electric vehicles (PHEV)
- State-of-the-art technology fosters knowledge and technology transfers to locals

Supporting local communities

- 817 volunteering hours achieved via Yayasan Sime Darby activities
- RM20 million annual contribution to Yayasan Sime Darby. This year Yayasan Sime Darby contributed RM6 million towards COVID-19 relief efforts.
- We engage with our local communities to understand where we can make a positive impact then work towards achieving a greater good.

Fostering a culture of development and performance

- 20,920 employees
- Training opportunities for our people are tailored specifically to their needs and required skillsets to succeed.
- We empower our people through our emphasis on talent development and by fostering a culture of continuous learning and collaboration, creating a high-performance workforce.

Creating a sustainable ecosystem

- Over a million kWh of electricity generated from solar panels to date
- We utilise our resources efficiently and continue to innovate so as to minimise our environmental impact.
- Our wide network across Asia Pacific distributes state-of-the-art energy-efficient vehicles and equipment which our Principals (BMW, CAT and Hyundai) have developed.

Value Creation Plan

Strategy Blueprint

To be the leading Motors and Industrial player in Asia Pacific

Our implementation of the Value Creation Plan remains steadfast. The plan involves enhancing revenues, managing costs and increasing productivity, while consciously seeking out opportunities. In the year ahead, our focus will be on ROIC Enhancement to improve capital efficiency and create operational excellence.

Industrial
- One of the world's largest Caterpillar dealers
- Regional presence in 16 countries and territories
- Global network of 192 branches in Asia Pacific

Motors
- One of the world's largest BMW dealers
- Presence in 9 markets
- Representing 30 automotive brands ranging from luxury brands to those with broad market appeal

Healthcare
- Operations in Malaysia, Indonesia and Hong Kong

Logistics
- Port operations in Shandong, China

Others

Strategy Overview	Progress Made in FY2020
Revenue Enhancement • Growth in volume and market share in core sectors • Growth in after-sales, parts and services for the Industrial and Motors Divisions • Connected assets as an enabler to increase and protect market share	• Despite the challenging conditions, revenue increased 2.2% to RM36.9 billion. • Core net profit, which is a good indicator of operational performance, increased 10% to RM1.04 billion. • Financial performance was mainly driven by solid performance in Industrial Australia and rebound in our China operations (Industrial & Motors) post lockdown.
Cost Optimisation • Enhance operational excellence to strengthen resilience in down cycles via process standardisation, robotic process automation, Lean Six Sigma and procurement controls, among others • Streamline and improve business processes through technology and innovation	• Reviewed non-essential expenditures • Negotiated improved terms with key stakeholders • Implemented cost optimisation initiatives to improve efficiency and productivity
Synergistic Mergers & Acquisitions • Leverage additional distribution channels and access new customer bases • Gain entry into new geographical markets • Seek collaborations with strategic partners to create shared value	• Completed acquisition of New Zealand CAT dealer Terra CAT (formerly known as Gough Group) on 30 September 2019
Organic Business Expansion • Expand our range of products, solutions and services to improve the customer experience • Identify new revenue streams and market adjacencies to counter cyclicality and increase recurring income	• Obtained exclusive Hyster materials handling dealership rights in Malaysia and Brunei
Monetisation of Non-Core Assets • Disposal of non-performing assets to free up resources and strengthen core assets • Review of under-performing businesses for asset rationalisation	• Divested City Nissan dealership in New Zealand to optimise portfolio
Expand Healthcare • Accelerate growth and diversify geographical footprint through acquisitions • Unlock the next phase of growth through strategic development projects • Improve quality of products and services and increase in-patient volume	• Completed expansion of the emergency department, Intensive Care Unit (ICU), Neonatal ICU (NICU), High-dependency Unit (HDU) facilities and heart centre at RS Premier Surabaya • Launched Cath Lab in RS Premier Surabaya to enhance specialist cardiology services • Expanded Subang Jaya Medial Centre's chemotherapy facilities and outpatient clinic

Key Enablers: 1 Safety and Sustainability 2 Governance

Aligned to our Core Values: 1 Integrity 2 Respect & Responsibility

Focus for FY2021

- Expand CAT product offerings and capitalise on BMW model cycle
- Leverage digital technology to grow volume and market share
- Increase after-sales and product Support contribution

- Cost optimisation
- Inventory level management
- Operational efficiency initiatives

ROIC Enhancement

Moving forward, we will place a greater emphasis on **ROIC enhancement** to extract more efficiency from existing businesses. We are guided by our **Capital Allocation Framework** in terms of returns, sectors and geographical presence.

- Completed acquisition of transport and material handling business of Gough Group on 30 September 2019
- Completed acquisition of three new car dealerships in Sydney, Australia on 2 December 2019

- Expand asset management and productivity solutions harnessing data to provide value-added services
- Acquire luxury car dealerships in growth markets (China and Indonesia)

- Secured three Volvo dealership rights in Shenzhen, Kunming and Guangzhou
- Opened a new Lamborghini dealership in Changsha
- Secured a new BMW dealership in Changsha and a new MINI dealership in Dongguan

- Grow adjacencies such as asset management, rental services and expansion of non-CAT businesses to complement core businesses
- Focus on organic expansion in the luxury cars segment
- Implement assembly strategy and explore expansion of after-sales and used cars
- Explore mobility opportunities: omni-channel sales, fleet management, EV

- Ongoing sale of the Group's 30% stake in Tesco Malaysia

- Complete the divestment of our stake in Tesco Malaysia
- Turnaround or exit low ROIC business for Industrial and Motors
- Ongoing rationalisation of non-core assets

- Grow brownfield projects pipeline
- Focus on greenfield development to deliver long-term value
- Expand network of healthcare facilities through M&A
- Maintain operational excellence initiatives

3 Leadership and Succession Planning

4 Capital Allocation Framework

3 Excellence

4 Enterprise

Engaging Stakeholders

Our key stakeholders are those who influence or are influenced by our businesses. They include investors, customers, suppliers, business partners, employees, communities, governments, authorities and regulators, the media, NGOs and international bodies.

Engagement with stakeholders allows us to understand the issues that matter most to them. These insights in turn help us shape our strategic priorities and align the interests of our stakeholders with those of our businesses. We recognise that stakeholder engagement is an important component of good corporate governance.

Read more about how we engage our stakeholders from a governance point of view on page 134.

Stakeholders	Key Topics Raised	How We Engage	How We Respond
Investors	• Internal strategies on how we navigated the COVID-19 outbreak • Expansion plans for Industrial, Motors and Healthcare Divisions • Adequacy of inventory levels to meet any upsurge in demand • Update on disposal of non-core assets • Principal support during downturn • Update on the business environment in the Australian mining business • Climate change and environmental regulations	• Analyst briefing sessions • Investor roadshows • One-on-one engagements • Conference calls • Site visits	See our Value Creation Plan on pages 36 and 37 on how we create value for our investors.
Customers	• Customer service • Efficiency, transparency and user-friendliness of retail experience • Reliability of after-sales service • Additional or value-added services • Competitive pricing	• Tradeshows, exhibitions and product launches • Direct marketing and sales engagements e.g. visits by customers to sites operated by the Group; direct mailers to customers • Online and social media marketing • Customer feedback surveys • Customer relationship programmes	• Ensure all staff are well trained and receive continuous upgrading in product knowledge and customer service skills so they can provide exemplary customer service • Ensure continuous operational improvements for all our business units to optimise sales and marketing channels, taking customer feedback into prime consideration • Accelerate digitalisation to meet rising demand for online shopping and increase web-based customer service offerings e.g. timely delivery status updates via mobile phone • Strengthen after-sales service e.g. contactless pickup and delivery, online booking for vehicle servicing, predictive maintenance. • Dedicate headcount to customer service initiatives • Assess viability of additional turnkey services to sharpen our unique selling proposition • Improve facilities to enhance customers' comfort and convenience to gain competitive edge • Offer competitive pricing, sales promotions and other purchasing incentives

Stakeholders	Key Topics Raised	How We Engage	How We Respond
Suppliers/ Business Partners	• Efficient routes to market • Partnerships for growth • Business opportunities and decisions • Joint venture operations	• Networking sessions to build relationships • Vendor Development Programme • Increase meaningful engagements: – Top-level executive management meetings – Market/country-level meetings – Other engagements with suppliers/ business partners	• Improve operations across all business units to optimise our business performance • Partner market-leading brands and offer them best-in-class facilities • Form joint committees or task forces to explore opportunities, discuss operational issues and collaborate on key projects • Increase networking sessions with business partners to share information and improve alignment of business plans
Employees (current and potential)	• Health, safety and wellbeing • Remuneration and benefits • Employee engagement and motivation • Talent development and career progression opportunities • Business growth and sustainability	• Town halls, leadership engagement sessions, department meetings and staff activities like *Teh Tarik* sessions • Employee web portals, internal newsletters • Corporate website • Social media • Employee Engagement Survey, internal feedback surveys	See the Creating Sustainable Value section on pages 86 to 105 to read about our approach to Safety and People.
Communities	• Social development • Community wellbeing • Education	• Community engagement and outreach programmes • Strategic partnerships with NGOs, community organisations and social enterprises through Yayasan Sime Darby	See the People and Community on pages 94 to 99 on our approach to Community Engagement and Development.
Governments/ Authorities/ Regulators	• Corporate social responsibility • Environmental sustainability • Labour and safety regulations	• Regular engagements and dialogues • Consultation on regulatory matters	See the Creating Sustainable Value section on pages 86 to 105 on how we manage the relevant issues.
Media	• Corporate developments • Long terms plans • COVID-19 Response • Response to geopolitical events	• Periodic updates on corporate developments and key events via press release issuance • Group and one-on-one media interview sessions • Quarterly media briefing sessions	See our Leadership Statements on pages 14 to 59 for a review on how we are managing these topics.

Material Issues

Material issues significantly impact the Group's ability to create value over the short, medium and long term. As they concern the sustainability of our business, they are important to all our stakeholders.

Identifying the Group's material issues is the first step towards understanding the internal and external factors that affect our business. This promotes the alignment of our strategy with the interests of our stakeholders, and creates a symbiotic business ecosystem. It also scopes the risks and opportunities across our entire value chain.

Our Materiality Review Process

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Internal review of existing material issues	Interviews with key stakeholders to assess the importance of each material issue	Ranking of material issues based on results of assessment	Mapping of material issues in a materiality matrix	Aligning material issues with strategy

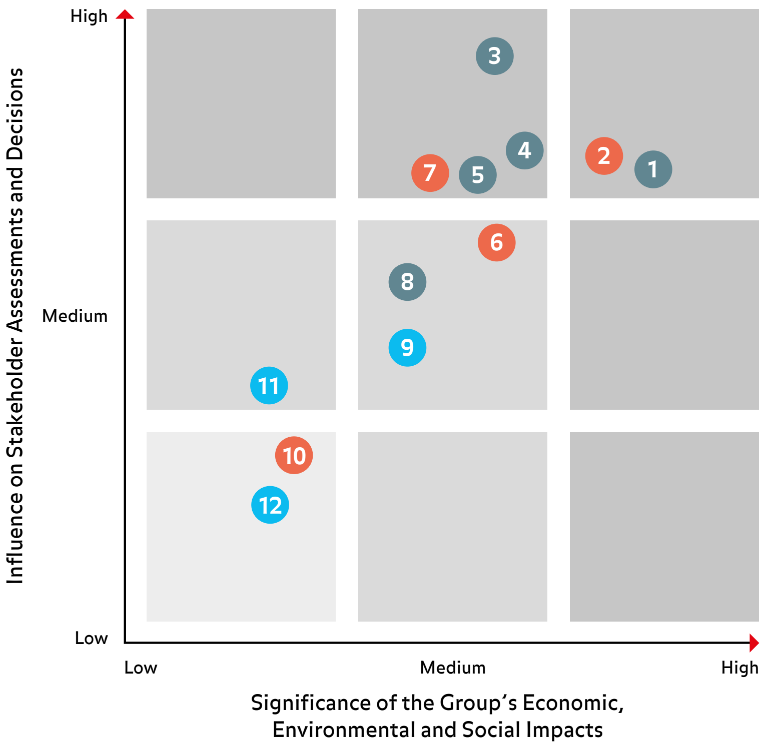
The issues material to the Group were identified via a materiality exercise conducted with an independent third party. This process was guided by the principles of internationally recognised reporting frameworks as set out by the International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI), and the Dow Jones Sustainability Indices (DJSI), in addition to the Sustainability Reporting Guide by Bursa Malaysia Securities Berhad. Industry trends and best practices of selected industry players were also used as guidance.

To determine the importance and relevance of the identified material issues, the most relevant stakeholder groups were identified (e.g. directors, management, principals, suppliers, shareholders and employees) to gather their input through various engagements.

Directors	Management	Principals/ Business Partners	Suppliers/ Contractors	Shareholders/ Investors	Employees

The chart below extrapolates the importance of each material issue based on stakeholder input and serves to inform the Group's strategy.

Materiality Matrix for Sime Darby



1. Quality and Customer Satisfaction
2. Occupational Health and Safety
3. Business Growth and Performance
4. Technology and Innovation
5. Business Ethics and Compliance
6. Fair Employment Practices
7. Employee Training and Development
8. Data Privacy and Security
9. Waste and Effluent Management
10. Community Contributions and Development
11. Energy and Carbon Management
12. Water Management

● Economic ● Environmental ● Social

Material Issues	Description	How We Are Addressing This Issue
Quality and Customer Satisfaction	To ensure Sime Darby's products and services consistently meet the standards expected by our business partners, we have stringent quality control (QC) processes in place. They include internal QC checks and third-party audits. Other Group-wide initiatives to emphasise customer service include addressing customer feedback promptly, generating added value and enhancing the shopping experience by the adoption of user-friendly technologies, all of which complement our continuous efforts to improve product quality and customer satisfaction.	Continuous product improvement and service innovation is driven by the respective Divisions. See Divisional Operations Review on pages 60 to 85 for discussions on Quality and Customer Satisfaction.
Occupational Health and Safety	Sime Darby is committed to achieving its goal of "No Harm" by ensuring that its occupational health and safety policies are effectively translated into practice across its operations, through clear measures that reinforce uncompromising safety standards. The Group strives to prevent injuries, fatalities and occupational hazards at all workplaces including warehouses, assembly sites and showrooms. In addition to customising the health, safety and environment training programmes and making necessary protective equipment available where needed, the Group has embarked on next-generation awareness and safety culture programmes for both leadership and frontline employees. This is underpinned by mobile risk assessments, improved lead indicator reporting and a targeted internal audit programme.	Proactive measures to prevent incidents and minimise risks has been implemented Group-wide. See pages 89 to 93 for the Group's report on Safety.
Business Growth and Performance	The Board of Directors and Management oversee the Group's business growth and performance, supported by strategy functions at both the Group and Division levels. Sime Darby's business growth and performance are premised on optimising efficiency in business operations and expanding in existing and new markets.	See Divisional Operations Review on pages 60 to 85 for discussions on each business. For further understanding of the Group's Strategy, see pages 34 to 37.
Technology and Innovation	The Group and Division's strategy and Information Technology (IT) functions drive technology and innovation by identifying and implementing cutting-edge solutions. The Group leverages on business innovation and appropriate technologies to grow its topline, manage bottomline and track business efficiency. Accelerating the adoption of technology drives competitive edge.	See Divisional Operations Review on pages 60 to 85 on the digitalisation efforts by the Group.
Business Ethics and Compliance	Sime Darby is committed to uphold the highest standards of business ethics and ensure zero breaches of regulatory requirements. To enable businesses to run smoothly, responsibly and sustainably, all our operations comply with all applicable local and update to foreign regulatory requirements. The Group has strictly enforced standards laid out in the Anti-Corruption Policy, Whistleblowing Policy and Code of Business Conduct.	The Group has a clear and robust framework to guide ethical decision-making. Read more about our Governance on pages 116 to 148 to understand how this is addressed.
Fair Employment Practices	Workplace diversity and inclusivity are entrenched in Sime Darby's fair employment practices. The Group ensures that employees are productively engaged and fairly remunerated. Workplace initiatives that uphold the principles of fair employment are implemented Group-wide. They include the integration of knowledge and experience across Divisions and subsidiaries, continuous skills training and non-discriminatory hiring practices.	Through equal opportunity and non-discriminatory hiring policies. The Group aims to provide equal employment, regardless of gender, race, disability, nationality, religion or age. See pages 94 to 97 to read more about this.

Material Issues

Material Issues	Description	How We Are Addressing This Issue
Employee Training and Development	Employees shape and sustain the Group's future. To attract and retain a pool of professional and skilled talent at Sime Darby, the Group implements a comprehensive selection process, provide internal and external training programmes to strengthen competencies and nurture career progression. By developing a strong talent pool, the Group can build capacity in anticipation of future business needs.	Talent Management is geared towards retaining right mix of intellectual capital and cultural fit to propel the organisation forward. See pages 94 to 97 for more information on Employee Training and Development.
Data Privacy and Security	Stakeholders' privacy and security are of paramount importance. To achieve zero security breaches, stringent data protection procedures are implemented, to safeguard data and intellectual property. Strict measures in the event of any data loss or inaccessibility have also been identified.	The Group has a robust framework that governs data privacy and security. Read more in the Governance section on pages 116 to 148 to understand how this material issue is addressed.
Waste and Effluent Management	Efficient and effective waste and effluent management help reduce the impact of the Group's operations on the environment. Sime Darby manages all its domestic, industrial and scheduled waste in accordance with Group-wide policy, to provide compliance across all regions to both national and local legislations. Waste and effluent management targets have been set to fulfil our environmental sustainability commitments. Additionally, the Group is prioritising its reduction targets for scheduled waste. The reduce, reuse, recycle methodology has been successfully implemented at a number of sites globally, in conjunction with the ongoing review of waste service suppliers to align with regulatory tracking requirements and reporting capability. Sime Darby is focused on improving our monitoring and management mechanisms for hazardous and non-hazardous wastes and effluents.	We are focused on improving our monitoring and management mechanisms for hazardous and non-hazardous wastes and effluents, while complying with regulatory requirements in the locations we operate. See pages 100 to 105 for more information.
Community Contributions and Development	Creating positive and lasting impact within local communities is central to Sime Darby's sustainability drive. The Group makes monetary and non-monetary contributions to Yayasan Sime Darby to support community development programmes.	Aside from contributions to Yayasan Sime Darby, the Group encourages and supports local community initiatives by its operations worldwide. See pages 98 and 99 to find out more.
Energy and Carbon Management	Sime Darby endeavours to minimise the environmental impact from its businesses with effective energy and carbon management. This is achieved through stringent internal controls and monitoring mechanisms that track and monitor emissions from the Group's energy consumption. Energy efficiency initiatives are incorporated across the Group's operations, such as by building workplaces to contemporary green standards, installing LED lighting, utilising solar power, initiating renewable energy projects and improving fuel economy in the Group's fleet of company-owned vehicles and across heavy machinery operations.	The Group is committed to reducing our carbon and energy footprint through energy efficiency programmes and emission monitoring. See pages 100 to 105 to find out more.
Water Management	Water is a finite and shared resource, and as such effective water management is critical to sustainability. Group-wide internal controls, monitoring mechanisms and data collection procedures have been implemented to manage, track and reduce water consumption. Initiatives include drives to raise awareness on water conservation and to devise practical solutions to recycle water at work sites.	Guidelines to measure water consumption and water-saving initiatives are being implemented across all operations. See pages 100 to 105 for more details.

Risk Management

Sime Darby has a diverse portfolio, with operations spanning Australasia, Greater China and South-east Asia. Global events have had major repercussions across the Group's business network and may continue to do so. Throughout FY2020, persistent US-China trade tensions and events such as the anti-government protests in Hong Kong and the COVID-19 pandemic, have left systemic and far-reaching financial and non-financial impacts across the Group's businesses. Managing these increasingly complex risks warrants greater buy-in from all stakeholders and better integration of risk mitigation strategies.

Identifying, prioritising and responding to threats and uncertainties are an integral part of the Group's business operations and decision-making processes. During the year, the Group's risk management function continued to assist the Risk Management Committee (RMC) in providing oversight of enterprise-wide risk management and supporting the Divisions in risk assessment and risk monitoring initiatives.

Risk Management Blueprint

In FY2020, the Group implemented strategic initiatives outlined in the Risk Management Blueprint (Blueprint). The five-year roadmap developed in FY2019 is primarily aimed at developing a risk-centric culture across the organisation, embedding risk management into the Group's operating and decision-making processes. The diagram below depicts key aspects of the Blueprint.

Vision: Value Creation Through Integrated Risk Management

Stakeholder Engagement

Continuous Improvement

Mission

- Group-wide understanding and knowledge of risk management
- Risk management deemed a value driver and proactively used for day-to-day decision making and pursuit of opportunities
- Risk management applied consistently and fully implemented across the Group

Critical Success Factors

Risk Capability & Awareness	Framework, Policy & Guidelines	Systems & Processes	Organisational Resilience and Capability	Tools & Techniques
Strong risk-centric culture; shared accountability and responsibility in managing risks	Framework, policy and guidelines that are in line with global standards and applicable to Sime Darby	Robust systems and processes to drive more effective assessment and monitoring of risks	Capabilities to ensure our organisation is resilient towards any crisis or disaster	Innovative tools and techniques for more effective risk assessment, quantification and analysis

Key Medium to Longer-Term Strategic Priorities

• Training and education • Risk awareness programme • Linking risk management with performance and reward	• Continuous enhancement of Risk Management Framework • Roll out of key policies and guidelines to lead risk champions	• Quarterly risk assessment and monitoring processes • Enterprise Risk Management (ERM) system facelift • Investment and project risk assessment	• Enhancement of Business Continuity Management (BCM) programme • Insurance coverage review	• Explore new techniques for risk quantification and analysis

Risk Management

Key initiatives in the Blueprint that were undertaken in FY2020:

Critical Factors	Strategic Impetus	Key Initiatives Taken in FY2020	Next Steps for FY2021
1 **Risk Capability & Awareness**	• Building a strong risk-centric culture • Shared accountability and responsibility in managing risks	• Facilitated risk awareness training sessions and technical risk management workshops for all risk practitioners across the Group • Linked risk management to performance and reward by introducing a Risk Management Key Performance Indicator (KPI) Index • Issued monthly bulletins on emerging risk events and technical risk management updates	Continue to implement activities to enhance knowledge and understanding of risk management across the business. This includes periodic risk awareness sessions and technical risk assessment workshops covering key enterprise risk topics such as bribery and corruption risk, cyber security risk and business continuity planning
2 **Framework, Policy & Guidelines**	• Systematic implementation of risk management framework across the Group • Introduction of relevant policies and guidelines on risk management	• Established Investment and Project Risk Assessment Guidelines to facilitate risk assessment for major investments and major projects • Developed guidelines on Key Risk Indicators (KRI), Incident Management and Reporting, • Refined Board Risk Appetite Statements, risk tolerance and guiding principles • Prepared an Annual Risk Forecast for the year 2020	Continue to roll out other key policies and guidelines for key risk management areas. This includes: • Annual Risk Forecast for 2021 – a compendium of key emerging risks across Sime Darby's key markets • Bribery and Corruption Risk Assessment Guidelines • Cyber Security Risk Assessment
3 **Systems & Processes**	• Robust systems and processes to drive more effective assessment and monitoring of risks	• Implemented a KRI framework and incident management process for risk monitoring purposes • Improved the ERM system's user interface and reporting template • Conducted bribery risk assessment for key business units in Malaysia and China in line with Transparency International guidelines • Conducted data privacy gap assessment on key business units in Malaysia and China • Performed risk assessments on key investment proposals and major projects	**Counterparty Risk** • Alignment of risk management framework and processes for key JV entities, vendors and business partners **Regulatory Risk** • Develop bribery risk assessment profile for key business and operating units • Perform data privacy gap assessment for key business and operating units **Risk Identification and Evaluation** • Introduce cyber security risk assessment for strategic business decisions and M&As **Risk Monitoring** • Enhance risk monitoring via identification of KRIs for key enterprise risks

Critical Factors	Strategic Impetus	Key Initiatives Taken in FY2020	Next Steps for FY2021
4 **Organisational Resilience and Capability**	• Build resilience and sustainability as a response towards disruptions during a crisis or disaster • Optimise insurance coverage across the Group	**Business Continuity** • COVID-19 – Run business impact analysis workshop for key Group Head Office (GHO) functions and departments • COVID-19 – Established a GHO Crisis Committee to facilitate response and recovery activities • Developed a road map to enhance the Group's overall BCM. This includes setting up a BCM Steering Committee and formalising governance, policies and procedures across the Group **Insurance Management** • Renewed the Group Directors & Officers (D&O) Insurance Policy	**Business Continuity Management** Implement a Group-wide BCM enhancement programme covering the following scope: • Establish an integrated and centralised BCM governance structure • Formalise incident classification, communication and escalation procedures • Develop standard framework and guidelines on key BCM processes • Validate and test the viability of business continuity plans **Insurance Management** • Work with insurance brokers to optimise the Group's insurance coverage and explore other insurable risks based on Sime Darby's enterprise risk profile
5 **Tools & Techniques**	• Innovative tools and techniques for more effective risk assessment, quantification and analysis	• Developed customised risk assessment methodology and approach that cater specifically for Sime Darby's businesses	• Explore other relevant tools and techniques to enhance risk assessment processes

Risk Management

Sime Darby's Top Ten Risks

Effective risk management can be a source of competitive advantage. By understanding and effectively managing risk in a holistic manner, the Group is able to provide greater certainty and confidence to all its stakeholders. With the diversification of its portfolio of businesses as a key element in the Group's ERM approach, the Group view and manage its risks on a Group-wide basis. ERM is embedded in critical business activities, functions and processes.

Key risks and how they are managed:

Key Risks	Risk Trend	Description	Key Highlights in FY2020	Key Mitigation Measures
1 **Macroeconomic Risk**	↑	Sime Darby is susceptible to global macroeconomic and geopolitical factors, particularly in Australia and China where a significant portion of its business operations are located.	The Group remains vigilant and will continue to monitor the potential challenges posed by the US-China trade conflict. In 2019, the Group experienced adverse risk impact as a result of the anti-government protests in Hong Kong. Since early 2020, the COVID-19 pandemic has also exposed the Group to supply chain and market risks in some of the key markets where Sime Darby operates.	• Continuously monitor key geopolitical and macroeconomic developments that may expose the Group's business to any systemic risks. • Review of VCP and portfolios to take into account strategic plans to diversify the Group's businesses to mitigate over-concentration in one single territory or industry. • Specific hedging mechanisms (e.g. forward contracts) are undertaken to mitigate forex exposure when necessary.
2 **Competitors**	↑	Intense price competition and innovative product offerings by competitors.	Competition risk has been intense across all key markets. For trading businesses, maintaining market leadership is expected to become more challenging as customers become more cautious in their capital expenditure spend amidst economic uncertainties. Most markets within the Group's regional footprint are experiencing market shrinkage on the back of weakened customer sentiment. For Sime Darby Logistics, competition remains intense amidst price competition from nearby ports and the availability of alternative modes of transportation.	• Diversification strategies are in place to alleviate concentration on individual brand/product • Close monitoring of competitors' strategies to have a keen understanding of industry and market trends. • Accelerate digitalisation strategy to offer innovative solutions that streamline operations and optimise costs. • Continue to work with key principals to enhance pricing competitiveness.

Key Risks	Risk Trend	Description	Key Highlights in FY2020	Key Mitigation Measures
3 **Technology Disruption**	↔	Risk of technology disruption reshaping the automotive and heavy equipment industries leading to disintermediation of the Group's business.	The risk of disintermediation has become increasingly imminent with the advent of new digital ecosystems and innovative business models that are progressively transforming the Group's operating environment. This in turn deepens the need for Sime Darby to have its mobility strategy ready for a new business ecosystems in order to capitalise on first mover advantage.	• Developed business transformation initiatives and digital-proofing strategies to counter the threat of digitalisation. • Continuously seek and explore M&A opportunities with digital partners. • Leverage digitalisation as an opportunity to develop new products and services.
4 **Key Principals** **Dependence on Key Principals or Joint Venture Partners**	↔	The Group's dealership businesses are highly dependent on two key principals; CAT and BMW, and thus heavily rely on their performance.	There were no significant events or incidents during the year that has impacted the Group's CAT and BMW dealerships. Concentration on key principals (particularly CAT which is the global market leader in the heavy equipment industry) remains high and could potentially increase as the Group continues to expand its CAT business in the medium to longer term.	• Continuously engage with key principals to align mutual business goals. • Strive to support principals' initiatives and programmes. • Seek to diversify business to spread the risk of concentration on key principals, while being fully cognisant of the imperative to maintain strong relationships with existing ones.
5 **Acquisitions, Divestments & Projects**	↔	Risk of inability to generate expected returns from investments or divestments. Or failure to effectively manage key projects.	During the year, the Group continued to expand its business across new markets; notably, the acquisition of a CAT dealership in New Zealand and three Motors dealerships in Australia. Integration plans for these investments are on track and progressing well. From a risk perspective, failure to manage these key projects and investments may lead to undesirable outcomes that could significantly impact bottom line and growth strategy.	• Conduct rigorous due diligence on key investment proposals and projects. • The Board and Management provide oversight, review and approve key acquisitions and divestments based on Group Policies and Authorities. • Periodical reviews on the status of key projects and investments by the RMC.

Risk Management

Key Risks	Risk Trend	Description	Key Highlights in FY2020	Key Mitigation Measures
6 **JV Partners**	↔	Risk of inappropriate governance and oversight on the selection and management of JV partners may harm Sime Darby's interests.	There were no key risks observed during the year. Whilst governance and oversight on JVs have improved over time, significant resources are required to achieve synergy and common direction with JV partners in order to align different and potentially incompatible priorities and vested interests.	• The Board and Management provide oversight and receive periodic reporting (i.e. quarterly basis) of JV business performance. • Adopt stringent partner selection criteria and guidelines including appropriate governance arrangements. • Continually engage and have dialogue with partners to ensure alignment of business objectives.
7 **Cash Flow & Funding**	↔	Risk of the Group not generating adequate cash flow to meet funding for capital expenditure and working capital requirements. Post pure-play, this risk is contained given the Group's healthy cash and gearing position.	There were no significant cashflow/funding risk concerns at the Group as gearing remains at a healthy level. At Division and Business Unit levels, temporary suspension of business amid lockdowns and restrictions caused by the pandemic could lead to temporary cash flow and liquidity issues in the medium to longer term.	• Review of the VCP and portfolios take into account intertemporal analyses of portfolio returns and cash requirements. • Established a Group Policies and Authorities framework which guides investment and financing activities. • The Group has access to a diverse range of funding sources and ensure maintenance of sufficient credit facilities as well as enforce stringent working capital measures. • Conduct regular reviews of cash projections and funding plans.

Key Risks	Risk Trend	Description	Key Highlights in FY2020	Key Mitigation Measures
8 **People**	↔	**Development & Performance** The risk of insufficient talent with required skills, knowledge and expertise to execute the Group's strategy.	The need for people with the required skills, knowledge and expertise is imperative as Sime Darby continues to expand its business across new markets and geographies. This risk is being managed via Group Human Resources' (GHR) overall talent management and succession planning initiatives.	• Developed a comprehensive plan to recruit vital strategic positions which the Group currently lacks. • Succession planning is included as part of the KPI for key positions. • Continuous training and development programmes to enhance employee skills and knowledge.
		Health & Safety Risks that will compromise the health and safety of stakeholders.	There were occurrences of operational safety incidents and injuries arising from the Group's operations. The COVID-19 pandemic led to the risk of infection amongst employees, particularly frontline workers and those who have difficulty maintaining social distance during work.	• Established a Group Safety & Sustainability department to develop, implement and monitor the effectiveness of the Group's safety and sustainability strategy • Across the Group, all businesses have enacted safety guidelines in compliance with government regulations including travel restrictions, quarantine and hygiene procedures to minimise risk of infection.
9 **Cyber Security**	↑	Risk of IT security breaches (e.g. intrusion, Distributed Denial of Service (DDOS), malware, ransomware etc.) resulting in significant data breach or loss of key business systems.	Cyber security risks are anticipated to increase in tandem with the Group's aggressive expansion strategy across a growing footprint. This risk is also heightened with the increased reliance on the Internet and information technology as well as increased instances of remote/offsite network access during the pandemic.	• Installed comprehensive IT security tools (e.g. firewall, antivirus software). • Installed a comprehensive intrusion detection and notification system. • Engaged an external IT vendor to monitor IT security risk exposure very closely. • Continuous training on cyber security awareness
10 **Regulatory Environment**	↔	Changes to the regulatory regime in the markets where the Group operates may expose the Group to higher compliance cost and scrutiny.	There is a concerted shift towards policies that emphasise on environmental management and anti-pollution in the markets where the Group operates. In the medium to longer term, this could drastically change the operating environment of the Group's businesses and potentially lead to higher compliance costs if it fails to adapt to such changes.	• Regularly engage and communicate with governments, regulators and authorities to ensure the potential adverse impacts of proposed regulatory changes are understood and where possible, mitigated. • Developed a regulatory compliance programme to undertake a comprehensive assessment of its compliance efforts with regard to regulatory requirements.

Risk Management

Risk Appetite

Risk appetite refers to the level of risk an organisation is prepared to accept in pursuit of its strategic objectives. Annually, the Board (via the RMC) determines the Group's risk appetite and tolerance, and ensures that it is communicated appropriately across the Group. The Group's risk appetite is documented in a formal written statement (Risk Appetite Statement) which articulates the Group's risk strategy. The Risk Appetite Statement was developed by Group Risk Management (GRM), in consultation with the RMC and the Group Management Committee, and was presented to the Board for approval.

GRM has also developed a Risk Appetite Framework to guide the formulation and implementation of the Risk Appetite Statement.

For more information on the Risk Appetite Framework, please refer to page 140.

During the year, the following key risk appetite statements were approved by the Board and implemented across the Group:

Key Enterprise Risks	Risk Appetite Statements	Impact on Policies and Internal Business Processes
Acquisitions, Divestments and Projects	The Group will seek to generate return on investments above the cost of capital.	Clarifies the minimum investment return criteria for all future investment proposals.
	The Group has low tolerance for investments that may adversely impact its financial position and reputation.	Reinforces monitoring of low yielding or unprofitable investments and initiates proactive actions to mitigate losses. Such investments were monitored and periodically reported and discussed at Board and RMC meetings.
	The Group will continue to pursue investments in key markets but will avoid over-concentrating investments in one single country or region.	Reinforces monitoring of country concentration risk, amidst macroeconomic and geopolitical risk exposures within Sime Darby's regional footprint. Macroeconomic and geopolitical risk exposure was monitored and reported in quarterly RMC risk reports.
	The Group seeks to avoid investing in businesses with high transaction multiples that could dilute its earnings. The Group seeks to limit the portion of purchase consideration allocated to intangibles to limit the risk of impairment.	Clarifies the appropriate criteria for pricing and valuation for all future investment proposals. These guiding principles were included in the Group Investment Guidelines.
Cashflow and Funding	The Group will not venture into financial instruments that are speculative, volatile or any that will increase the Group's risk exposure.	Defines the types of high-risk treasury instruments to be avoided. This will allow capital and resources to focus on core investments that are part of the Group's VCP.
JV Partners	The Group has a low tolerance for financial loss in JV businesses, and will ensure appropriate governance and oversight on the selection and management of JV partners.	Reinforces the requirement to conduct due diligence on new JV partners.
People – Health & Safety	The Group will minimise risks that could compromise the safety and health of employees, partners and local communities in its areas of operations. The Group aims to work towards a goal of "No Harm" in all of its operations.	Defines the Group's tolerance with regards to health, safety and environment (HSE) risk exposure. Clarifies the Group's overall mandate and direction with regard to HSE.

Key Enterprise Risks	Risk Appetite Statements	Impact on Policies and Internal Business Processes
People – Ethics and Integrity	The Group has high expectations for ethical and integrity standards and will not tolerate any breaches of the COBC.	Defines the Group's expectations with regard to ethical and integrity standards. Reinforces the significance of the Group's anti-bribery and anti-corruption programme.
Technology Disruption	The Group will seek to minimise the risk of technology disruption by leveraging on digital-proofing strategies, and continually exploring collaborations with digital partners to innovate its business processes and product offerings.	Defines the Group's tolerance in greenfield and startup investments, considering the high failure rate and other risks associated with such investments. Clarifies the investments required to run the Group's digital-proofing strategy.
Regulatory Environment	The Group will comply with all relevant legislation within the jurisdictions where it operates; and have no tolerance for significant non-compliance.	Clarifies the Group's expectations with regards to regulatory compliance. Reinforces Group Compliance's regulatory attestation programme to provide assurance in terms of the compliance with key regulations.

A tougher set of challenges and complexities are anticipated ahead in the new financial year. This comes amidst a growing list of uncertainties in the macroeconomic and socio-political environments within the Group's operational footprint. Managing risks will be key as the Group endeavours to manoeuvre through these challenges to retain market share and grow shareholder value. GRM will continue to support the Group's business and operating units in assessing emerging risks that could positively or negatively influence the outcome of its business activities and processes.

Group Chief Financial Officer's Review

"The Group's strong core net profits was largely attributable to the resilience of the Industrial Division's Australian operations and the strong rebound of both the Industrial and Motors operations in China in the fourth quarter of the financial year."

Mustamir Mohamad
Group Chief Financial Officer

Our Results

RM36,934m
Revenue

RM1,407m
PBIT

RM820m
Net Profit

7.3%
ROAIC

5.5%
ROE

10 sen
Net Dividend per Share

Dear Valued Shareholders,

Overview

The Group registered a commendable set of results in FY2020, particularly in the second half of the financial year. The Group's diversity and geographical spread across the Asia Pacific region helped mitigate the adverse impact of the pandemic which differed in severity and timing by business area and geographical location. A Downturn Action Plan, swiftly put in place, helped the Group's operations navigate through the challenging times.

Overall, the Group recorded a 13.5% decline in net profit from RM948 million in FY2019 to RM820 million in FY2020. This shortfall was primarily due to the one-off deferred tax credit of RM129 million in the previous year, compounded by the impact of the COVID-19 pandemic in FY2020. In addition, the Group also recorded several significant impairments which offset some one-off gains in FY2020. Excluding these one-off items, the Group recorded a 9.5% increase in core net profit to RM1,040 million in FY2020 compared to RM950 million in FY2019.

The Group's strong core net profits was largely attributable to the resilience of the Industrial Division's Australian operations and the strong rebound of both the Industrial and Motors operations in China in the fourth quarter of the financial year.

During the year, the Group also completed two significant acquisitions – the acquisition of the Gough Group in New Zealand for RM574 million and three dealerships in Sydney, Australia for RM440 million. However, the contribution from these acquisitions were adversely impacted by the COVID-19 pandemic, particularly the operations in New Zealand.

Sime Darby also entered into an agreement to divest its entire 30% equity interest in Tesco Stores Malaysia for RM300 million. The transaction is expected to be completed in the second half of 2020.

The Group's strong core net profits was largely attributable to the resilience of the Industrial Division's Australian operations and the strong rebound of both the Industrial and Motors operations in China.

Adoption of MFRS 16 – Leases

FY2020 saw the Group adopting the new accounting standard, MFRS 16 – Leases. The adoption of MFRS 16 resulted in the recognition on the balance sheet of previously off-balance sheet operating leases of RM1.8 billion in the form of right-of-use assets and corresponding lease liabilities. There was also a negative impact on the Group's profitability arising from the adoption as the additional depreciation (RM416 million) and finance costs (RM72 million) arising from the adoption totalling RM488 million was greater than the lease rentals of RM447 million. The Group opted not to restate comparatives as allowed under the transitional provisions of the standard, after taking into consideration the significant number of leases involved and weighing the cost-benefit of undertaking a full retrospective restatement.

Key Financial Performance Indicators

Sime Darby uses several key financial indicators to measure its financial performance. These key financial indicators are: Revenue, Profit before interest and tax (PBIT), Net Profit, Return on average invested capital (ROAIC) and Return on average shareholders' equity (ROE). The Board and Management regularly review these financial indicators to measure the Group's performance against set targets.

Group Chief Financial Officer's Review

Revenue

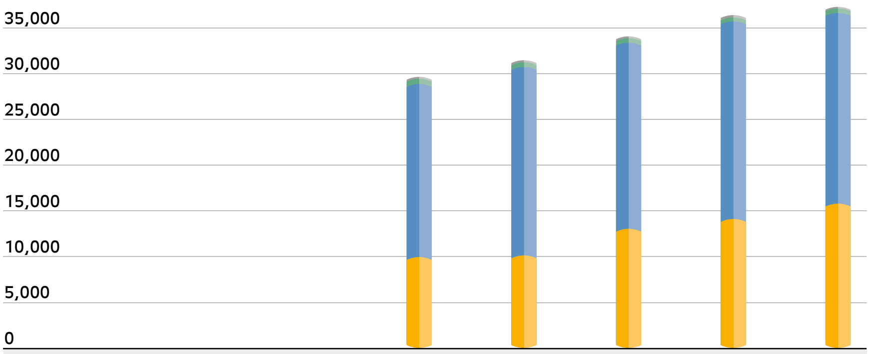
The Group's revenue increased slightly by 2.2% to RM36.9 billion in FY2020, as the adverse impact of the COVID-19 outbreak on business volume was mitigated by revenue of RM1.3 billion from the two new acquisitions. By business segment, the Industrial Division recorded a 11.9% increase in revenue to RM15.8 billion, supported mainly by higher equipment sales to the Australian mining sector and strong equipment sales in China. The Motors Division recorded a 3.5% decrease in revenue to RM20.9 billion mainly due to the impact of COVID-19 restrictions, particularly in Malaysia and Singapore. Revenue of the Logistics Division declined 22.6% to RM219 million, with lower port throughput mainly due to the impact of the COVID-19 outbreak, environmental restrictions and stiff competition.

In terms of geographical breakdown, 89% of the Group's revenue for FY2020 was generated outside Malaysia, with 40% contributed by our Greater China[1] operations, 36% from Australasia[2] and 13% from other countries in Asia.

Profit Before Interest and Tax

The Group's PBIT increased 1.7% to RM1,407 million mainly due to the strong performance of the Industrial Division despite the COVID-19 pandemic, particularly in Australia and China. By comparison, the strong operational performance was partly offset by the lower one-off gains in FY2020 (RM72 million) vs FY2019 (RM167 million). One-off impairments/losses for both years was RM283 million respectively.

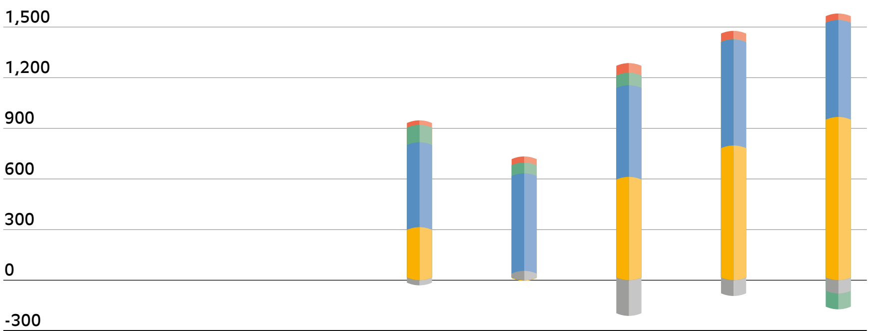
Revenue (RM million)



	FY2016	FY2017	FY2018	FY2019	FY2020
Industrial	9,946	10,127	13,041	14,113	15,794
Motors	19,155	20,602	20,341	21,606	20,852
Logistics	294	303	341	283	219
Others	57	55	105	154	69
Total	**29,452**	**31,087**	**33,828**	**36,156**	**36,934**

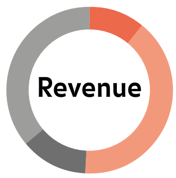
Note: There was no revenue reported under Healthcare as our healthcare business is represented by Ramsay Sime Darby Health Care, a 50%-50% joint venture entity that is equity accounted.

Profit Before Interest and Tax (RM million)



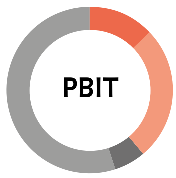
	FY2016	FY2017	FY2018	FY2019	FY2020
Industrial	341	(4)	612	798	967
Motors	503	633	543	628	574
Logistics	103	64	74	2	(94)
Healthcare	27	36	57	49	39
Others	(31)	55	(212)	(94)	(79)
Total	**943**	**784**	**1,074**	**1,383**	**1,407**

FY2020 Revenue by Geographical Location (%)



Malaysia	11
Greater China[1]	40
Other Countries in Asia	13
Australasia[2]	36
Total	**100**

FY2020 PBIT by Geographical Location (%)



Malaysia	13
Greater China[1]	26
Other Countries in Asia	6
Australasia[2]	55
Total	**100**

[1] Greater China includes China, Hong Kong, Macau and Taiwan

[2] Australasia includes Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands

ROE

The Group's ROE declined from 6.5% to 5.5% mainly due to the lower Net Profit as mentioned earlier. Our aim is to increase our ROE to more than 8% over the medium term.

Invested Capital & ROAIC

The performance of each Division is also measured in terms of ROAIC which is a measure of the efficiency of capital employed in the respective businesses for generating profitable returns. The Group's ROAIC was 7.3% in FY2020 against 7.9% in FY2019. The ROAIC for FY2020 has limited comparability to that of FY2019 as a result of the adoption of MFRS 16, which resulted in an increase in invested capital by RM1.8 billion on initial adoption.

During FY2020, the Group developed and rolled-out a Capital Allocation Framework that formalises and sets ROIC targets for our businesses in addition to guiding future investment decisions in terms of geographies, financial targets and business areas. With this framework in place, it is envisaged that the Group will optimise its capital allocation to result in greater returns to shareholders.

Finance Income and Costs

Finance income for the Group increased to RM51 million in FY2020 from RM32 million in RM2019. This was mainly due to higher interest income from finance lease receivables and RM8 million interest income earned on the India withholding tax recoverable that was received in FY2020. Finance costs increased to RM183 million in FY2020 mainly due to the adoption of MFRS 16, which resulted in RM72 million increase in finance costs relating to lease liabilities. The weighted average cost of borrowings (which only includes finance costs relating to borrowings) declined to 2.4% in FY2020 from 3.5% in FY2019 with the lowering of policy rates in many countries following the COVID-19 pandemic.

Taxation

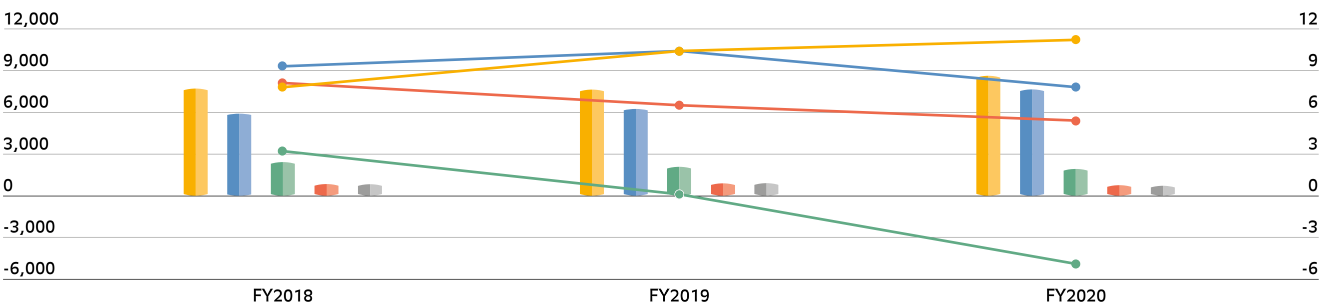
The Group recorded a higher tax expense of RM402 million in FY2020 mainly due to the lower comparative figure in FY2019. This arose from a deferred tax credit of RM129 million following a change in Real Property Gains Tax rates in Malaysia. The effective tax rate (excluding share of results of associates and joint ventures) of 29.1% was higher than the applicable tax rate of 26.4% mainly due to non-deductible expenses in certain subsidiaries as well as withholding taxes.

Statement of Financial Position

Total assets increased from RM25.5 billion as at 30 June 2019 to RM27.3 billion as at 30 June 2020 mainly due to the adoption of MFRS 16 (from the recognition of right-of-use assets) and the acquisitions.

Total debt increased from RM2,575 million as at 30 June 2019 to RM4,045 million as at 30 June 2020 mainly due to the adoption of MFRS 16 (from the recognition of lease liabilities). Within this category however, total borrowings declined to RM2,231 million from RM2,575 million despite the acquisitions as a result of strong operating cash flows in FY2020. Debt/equity ratio was at 26.2% as at 30 June 2020 against 28.8% as at 1 July 2019 (post adoption of MFRS 16) and 17% as at 30 June 2019. Given these parameters, the Group still has ample debt headroom for future strategic expansions and M&As. Debt/Adjusted EBITDA was 1.54x as at 30 June 2020, which was not directly comparable with the 1.24x as at 30 June 2019 as a result of the adoption of MFRS 16.

Invested Capital & ROAIC



	Invested Capital (RM million)				ROAIC (%)		
	FY2018	FY2019	FY2020		FY2018	FY2019	FY2020
Industrial	7,700	7,626	8,618	Industrial	7.8	10.4	11.2
Motors	5,896	6,235	7,640	Motors	9.3	10.4	7.8
Logistics	2,334	1,989	1,832	Logistics	3.2	0.1	(4.9)
Healthcare	730	784	649	Healthcare	8.1	6.5	5.4
Others	718	795	608	Others	–	–	–
Sime Darby	**17,378**	**17,429**	**19,347**	**Sime Darby**	**6.0**	**7.9**	**7.3**

Note: Average Invested Capital for FY2020 adjusted for MFRS 16 adoption

Group Chief Financial Officer's Review

RM million	FY2020	FY2019
Non-current assets	12,552	10,346
Other assets excluding bank and cash	13,027	13,447
Bank and cash	1,694	1,723
Total Assets	**27,273**	**25,516**
Borrowings and leases (Debt)	4,045	2,575
Other liabilities	7,815	7,823
Total Liabilities	**11,860**	**10,398**
Share capital	9,300	9,299
Reserves	5,697	5,414
Shareholders' Equity	**14,997**	**14,713**
Non-controlling interests	416	405
Total Equity	**15,413**	**15,118**
Total Equity and Liabilities	**27,273**	**25,516**

Cash Flow

RM million	FY2020	FY2019
Operating cash flow	**3,012**	1,352
Interest received	**36**	25
Capital expenditure	**(556)**	(377)
Lease payments	**(447)**	–
Finance costs paid	**(116)**	(143)
Free cash flow	**1,929**	**857**
Acquisitions and investments	**(1,021)**	(255)
Disposals and repayments	**113**	361
Free cash flow after acquisitions and disposals	**1,021**	**963**

The Group's operating cash flow increased from RM1,352 million in FY2019 to RM3,012 million in FY2020 mainly due to improved working capital management, with a particular focus on the reduction of inventories held. This is one of the key action items to conserve cash and improve cash flow.

The strong operating cash flows enabled the Group to effectively fund the FY2020 acquisitions and contribute to the reduction in total borrowings.

Additional information is provided in our Cash Flow Statement on pages 171 to 174.

Dividend

The Group's policy is to distribute a dividend of not less than 50% of net profit each financial year. For FY2020, the Group declared a total dividend of 10 sen per share or RM680 million, equivalent to about 83% of the FY2020 net profit of RM820 million.

Outlook

FY2021 is expected to remain challenging with the ongoing uncertainties relating to the pandemic and unresolved global trade tensions. The Group has undoubtedly demonstrated tenacity in this unprecedented economic climate. Our strong financial position and our ongoing initiatives to strengthen the Group's resilience would put us in good stead to weather any upcoming challenges.

With most countries adopting fiscal and monetary measures to recover from the economic effects of the pandemic, challenges as well as opportunities are available to the Group in the days ahead and our priority remains to ensure that our operations are financially agile to quickly adapt to an unpredictable market environment. In this regard, the financial management objectives of the Group will be focused on conserving cash, streamlining working capital utilisation and maximising value from existing business operations.

Mustamir Mohamad
Group Chief Financial Officer

Group CFO's Key Focus Areas for FY2021

A key focus of the Group in FY2021 will be the enhancement of the Group's returns on invested capital from its businesses. Several initiatives that have been identified that would help support this target include:

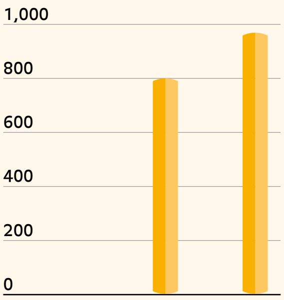
- Improving working capital management, particularly inventory management and debtor collections
- Enhancing revenue and margins, including developing new revenue streams with higher profitability and improving operating efficiencies
- Optimising cost, including reviewing cost structures and branch network rationalisation

Industrial

The Industrial Division recorded higher profits of RM967 million, a YoY improvement of 21.2%. The results for FY2020 include a reversal of impairment of assets in Papua New Guinea of RM32 million, offset by fair value loss on financial assets of RM72 million (FY2019: RM47 million). Excluding these one-off items, the higher profits were mainly contributed by the operations in Australia and China. During the year, the Australian operations were not significantly affected by the COVID-19 pandemic while the China operations registered strong performance in the first half and made swift recovery in the fourth quarter.

PBIT (RM million)

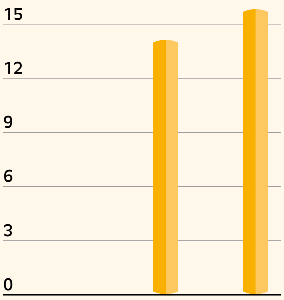
RM967m



FY2019	FY2020
798	**967**

Revenue (RM billion)

RM15.8b



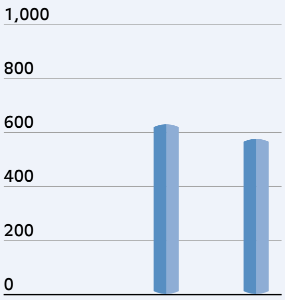
FY2019	FY2020
14.1	**15.8**

Motors

Profits fell 8.6% YoY for the Motors Division to RM574 million in FY2020 as business operations were affected by movement restrictions of varying lengths in several markets while consumer sentiment had been dampened by the pandemic in general. The Division's China operations recorded strong first half results and had rebounded strongly in the fourth quarter.

PBIT (RM million)

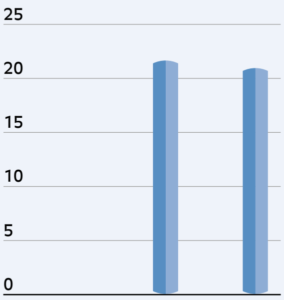
RM574m



FY2019	FY2020
628	**574**

Revenue (RM billion)

RM20.9b



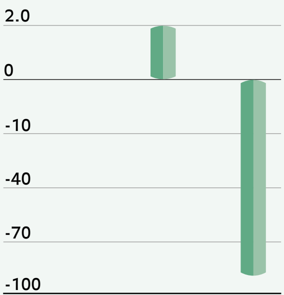
FY2019	FY2020
21.6	**20.9**

Logistics

The Logistics Division registered a loss before interest and tax of RM94 million in FY2020 mainly due to losses from joint ventures and impairments. By comparison, the previous year's results included the gain on the disposal of Weifang Water of RM78 million.

PBIT (RM million)

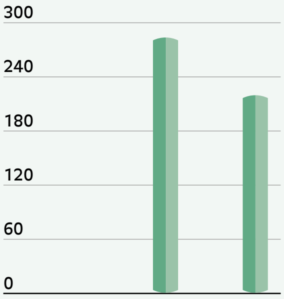
-RM94m



FY2019	FY2020
2	**(94)**

Revenue (RM million)

RM219m



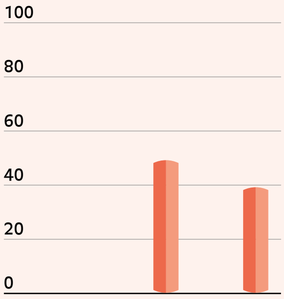
FY2019	FY2020
283	**219**

Healthcare & Other Businesses

The Group's share of profits from the Ramsay Sime Darby Health Care joint venture decreased by 20.4% YoY to RM39 million mainly due to impairment of assets and the impact of the COVID-19 pandemic during the second half of the financial year.

Healthcare PBIT (RM million)

RM39m



FY2019	FY2020
49	**39**

Included in the results for the Group's other businesses for FY2020 is the share of loss (including impairment) of the equity interest in E&O of RM58 million (previous year: RM117 million). The previous year also included the recognition of the arbitration award received for the ONGC Wellhead project of RM26 million and a RM17 million gain on the disposal of a trademark.

Group Chief Financial Officer's Review

5-Year Financial Highlights

Financial Year Ended 30 June (RM Million)	2016	2017	2018	2019	2020
Financial results					
Revenue*	29,452	31,087	33,828	36,156	**36,934**
Profit before interest and tax*	943	784	1,074	1,383	**1,407**
Profit before tax*	1,046	1,007	1,065	1,291	**1,275**
Profit after tax*	864	795	685	1,010	**873**
Non-controlling interests and perpetual sukuk*	(72)	(180)	(67)	(62)	**(53)**
Profit attributable to owners of the Company					
– Continuing operations	792	615	618	948	**820**
– Discontinued operations	1,626	1,823	1,301	–	**–**
– **Total**	2,418	2,438	1,919	948	**820**
Financial position					
Share capital and share premium	5,766	9,299	9,299	9,299	**9,300**
Reserves other than share premium	26,629	28,044	5,071	5,414	**5,697**
Shareholders' equity	32,395	37,343	14,370	14,713	**14,997**
Perpetual sukuk	2,230	2,230	–	–	**–**
Non-controlling interests	965	976	389	405	**416**
Total equity	35,590	40,549	14,759	15,118	**15,413**
Borrowings and leases	15,968	3,205	2,889	2,575	**4,045**
Liabilities associated with assets held for distribution	–	17,290	–	–	**–**
Other liabilities	12,951	6,636	7,225	7,823	**7,815**
Total equity and liabilities	64,509	67,680	24,873	25,516	**27,273**
Non-current assets	39,826	10,853	10,412	10,346	**12,552**
Current assets excluding Cash	21,162	12,286	12,789	13,447	**13,027**
Assets held for distribution	–	42,469	–	–	**–**
Cash	3,521	2,072	1,672	1,723	**1,694**
Total assets	64,509	67,680	24,873	25,516	**27,273**
Financial ratios					
Operating margin (%)*	3.1	2.4	3.3	4.3	**4.1**
Return on average shareholders' equity (%)	7.7	7.0	7.4	6.5	**5.5**
Debt/Equity (%)[1]	44.9	32.4	19.6	17.0	**26.2**
Share information					
Basic earnings per share (sen)	38.5	36.7	28.2	13.9	**12.1**
Net assets per share attributable to owners of the Company (RM)	5.1	5.5	2.1	2.2	**2.2**
Net dividend per share (sen)	27	23	8	10	**10**

[1] Debt includes leases and borrowings under liabilities associated with assets held for distribution
* The financial results have been restated to exclude discontinued operations

Value Distribution

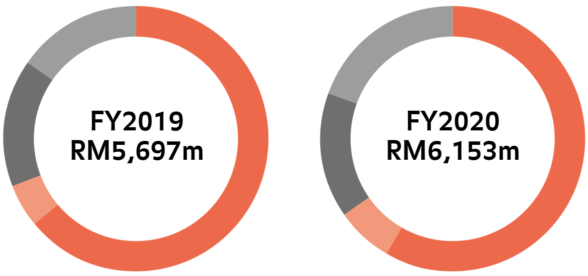
The value that Sime Darby creates for its stakeholders can be in the form of financial returns or in non-financial or intangible forms. The Statement of Value Added illustrates how Sime Darby's performance supports the Group's ability to deliver financial value to its stakeholders.

The financial value in the statement is based on the profit before finance costs, Corporate Social Responsibility (CSR) expenses, tax, depreciation and amortisation and staff cost.

RM million	FY2019	FY2020
Directors and employees	3,639	3,609
Government and society[1]	302	423
Providers of capital		
• Dividends[2]	680	680
• Finance costs[3]	148	195
• Non-controlling interest	62	53
Reinvestment and future growth	866	1,193
Total Distributed	**5,697**	**6,153**

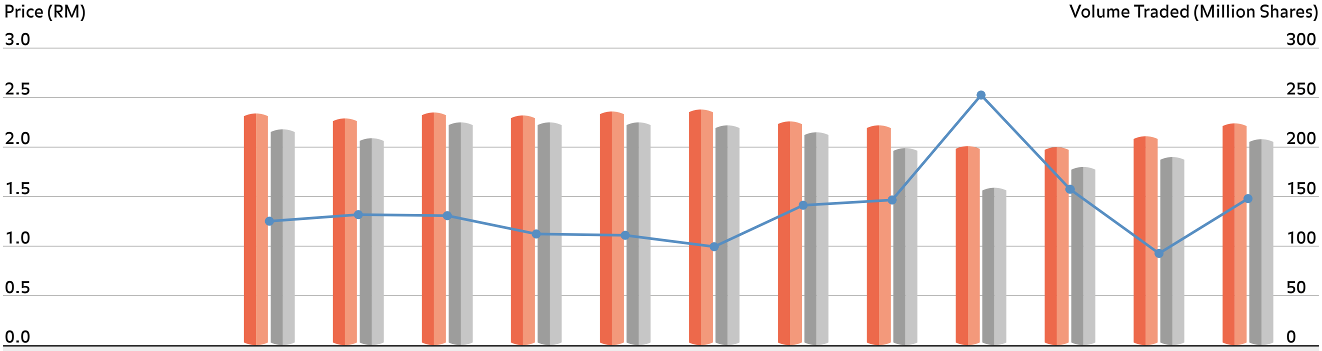
[1] Tax and CSR expenses
[2] Dividends refer to dividends declared for the respective financial years
[3] Gross finance costs

Value Distribution (%)



	FY2019	FY2020
Employees	63.9	**58.6**
Government & Society	5.3	**6.9**
Providers of Capital	15.6	**15.1**
Reinvestment and Future Growth	15.2	**19.4**
Total	100	**100**

Our Share Price Movement



	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
Highest	2.34	2.29	2.35	2.32	2.36	2.38	2.26	2.22	2.01	2.00	2.11	2.24
Lowest	2.18	2.09	2.25	2.25	2.25	2.22	2.15	1.99	1.59	1.80	1.90	2.08
Total Vol (Million)	125.21	131.85	130.80	112.32	110.99	99.46	141.31	146.64	252.58	157.46	92.68	148.02

Divisional Operations Review

Sime Darby Industrial

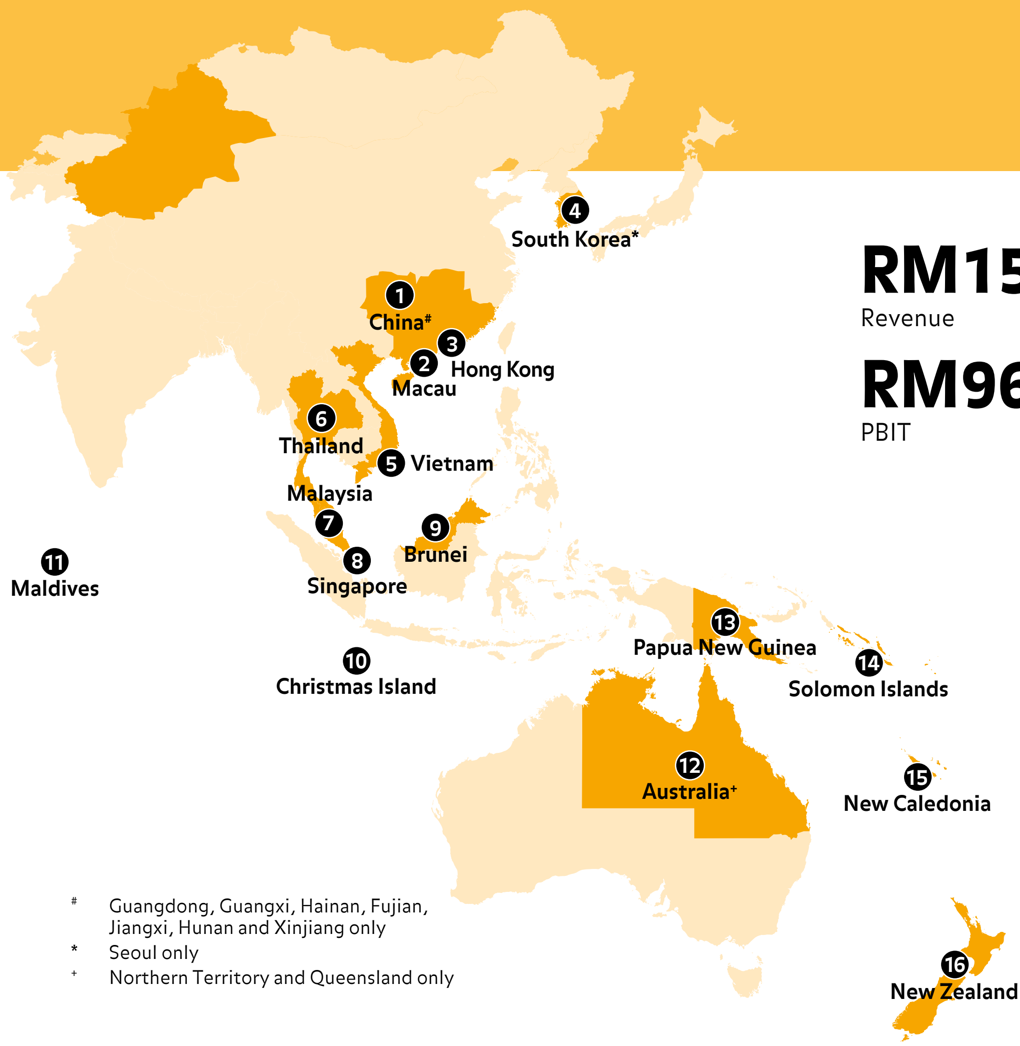
Sime Darby Industrial is a world leader in the heavy equipment business. Supported by a regional network of branches spanning 16 countries and territories, it is one of the largest Caterpillar dealers globally, through a partnership that has lasted close to a century. Its core businesses are in the retail and rental of heavy equipment and power systems, providing after-sales product support, and in providing industrial solutions for customers in the mining, construction, power generation, forestry, marine, agriculture and the oil and gas sectors. Sime Darby Industrial also represents a range of other premium brands including Terberg, Hyster, New Holland and Perkins.

Key Developments in FY2020

- Acquired Terra Cat (formerly known as the Gough Group) in New Zealand
- Secured the Hyster materials handling dealership in Malaysia and Brunei

RM15,794m
Revenue

RM967m
PBIT

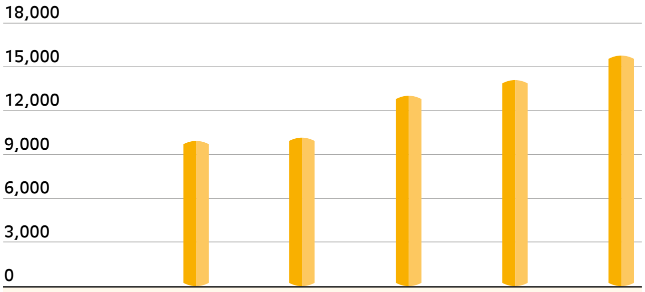


Guangdong, Guangxi, Hainan, Fujian, Jiangxi, Hunan and Xinjiang only
* Seoul only
+ Northern Territory and Queensland only

Divisional Operations Review
Sime Darby Industrial

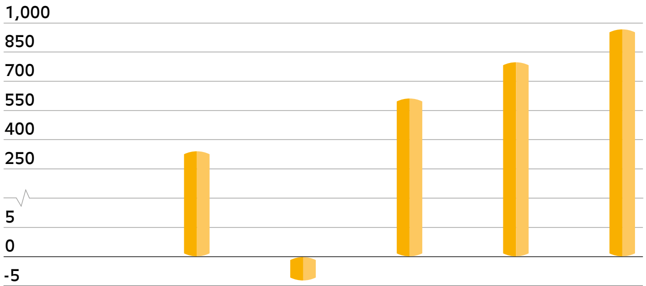
Key Highlights

Revenue (RM million)



FY2016	FY2017	FY2018	FY2019	FY2020
9,946	10,127	13,041	14,113	**15,794**

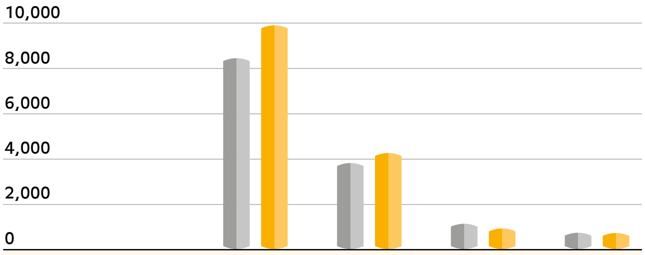
PBIT (RM million)



FY2016	FY2017	FY2018	FY2019	FY2020
341	(4)	612	798	**967**

Revenue by Region (RM million)

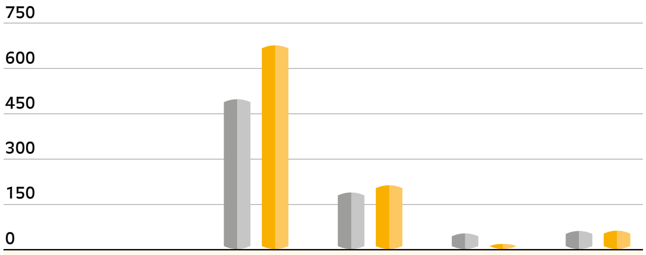
FY2019 **FY2020**



	AUS	CH	MY	AS
FY2019	8,459	3,810	1,121	723
FY2020	**9,914**	**4,255**	**913**	**712**

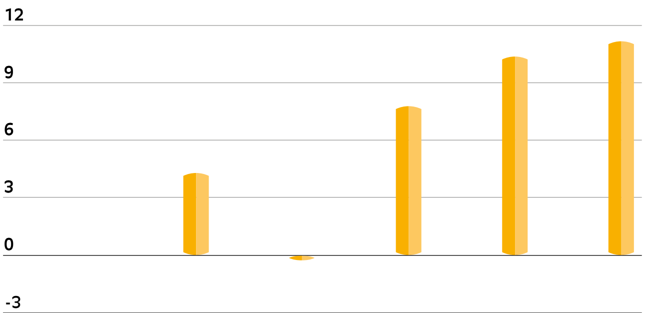
PBIT by Region (RM million)

FY2019 **FY2020**



	AUS	CH	MY	AS
FY2019	498	188	52	60
FY2020	**677**	**212**	**17**	**61**

ROAIC (%)



FY2016	FY2017	FY2018	FY2019	FY2020
4.3	(0.1)	7.8	10.4	**11.2**

AUS: Australasia CH: China MY: Malaysia AS: Asia (excluding China and Malaysia)

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01 Hastings Deering delivered the first new D11 dozer in December 2019.

02 A China Engineers Limited (CEL) technician inspecting a rebuilt cylinder head prior to installation work.

Operations Review

Sime Darby Industrial delivered solid gains in terms of revenue, PBIT and market share in FY2020 despite the widespread economic challenges and uncertainty due to the COVID-19 pandemic. Revenue increased by 12% YoY from RM14.1 billion to RM15.8 billion while PBIT grew by 21% from RM798 million to RM967 million. PBIT margins improved to 6.1%, up 0.4% from FY2019.

Sime Darby Industrial's Australasian operations was the Division's largest revenue and PBIT contributor in FY2020, followed by its business in China, with each contributing 63% and 27% respectively to the Division's sales.

The acquisition of New Zealand's Gough Group in September 2019, now rebranded as Terra Cat, was the Group's largest acquisition since the demerger. This presented a rare opportunity to further strengthen Sime Darby Industrial's partnership with Caterpillar, and to expand into the construction and forestry sectors in New Zealand. Both key industries are set to benefit from New Zealand's national infrastructure investments and strong demand for forestry exports to China.

In January 2020, Sime Darby Industrial's Malaysian business entered into an agreement with leading global lift truck manufacturer, Hyster-Yale Group Inc. to be the exclusive Hyster dealer in Malaysia and Brunei. The partnership complements Sime Darby Industrial's vast experience in lift trucks and industrial products, strengthening its position in the materials handling market.

Sime Darby Industrial delivered solid gains in terms of revenue, PBIT and market share in FY2020 despite the widespread economic challenges and uncertainty due to the COVID-19 pandemic.

Divisional Operations Review
Sime Darby Industrial

Building on its resilient performance during a challenging third quarter of FY2020, Sime Darby Industrial's regional portfolio has progressively resumed operations since the fourth quarter and has been making good recovery.

The oversupply of metallurgical and thermal coal continues to put pressure on prices. And the low oil prices have exacerbated the situation. Metallurgical coal prices have fallen from the highs of USD180 per tonne in July 2019 to USD110 per tonne in June 2020. Likewise, thermal coal prices slumped from USD70 per tonne to USD50 per tonne over the same period. Nevertheless, given Sime Darby Industrial's strong fundamentals, diversified geographical spread and the continuing demand especially for metallurgical coal to fuel the Asian steel industry, Sime Darby Industrial is confident of weathering the turbulence. Building on its resilient performance during a challenging third quarter of FY2020, Sime Darby Industrial's regional portfolio has progressively resumed operations since the fourth quarter and has been making good recovery.

Australasia

Sime Darby Industrial's operations in Australasia performed strongly in FY2020, posting a PBIT of RM677 million on the back of RM9.9 billion in revenue. This was led mainly by Hastings Deering, the Caterpillar dealership in Queensland and the Northern Territory in Australia. Uninterrupted mining activity in Australia throughout the pandemic played a key role in bolstering Hastings Deering's market share and leadership position. Revenue growth had been positive across all segments, in which sales of mining equipment and equipment parts were particularly strong, growing at 51% and 20% respectively against FY2019.

In concluding its first financial year under Sime Darby Industrial, which was over a 9-months period, Terra Cat registered a loss before interest and tax of RM12 million. Timber exports were severely disrupted due to the pandemic, as ports in China, which account for 52% of all forestry exports for New Zealand, were shut. The New Zealand Industrial business resumed operations in late April, with business activity increasing each month afterwards, although not returning to pre-pandemic levels during the financial year.

China

Sime Darby Industrial's operations in China, represented by China Engineers Limited (CEL), saw its PBIT increase to RM212 million on the back of RM4.3 billion in revenue in FY2020. CEL's strong performance throughout the financial year was on the back of encouraging hydraulic excavator sales, driven by domestic demand from infrastructure projects.

The dealership, however, continued to experience increasingly fierce competition from local brands. Nevertheless, CEL retained its leading position among foreign brands across its dealership territories.

Malaysia

The Movement Control Order (MCO) placed Malaysia under lockdown from March until June. During this time, almost all activities within the construction sector came to a halt. Project deliveries were heavily affected, resulting in a 36% contraction of the heavy equipment market as compared to FY2019. Notwithstanding the difficulties, Sime Darby Industrial's Malaysian operations recorded a PBIT of RM17 million on the back of RM913 million in revenue for FY2020, while maintaining its position as the market leader.

Singapore*

PBIT increased marginally to RM61 million despite lower revenues of RM712 million in FY2020. Whilst government support in the form of subsidies offered some reprieve, economic activity in Singapore was badly affected by the imposition of the Circuit Breaker in April 2020 to halt the spread of COVID-19.

The low oil prices resulted in the postponement or cancellation of projects in the marine, oil and gas sectors. This impacted engine sales, which is a core component of Tractors Singapore Limited's (TSL) operations.

All construction work in Singapore was temporarily suspended and projects only gradually resumed in June 2020, resulting in a 15% contraction of the construction equipment market. Nevertheless, TSL remains as one of the top three players in Singapore.

Risks to the Business

Key Risk	Description	Key Mitigation Measures
Cyclical Risk	The cyclical nature of the mining and oil & gas sectors can cause large variations in customer spend.	• Continue to diversify the Division's products and expand its geographical markets, while developing businesses adjacent to its core activities. • Established a downturn strategy that better predicts the timing of cyclical downturns and provides specific actions to protect both profitability and the balance sheet and to minimise the impact of the downturn. • Implemented continuous cost management, operational efficiency and inventory reduction initiatives throughout its operations.
US-China Trade War	The ongoing conflict between the US and China could pose negative sentiment towards US-branded products in China.	• There has been no observable impact from any negative sentiments in China. Sime Darby Industrial continues to leverage on its relationship with its customers while working diligently with Caterpillar on strategies to maintain its strong market position.
Lower Priced Competition	More competitively-priced products from China and Japan continue to penetrate the market.	• To leverage on the technological capabilities of its products and the strength of its after-sales capability and network coverage.

* Financial results for Singapore includes other operating units in Asia excluding China and Malaysia

Divisional Operations Review
Sime Darby Industrial

Outlook

There are positive signs of economic recovery in all the markets in which Sime Darby Industrial operates. However, the continuing impact of the pandemic cannot be accurately predicted.

Prices of metallurgical and thermal coal are softening due to falling demand for steel and China's tightening of restriction on imported coal. However, Sime Darby Industrial remains confident of the competitiveness of Australia's coal given its superior quality.

The Australian government had also announced an additional package of AUD1.5 billion for infrastructure investment, on top of an earlier commitment to deliver on a AUD100 billion, 10-year transport infrastructure pipeline. This is expected to trigger sustained demand for heavy equipment.

The New Zealand government had announced a NZD3 billion "shovel-ready" fund to "kick-start" its economic recovery. This is in

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01 Sime Darby Industrial will continue to closely monitor the evolving business environment and harness any strategic advantage to seize opportunities for growth.

02 Power Systems sales is a core component of Tractors Singapore Limited's operations.

03 New Holland protects the value of its customer's investment by providing preventive maintenance.

Quality & Customer Satisfaction

Hastings Deering has embarked on a digital transformation programme, launching an asset management initiative focused on helping customers increase their productivity. This initiative saw the successful launch of HDAdvantage™ for the construction industry, and more recently, for the mining industry. This portal provides customers with insights into equipment health events and maintenance requirements, to drive better product availability and productivity. This resulted in an improved customer experience and an increase in customer loyalty for Hastings Deering.

02

addition to the NZD12 billion in infrastructure spending spanning four years announced in January 2020, largely earmarked for transport infrastructure. Exports of forestry products is expected to be strong as China has emerged from lockdown. Both developments are expected to increase demand for heavy industrial equipment.

The Chinese government remains committed to the country's growth post COVID-19. Infrastructure spend remains strong and will continue to drive demand for the Division's products and services.

Demand for heavy equipment in Malaysia will be highly dependent on ongoing infrastructure projects such as the Pan Borneo Highway, the East Coast Railway Link and the Rapid Transit System.

Singapore's construction sector was heavily impacted by the pandemic and is expected to contract. However, several key projects like the North-South Corridor Expressway and the new MRT lines will provide opportunities in the coming years. The short to medium term outlook for the marine, oil and gas sectors remains subdued amidst uncertain oil prices, although in the longer term, Singapore will likely remain a major ship and rig building and repair centre.

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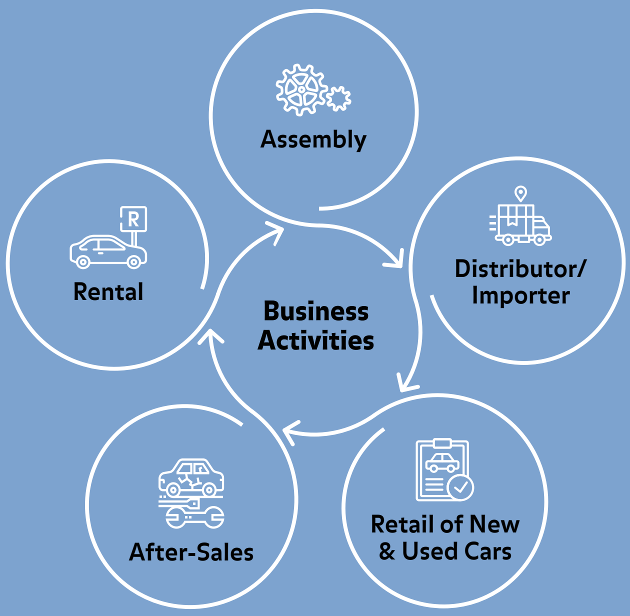
Divisional Operations Review

Sime Darby Motors

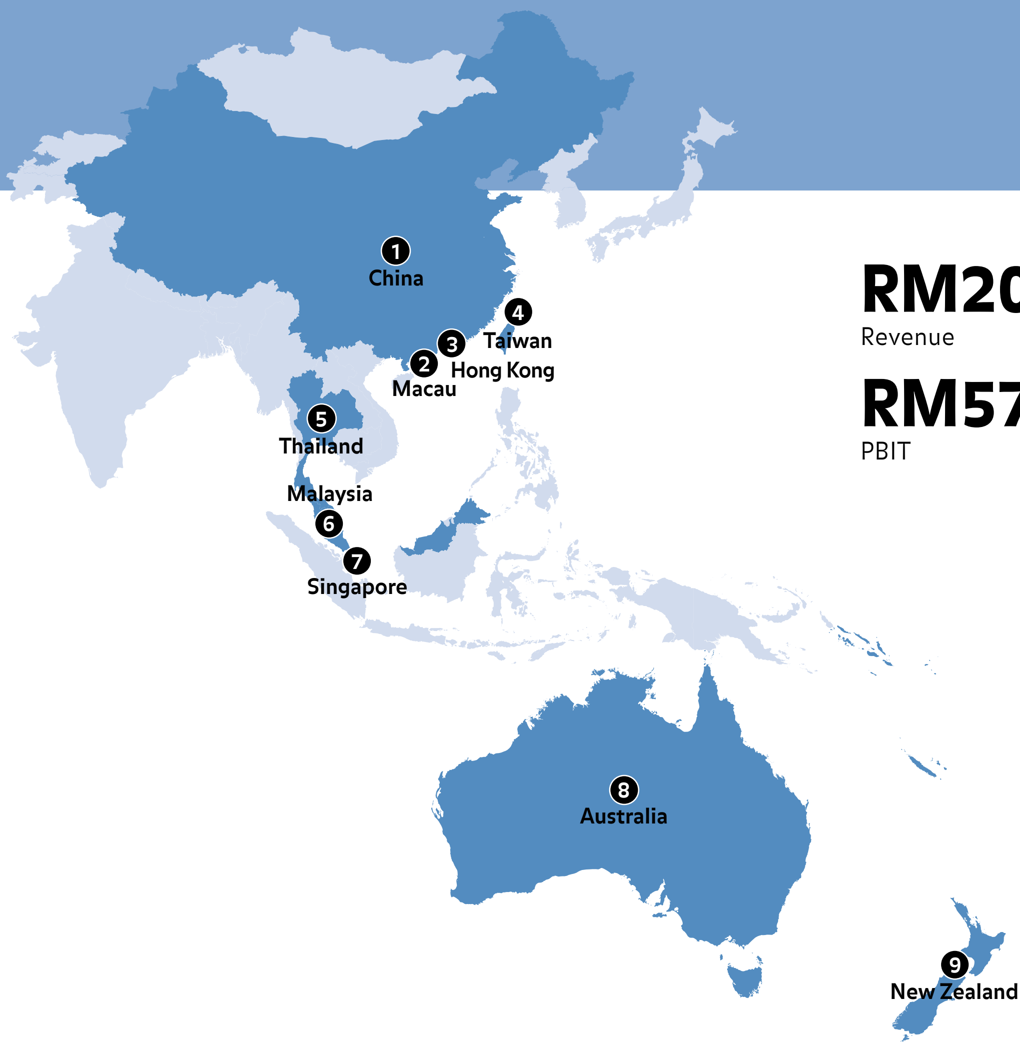
Sime Darby Motors is the automotive arm of Sime Darby. As a major industry player with operations across nine markets in the Asia Pacific region, Sime Darby Motors is actively invested across the entire value chain of the automotive business, from assembly, importation, distribution and retail, to after-sales services and rental. Over the past five decades, Sime Darby Motors has nurtured long-standing partnerships with some of the world's largest brands to provide them with access to a region that is home to a flourishing affluent middle class with a penchant for luxury goods and services. Today, it is one of the largest BMW dealers globally and a top Rolls-Royce dealer in Asia Pacific.

Sime Darby Motors represents over 30 automotive brands across the Asia Pacific region. These range from super-luxury marques such as Rolls-Royce, Lamborghini, McLaren and Ferrari to luxury brands including BMW, Jaguar, Land Rover, Porsche and Volvo, household names such as Hyundai, Ford and Mazda, as well as electric vehicle brands such as BYD and Singulato. Sime Darby Motors' portfolio also includes popular commercial truck brands such as Volvo, Hino and Mack as well as vehicle rental business, through the Hertz, Thrifty and Corefleet brands.



Key Developments in FY2020

- Acquisition of the transport business of Gough Group Limited based in New Zealand on 30 September 2019 and three car dealerships in Sydney, Australia in December 2019.
- Opening of a new Volvo 3S dealership in Ara Damansara, Malaysia in February 2020 and a new Volvo 4S dealership in Shenzhen, China in August 2020.
- Acquisition of a BMW 4S dealership in Tebrau, Johor Bahru in July 2020.
- Opening of the 18th Truckstops Centre in North Auckland, New Zealand in July 2019.



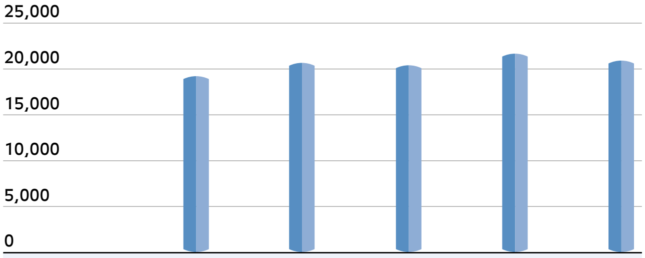
RM20,852m
Revenue

RM574m
PBIT

Divisional Operations Review
Sime Darby Motors

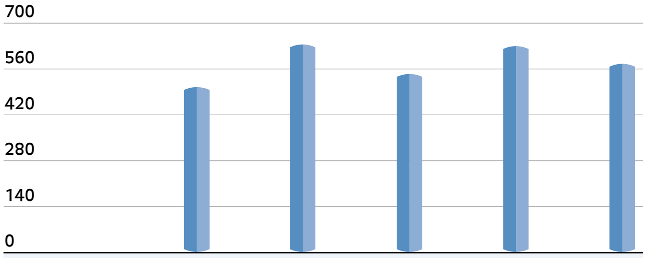
Key Highlights

Revenue (RM million)



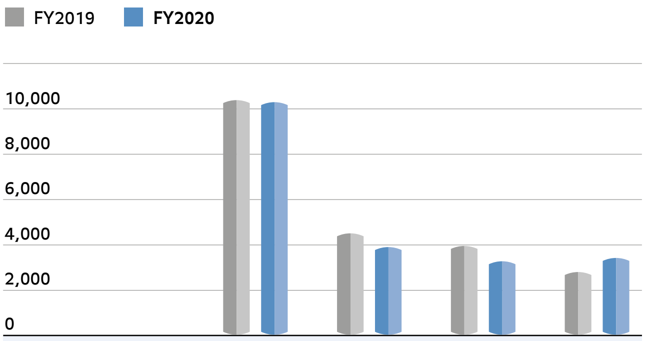
	FY2016	FY2017	FY2018	FY2019	**FY2020**
	19,155	20,602	20,341	21,606	**20,852**

PBIT (RM million)



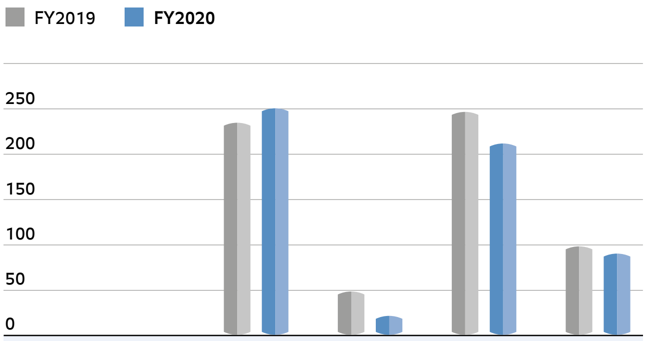
	FY2016	FY2017	FY2018	FY2019	**FY2020**
	503	633	543	628	**574**

Revenue by Region (RM million)



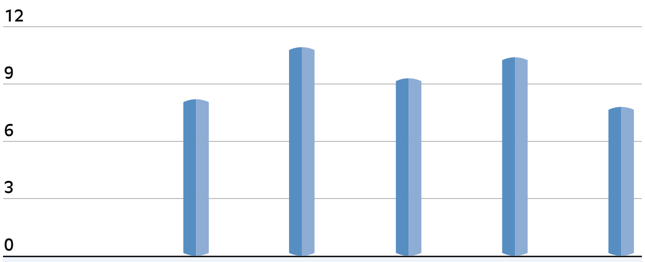
	CH/HK/MC/TW	SG/TH	MY	AUS/NZ
FY2019	10,398	4,494	3,935	2,779
FY2020	**10,308**	**3,885**	**3,256**	**3,403**

PBIT by Region (RM million)



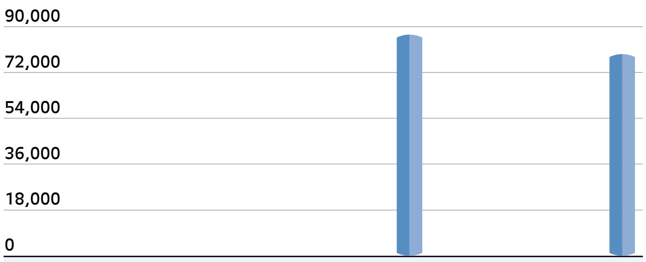
	CH/HK/MC/TW	SG/TH	MY	AUS/NZ
FY2019	235	48	247	98
FY2020	**251**	**21**	**212**	**90**

ROAIC (%)



	FY2016	FY2017	FY2018	FY2019	**FY2020**
	8.2	10.9	9.3	10.4	**7.8**

Unit Sales



	FY2019	**FY2020**
	86,906	**79,241**

CH: China HK: Hong Kong SG: Singapore TH: Thailand MC: Macau TW: Taiwan
MY: Malaysia AUS: Australia NZ: New Zealand

Operations Review

All the markets where Sime Darby Motors operates were affected to varying degrees by the pandemic and the resulting lockdowns in FY2020. Management was quick to respond and implemented the following measures to limit the impact on profitability:

- Collaborating with its principals to manage inventory and extend payment terms to manage cash flows;
- Reducing discretionary costs and capital expenditure; and
- Accelerating the digitalisation of its dealerships.

PBIT for FY2020 fell 8.6% YoY from RM628 million to RM574 million due to business disruptions caused by the lockdowns. China was the first country to emerge from the lockdowns and their recovery helped ease the negative impact in the other markets that experienced lengthier and more stringent lockdowns. The Greater China region contributed 49.4% of Sime Darby Motors' overall revenue.

The acquisition of three Sydney-based dealerships from Inchcape representing five marques – BMW, MINI, Volkswagen, Jaguar and Land Rover, is aligned with Sime Darby Motors' strategy to expand in the luxury and super-luxury segments. This move has bolstered Sime Darby Motors' leadership status and strengthened its brand visibility along one of Sydney's most recognised automotive belts in Parramatta.

Digitalisation continues to be a key thrust of Sime Darby Motors' strategy to remain at the forefront of technological disruption and changing consumer preferences. It also presents an opportunity to grow its online presence and digital marketing channels, as well as to optimise costs for greater operational efficiency.

In FY2020, Sime Darby Motors launched digital showrooms for BMW, Ford and Peugeot in Singapore and Malaysia, which have helped the sales teams stay engaged with customers during lockdown. These digital showrooms seamlessly combine information and convenience in a pleasurable home shopping experience. Customers are now able to reach a sales consultant through the live chat function and arrange for a contactless test drive. An internally developed sales funnel management application was introduced last year to better track and capture sales leads and is continually updated and enhanced with new features.

Sime Darby Motors City at Ara Damansara is home to the latest state-of-the-art showrooms and a smart after-sales system, featuring digital appointment booking, job control boards and vehicle tracking systems that provide a seamless after-sales experience. Sime Darby Motors has also introduced servicing-at-your-doorstep, where customers' vehicles can be serviced at their homes or offices, for convenience and peace of mind.

Digitalisation continues to be a key thrust of Sime Darby Motors' strategy to remain at the forefront of technological disruption and changing consumer preferences.

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02

01 | The first all-electric Porsche Taycan
02 | Range Rover Velar

Divisional Operations Review
Sime Darby Motors

China

Sime Darby Motors' operations in China were bolstered by strong demand for BMW cars despite the pandemic. Sime Darby Motors' China operations saw strong growth in PBIT in FY2020 with a 22.2% rise YoY to RM253 million, as compared with RM207 million the previous year. The total number of units sold during the year increased 0.2% YoY to 33,711 units, bucking the trend for China's total industry volume (TIV) which decreased by 6.5% in 2019* to 27.4 million units.

Hong Kong and Macau

Hong Kong was rocked by socio-political unrest in the first half of FY2020, followed by the pandemic in the second half. The combined TIV for Hong Kong and Macau shrank by 9.4% to 38,309 units in 2019* compared with 2018 volumes. The poorer results and net impairment of RM26 million led to lower PBIT for Hong Kong and Macau, which registered a 66% YoY fall from RM53 million to RM18 million.

Total units sold decreased by 16.1% over the financial year to 6,139 units. However, in rising against the odds, Sime Darby Motors' Rolls-Royce and Suzuki Hong Kong operations achieved higher unit sales in FY2020 with the new Cullinan and Jimny models leading the way respectively.

Overall, the market remains shaky in Hong Kong and consumer sentiment has not been restored since the passing of the new national security law on 30 June 2020. The situation remains challenging as the territory continues to battle the pandemic through stringent social distancing and other preventive measures.

Taiwan

Taiwan's TIV rose by 1.1% over the year to 439,839 units in 2019*.

Sime Darby Motors' Taiwanese dealers achieved higher unit sales during the year, an increase of 1.2% YoY to 2,602 units. After-sales throughput grew and cost reduction measures were successfully implemented, rounding up a positive year-round performance as losses were reduced from RM25 million in FY2019 to RM20 million in FY2020 – a 20.0% YoY improvement.

Malaysia

TIV in 2019 grew by 1% to 604,297 units in 2019* mainly due to a stable economy and employment market. In the first half of 2020 however, TIV fell by 33.5% as the lockdowns had a negative impact on big ticket purchases such as cars.

The number of cars sold in FY2020 declined as compared to the previous year, when sales were buoyed by the zero rating of GST in July and August 2018. This resulted in a 14.2% YoY fall in PBIT from RM247 million to RM212 million in FY2020. The total number of units sold by Sime Darby Motors' Malaysian operations fell by 20.1% YoY to 13,477 units for the year.

Singapore

Singapore's automotive market saw a 2.3% increase in TIV in 2019* to reach 109,785 units. However, a competitive market and aggressive

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03

01 | Rolls Royce Ghost
02 | Volvo XC40
03 | Lamborghini Urus

discounting reduced margins in Sime Darby Motors' operations in Singapore, as reflected in the 15.4% YoY reduction in PBIT from RM26 million in FY2019 to RM22 million in FY2020.

Car sales were further curtailed by a reduced supply of Certificates of Entitlement (COE) for passenger vehicles in FY2020 as compared with previous years. This was largely due to the business restrictions imposed in response to the pandemic which extended to non-essential services such as COE tender exercises. Sime Darby Motors' Singapore operations saw its total units sold in FY2020 fall 15.2% YoY to 8,398 units.

New Zealand

An overall slowdown in the New Zealand economy was driven largely by the strict lockdown resulted in lower sales of commercial vehicles. TIV for New Zealand fell to 154,754 units in 2019*, a decrease of 4.3% compared with 2018.

Sime Darby Motors' New Zealand operations recorded lower profits for FY2020 due to poorer sales and the significant downturn in servicing opportunities during the lockdown. The recently acquired Gough Transport also contributed to the losses as their businesses were also impacted negatively by the lockdown. Excluding the units sold by Gough Transport, the total number of units sold in FY2020 decreased 18.3% to 4,395 units.

Australia

Australia's TIV fell to 1,062,867 units in 2019* due to economic uncertainty and environmental factors such as floods, drought and bushfires, marking a 7.8% decrease from the previous year.

Sime Darby Motors' operations in Australia achieved higher revenues in FY2020 mainly due to the newly acquired dealerships in Sydney. Total units sold during the year increased sharply by 71.1% YoY to 6,353 units. Stronger profits were also reported by its BMW, Porsche and Corefleet operating units, resulting in an increase in PBIT for the year from RM27 million to RM34 million.

Thailand

TIV for Thailand weakened slightly by 3.3% to 1,007,552 units in 2019* compared with 2018 due to increasingly stringent loan approvals and higher down payment requirements.

Sime Darby Motors' results in Thailand for FY2020 reflected these challenges, which were compounded by the pandemic. Ongoing product issues for Mazda and Ford vehicles proved detrimental to car sales. The bottomline moved into negative territory with a loss of RM1 million for the year, compared with profits of RM10 million the previous year. Total units sold for the year decreased by 44.4% to 4,166.

* TIV is for the calendar year; from January to December 2019.

Risks to Our Business

Key Risk	Description	Mitigation Strategies
Disintermediation of Dealerships due to Technological Disruption	Principals may directly engage with customers digitally. This may threaten Sime Darby Motors' position as an intermediary in the automotive value chain.	• Sharpen and accelerate our sales and marketing strategies (e.g. digital marketing, digital showrooms) to improve the customer journey and experience • Monitor emerging technologies and launch new offerings ahead of the competition
Changing Attitudes to Vehicle Ownership that may Reduce Demand for New Vehicles	Today's customers have more mobility options that do not involve personal car ownership. This may reduce demand for new vehicles sales.	• Experimenting with "vehicles on demand" to capture customers who are not in favour of the traditional ownership model by introducing new solutions, such as: – Subscription services e.g. Access by BMW – Alternative ownership financing solutions e.g. Guaranteed Future Value programme and Easy Drive by BMW • Focus on fleet management services and after-sales

Divisional Operations Review
Sime Darby Motors

Key Risk	Description	Mitigation Strategies
Shift to Zero Emission and Self-driving Vehicles	Vehicle manufacturers have announced plans to ramp up investments in electric cars. Sime Darby Motors expects to continue selling electric and hybrid vehicles, but after-sales revenue per unit may decline, as electric vehicles are anticipated to require less physical maintenance compared with internal combustion engine (ICE) vehicles which currently form the bulk of Sime Darby Motors' servicing. The availability of driverless vehicles is uncertain due to regulatory requirements, additional technological criteria, and consumer acceptance of these vehicles. The impact of driverless vehicles could include changes in the level of vehicles sales, the price of new vehicles, and the role of dealerships, any of which could affect our business.	• Increase representation of brands with a focus on electric vehicles/fuel cell electric vehicles (EV/FCEV) e.g. BMW, Porsche, Jaguar, Land Rover, Hyundai and BYD • Embrace EV marques e.g. launched the first EV showroom with the Singulato Brand Experience Centre in China and BYD in Singapore • Explore digital sales channels and alternative car ownership models

Outlook

The growth of an increasingly affluent class in China bodes well for the luxury segment. The Chinese government has also announced stimulus policies aimed at the automotive industry, particularly for new energy vehicles (NEV), which are a big part of China's strategy to transition into electrification. China's NEV market is expected to be the largest in the world. To capitalise on this growing segment, BMW will be producing the first China-sourced BMW, the iX3 which is an electric SUV made for the domestic market and for global export. China has delayed implementing the China 6 emission standards for light-duty vehicles by six months, giving the industry a reprieve to prepare for the eventual transition to the new standards come 1 January 2021. Factors that could impact demand and supply in the short to medium term include the ongoing US-China trade conflict, the introduction of stricter emission standards and cuts to NEV subsidies.

Hong Kong and Macau continues to face headwinds due to weakening consumer spending and business sentiments. Headwinds in the possible deterioration in US-China relations and uncertainty around Hong Kong's status as a global financial centre create a cautious economic outlook for 2021. Hence vehicle sales in Hong Kong are expected to weaken further as economic and political risks mount against the backdrop of a weaker global economic outlook sparked by the pandemic.

The spillover effect of waning global economic output is depressing Taiwan's economic growth. Weakened consumer confidence will in turn rein in demand for both passenger cars and commercial vehicles. Notwithstanding the overall elevated risk to Taiwan's automotive sector, there will be some degree of support for commercial vehicle sales from the government's continued commitment to its Forward-Looking Infrastructure Development Programme.

The Malaysian government unveiled PENJANA, a short-term national stimulus package in July 2020 to spur economic recovery post-lockdown. The biggest beneficiary was the automotive sector as car buyers stood to gain a 100% sales tax exemption on complete knocked-down, locally assembled cars, and a 50% sales tax exemption on Completely Built Up (CBU), fully imported car models. The Malaysian National Automotive Policy 2020 is also expected to contribute to the growth of local automotive production volumes through the adoption of Industrial Revolution 4.0 technologies as well as the introduction of new services to improve mobility and transportation.

A poor economic outlook has influenced consumers to cut down on discretionary spend in Singapore. The tightening of the COE quota is driving its premiums higher and further weakening demand. These factors will exacerbate an already challenging sales outlook for vehicles in Singapore. However, the high percentage of affluent consumers who can afford the COE prices will allow certain premium brands to outsell mass market brands.

Quality & Customer Satisfaction

Customer satisfaction is our top priority at Sime Darby Motors, hence its commitment towards continuous service and quality improvements throughout the entire customer experience journey. For new car buyers, Sime Darby Motors has invested in end-to-end digital offerings in response to customers' increasing preference to browse and buy online. It also aims to expand its range of offerings online to finance, insurance, extended warranties and other after-market products to its customers.

In the used vehicle segment, Sime Darby Motors provides vehicle history reports and participates in manufacturer certification processes to inspire customer confidence. Customers whose vehicles are accorded certifications are typically provided benefits and warranties by the applicable manufacturer like those enjoyed by new vehicle owners. Sime Darby Motors is exploring providing customers with greater assurance through extended warranty packages.

Closing a sale marks the beginning of the after-sales journey that is focused on making a customer's service experience seamless and hassle-free. Sime Darby Motors maintains detailed maintenance and service histories to enable timely reminders when customers' vehicles are due for service. It has invested in premium facilities, recruited and trained expert technicians, and increased service bays – all in an effort to improve the customer's after-sales experience.

Sime Darby Motors' efforts at meeting and exceeding customers' expectations are reflected in the numerous accolades and awards received this past year, which include the following:

- Sime Darby Motors' BMW and MINI dealerships in China received a total of 101 awards for dealer and marketing excellence from BMW China, including the 2019 BMW Dealer Excellence Award for Guangzhou Bowyue and Changsha Bowyue
- Auto Bavaria received 39 awards at the BMW Dealer Awards Night 2020 and has been crowned Champion of Malaysia's BMW Excellence Club in the Diamond Category for nine consecutive years
- Rolls-Royce Hong Kong and Macau received the Dealer and Service Dealer of the Year – Asia Pacific from Rolls Royce
- Performance Motors Limited received the BMW Asia Loyalty and Engagement Award from BMW Asia
- Hino Distributors Ltd/Truck Stops (NZ) Ltd received the Hino Parts Department and Service Department of the Year from Hino Motors, Ltd
- Continental Cars Ferrari's Craig Pryor won the Sales Manager of the Year award at the Ferrari Australasia Dealer of the Year awards
- Continental Cars Audi's Kerry Hoffman was named Sales and Sports Sales Executive of 2019 at the Audi Excellence Awards 2020
- Continental Cars Audi's Service Advisors Jason McCrorie and Jonathan Sargent were crowned New Zealand Twin Cup Winners at the Audi Excellence Awards 2020
- Continental Cars Volkswagen's Jackie Colburn was named Business Manager of the Year 2019 – at the Volkswagen Dealer of the Year Awards 2020
- Hertz Malaysia received the Hertz Asia Business Excellence Award from the Hertz Corporation
- The Santa Fe 2.2 Diesel was crowned the Midsize Crossover & SUVs 7-seater of the Year at the Malaysia Cars of the Year Awards 2019
- The Ford Ranger was crowned Pick Up Truck of the Year (Twin Cab) at the Malaysia Cars of the Year Awards 2019

Government initiatives to encourage the testing of autonomous vehicles and EV adoption will ensure that Singapore remains at the forefront of technological innovation within the region.

As the lockdowns in New Zealand have eased, vehicle dealerships have resumed business operations albeit in a contactless environment. Sime Darby Motors remains optimistic of a healthy rebound in demand for commercial vehicles from the agriculture and freight transport sectors, supported by a low domestic interest rate environment.

Weaker consumer sentiment across Australia because of the pandemic has significantly affected vehicle sales growth. Sime Darby Motors expects this to improve as the Australian economy reopens on a state-by-state basis, which will increase traffic to its dealerships. Despite the competitive market, demand for premium and sport utility vehicles is expected to remain resilient in the long term.

Thailand expects to see a fall in vehicle sales due to increased scrutiny on motor loans by the central bank and lower consumer confidence caused by the slowing economy, headwinds from COVID-19 and political unrest. On the upside, the recent proposal of a scrappage plan will, if implemented, bolster the medium-term vehicle sales outlook.

Sime Darby Motors is closely monitoring the impact of disruptive trends surrounding the four ACES in the automotive sector – autonomous driving, connectivity, electrification and shared services. A mobility strategy that focuses on alternative ownership models and a seamless omni-channel customer experience has been developed to future-proof Sime Darby Motors and strengthen its leadership position in Asia Pacific.

Divisional Operations Review

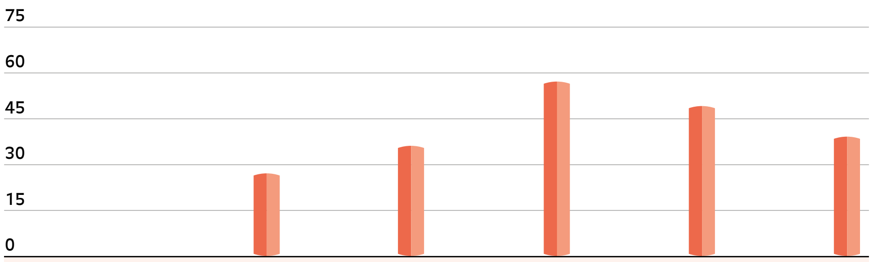
Ramsay Sime Darby Health Care

Ramsay Sime Darby Health Care is a 50:50 joint venture with Australia's Ramsay Health Care. Ramsay Sime Darby Health Care provides award-winning primary to quaternary healthcare through its six premium hospitals in Malaysia and Indonesia, and a day surgery facility in Hong Kong.

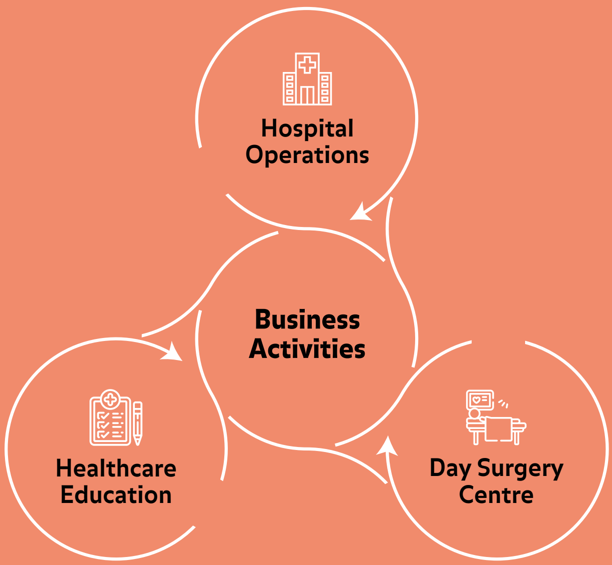
In its commitment to providing the best private healthcare services to its patients, Ramsay Sime Darby Health Care benchmarks itself against world-class standards. All its hospitals have attained local and international accreditations and are equipped with the latest in medical technologies.

Key Highlights

Profit Contribution from Ramsay Sime Darby Health Care JV (RM million)

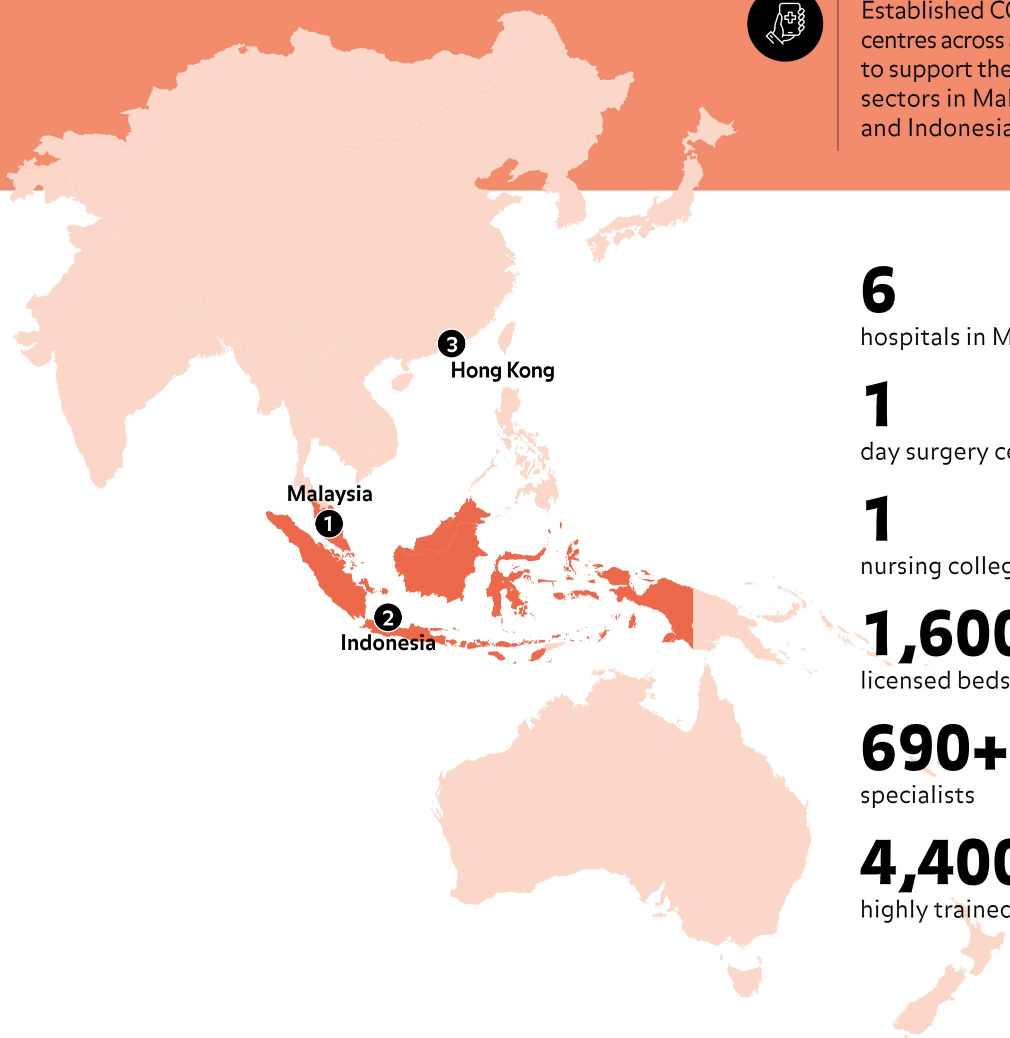


FY2016	FY2017	FY2018	FY2019	**FY2020**
27	36	57	49	**39**



Key Developments in FY2020

- Brownfield expansion included expansion of the emergency department and the addition of new beds and consultation rooms in RS Premier Bintaro, the addition of new outpatient clinics in ParkCity Medical Centre (PMC) and the upgrading of existing facilities across all Ramsay Sime Darby Health Care hospitals to enhance patient experience.
- Launch of Telehealth Plus – a digital health application with multi-platform virtual access that enables existing patients to make follow-up appointments, e-payments, keep track of their consultation history and hold video consultations with their doctors.
- Established COVID-19 swab centres across all six hospitals to support the public health sectors in Malaysia and Indonesia.



6
hospitals in Malaysia and Indonesia

1
day surgery centre in Hong Kong

1
nursing college in Malaysia

1,600+
licensed beds

690+
specialists

4,400+
highly trained and skilled employees

Divisional Operations Review
Ramsay Sime Darby Health Care

In the long run, Ramsay Sime Darby Health Care will continue its focus on driving the growth of its core hospital operations while capturing adjacent out-of-hospital opportunities via strategic acquisitions and greenfield projects in order to build a sustainable consumer-centric brand.

Operations Review

In FY2020, Ramsay Sime Darby Health Care posted a PBIT of RM91 million, which represents a 29% YoY decline. This was mainly due to the general reduction in patient volumes between March and June 2020 as a result of the pandemic as well as one-off impairments.

The effects of the pandemic on Ramsay Sime Darby Health Care were severe across all its operating units. In-patient volume fell significantly as elective surgeries and other scheduled appointments and procedures were deferred. In response to this, Ramsay Sime Darby Health Care ventured into other avenues to optimise income, including securing new corporate clients, imposing more stringent cost control measures and launching the company's digital patient service application – Telehealth Plus.

Throughout this public health crisis, Ramsay Sime Darby Health Care's utmost concern has always been to continue providing a safe and conducive environment for all its stakeholders. Whilst all its facilities have been kept open to continue caring for its patients, Ramsay Sime Darby Health Care has implemented strict visitor policies and screening procedures, which are also in compliance with the relevant local government regulations.

Accreditation

Ramsay Sime Darby Health Care is proud to have achieved local and international accreditations for its hospitals, giving patients the assurance that the services, protocols and facilities it provides are at the forefront of private healthcare.

Risk to Our Business

Key Risk	Description	Mitigation Strategies
Pandemic Risk	The ongoing COVID-19 pandemic has impacted the operations of healthcare facilities and highlighted two operational risks: • The safety of stakeholders • Disruptions to global supply chains that may impact critical supplies	• Ramsay Sime Darby Health Care has refined its business contingency plan with a sharpened focus on SOPs that pre-empt and address the impact of pandemics on its operations. They include: – Ensuring all staff are trained in up-to-date pandemic management/ operations skills and supplied with personal protective equipment – Mitigating the spread of COVID-19 through a stringent sanitation regime across its premises to ensure the safety of patients, visitors and staff – Establishing swab centres across all six private hospitals in Malaysia and Indonesia to aid crisis containment efforts – Collaborating closely with the Malaysian government to take in non-COVID-19 patients to alleviate pressures in the public health system – Diversifying the set of approved suppliers – Tightening inventory controls to safeguard critical supplies – Stockpiling appropriately to balance between pandemic-readiness and cost efficiency

Key Risk	Description	Mitigation Strategies
Technological Disruptions	Technological advancements are swiftly reshaping many aspects of healthcare, including new platforms that transform the patient-doctor interaction model and applications that drive operating efficiencies. All hospital and healthcare facility operators must keep pace with and embrace relevant technologies in a timely manner to succeed in a competitive business landscape.	• Ramsay Sime Darby Health Care is making efforts to adopt digital technology that provides patients with more efficient yet personalised service such as the recently launched Telehealth Plus. This digital health application provides an integrated interface that streamlines appointments, payments, consultation history and offers new functions such as video consultations.
Regulatory & Compliance Risk	The need to ensure business operations comply with relevant regulatory requirements which are evolving rapidly and are becoming increasingly demanding. Increase in pandemic awareness due to COVID-19 may fundamentally reshuffle the relationship between governments and healthcare providers. The challenges in multi-layer coordination across healthcare providers (both public and private) may cause government to rethink how crises are managed to enable faster and more consistent decision-making.	• Engage closely with the regulators to prepare Ramsay Sime Darby Health Care for any impending regulatory changes. • Foster collegial relationships with fellow healthcare industry players to build the foundation for information and knowledge sharing and collaborative working partnerships.

Outlook

Accreditation*	Subang Jaya Medical Centre	ParkCity Medical Centre	Ara Damansara Medical Centre	RS Premier Bintaro	RS Premier Jatinegara	RS Premier
JCI	✓		✓	✓	✓	✓
MSQH	✓	✓	✓			
KARS				✓	✓	✓
HICMR	✓	✓	✓	✓	✓	✓

* JCI (Joint Commission International), MSQH (Malaysian Society for Quality in Health), KARS (Komisi Akreditasi Rumah Sakit), HICMR (Healthcare Infection Control Management Resources)

There are signs of recovery in Ramsay Sime Darby Health Care's businesses in Malaysia. However, in Indonesia, the outlook continues to be challenging and near-term recovery is unlikely as recurring waves of COVID-19 infections worldwide continue to exacerbate an already uncertain business climate. The threat of prolonged socio-political unrest is another risk factor to economic recovery in Hong Kong. Nevertheless, Ramsay Sime Darby Health Care aims to focus on building up its brand in Hong Kong as well as in China to increase patient volume and expand its scope of services at its day surgery facility in Hong Kong.

Expanding Ramsay Sime Darby Health Care is an integral part of the Group's Value Creation Plan. This is in view of private healthcare holding promising long-term growth prospects as there is strong demand for affordable yet high quality healthcare from an increasingly affluent class, a global ageing population and the growing prevalence of chronic lifestyle diseases such as diabetes and obesity. This demand is expected to rise most rapidly in the Asia Pacific region.

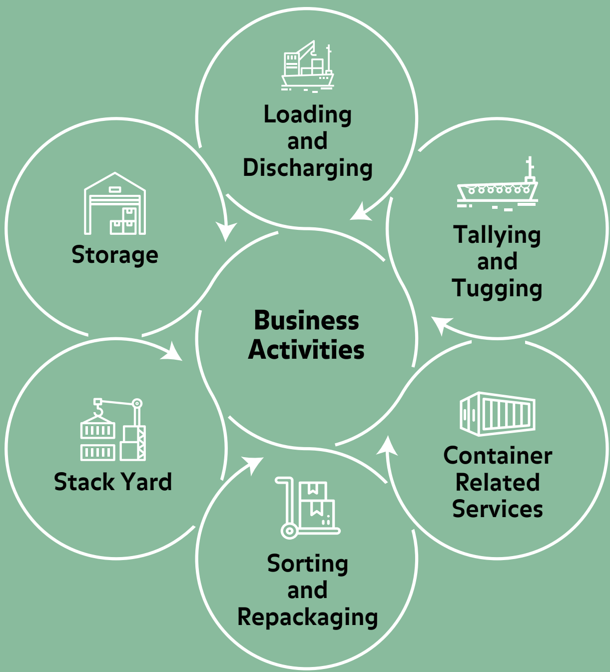
In the near term, Ramsay Sime Darby Health Care's core business will remain in the hospital business in South-east Asia. In the long run, Ramsay Sime Darby Health Care will continue to focus on driving the growth of its core hospital operations while capturing adjacent out-of-hospital opportunities via strategic acquisitions and greenfield projects in order to build a sustainable consumer-centric brand. To do this, it will continue strengthening its accreditation and its quality of service while supporting the advancement of innovation and technology within its hospitals.

Divisional Operations Review

Sime Darby Logistics

Sime Darby's port and logistics business is located in Shandong, China's second most populous province. Sime Darby Logistics is the primary operator of Weifang Port, which lies within the key region of Bohai Bay's economic belt. It also owns three major river ports in the coal mining prefecture of Jining. Its ports in Jining are reachable by navigation along the Grand Canal, making it an important node in the inland shipping network.

Weifang Port handles dry and liquid bulk, general cargo and containers while all three Jining river ports handle mostly coal/coke, bulk and general cargo. Sime Darby Logistics also provides value-added services such as ship tallying and tugging, container-related services, sorting and repackaging of general cargo, management of stack yard operations as well as washing and blending of coal. All four ports serve an expanding network of shipping customers throughout North-east China, Southern China, East Asia and South-east Asia.

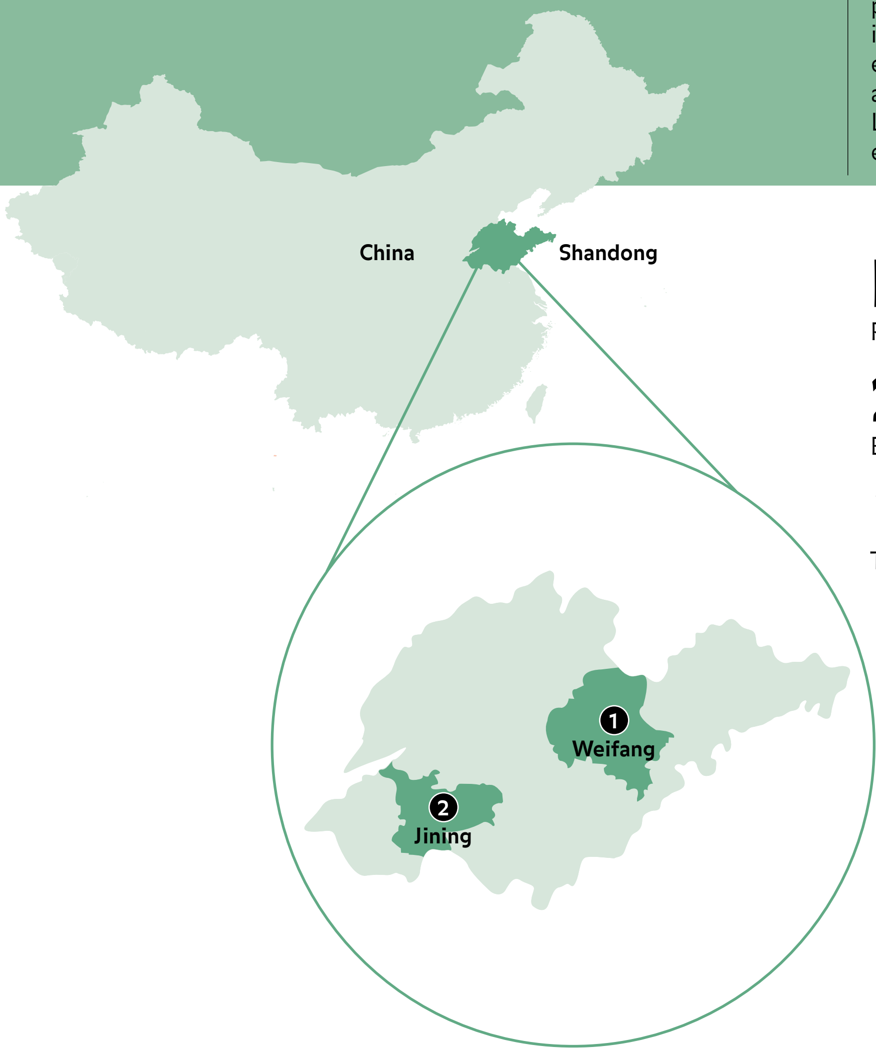


Key Developments in FY2020

- Long-term collaboration with a key customer to construct cement powder tanks at Weifang Port to handle and store cement and building materials for infrastructure construction in the hinterland.

- The construction of a 100,000 metric tonne (MT) grain warehouse and container logistics facilities to boost Weifang Port's throughput. This high-profile project, in collaboration with China Oil and Foodstuffs Corporation, the largest state-owned enterprise and leading supplier of grain and agriculture products in China, will likely add to investment and business activities at the Logistics Park.

- Investments in equipment and facilities at the three Jining ports to meet the government's increasingly stringent environmental requirements and strengthening Sime Darby Logistics' commitment to environmental sustainability.



RM219m
Revenue

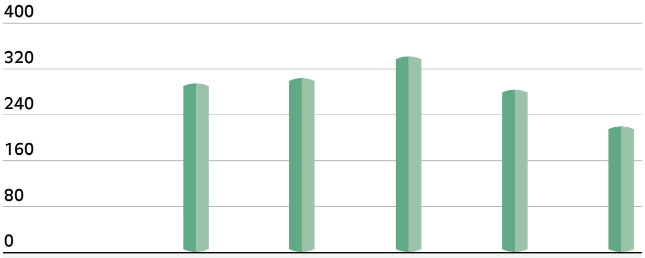
24.2m MT
Bulk Cargo Throughput

156.7k
TEU Container Throughput

Divisional Operations Review
Sime Darby Logistics

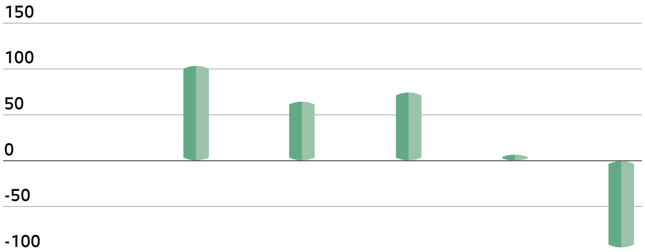
Key Highlights

Revenue (RM million)



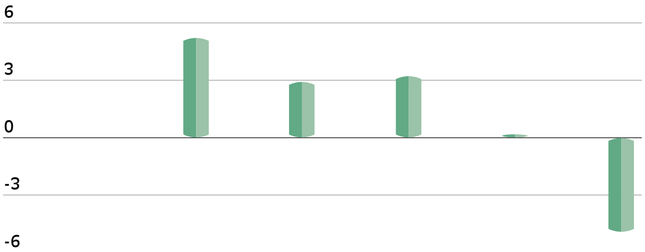
FY2016	FY2017	FY2018	FY2019	FY2020
294	303	341	283	**219**

PBIT (RM million)



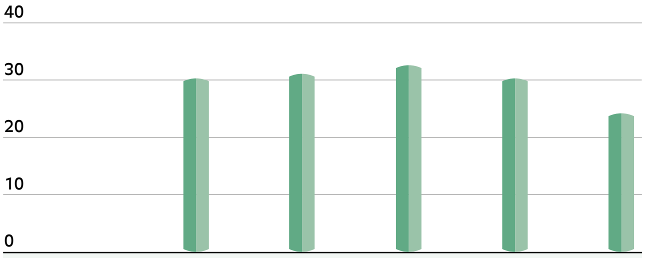
FY2016	FY2017	FY2018	FY2019	FY2020
103	64	74	2	**(94)**

ROAIC (%)



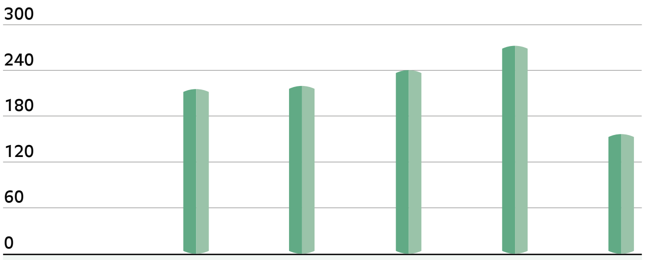
FY2016	FY2017	FY2018	FY2019	FY2020
5.2	2.9	3.2	0.1	**(4.9)**

Port Throughput (Bulk Cargo) (million MT)



FY2016	FY2017	FY2018	FY2019	FY2020
30.3	31.1	32.6	30.3	**24.2**

Port Throughput (Container) ('000 TEU)



FY2016	FY2017	FY2018	FY2019	FY2020
215.7	219.8	240.5	272.4	**156.7**

Unloading of bauxite at the dry & break bulk terminal of Weifang Sime Darby Port Co., Ltd.

Operations Review

For the year under review, Sime Darby Logistics registered a decline in revenue by 22.6% to RM219 million and a loss before interest and taxes of RM94 million. The decline in revenue was mainly due to an overall drop in port throughput, with bulk cargo throughput declining YoY from 30.3 million MT to 24.2 million MT and container throughput declining YoY from 272,435 TEU to 156,662 TEU.

These results include impairments amounting to RM127 million, offset by a gain on the disposal of sea use rights and related assets worth RM18 million. Excluding these items, the port operation's core PBIT for the year stood at RM15 million, a 56% fall from RM34 million recorded in FY2019.

The COVID-19 pandemic has impacted the port operations in FY2020. China's GDP contracted by 6.8%[1] in Q12020, the country's first contraction in four decades. Chinese ports reported an overall YoY decline in throughput of 4.6% and 8.5% for bulk cargo and container respectively. The pandemic also derailed global economies and disrupted supply chains, adversely impacting global trade.

Growing competition from Shandong Port Group also dented earnings for Sime Darby Logistics. In FY2020, state-owned Qingdao Port, Yantai Port, Rizhao Port and Bohai Bay Port were consolidated into Shandong Port Group, as part of the Central Government's national port consolidation drive. As a result, many of Weifang Port's major customers made the switch to the larger and more integrated port group for trans-shipment.

The increasingly high environmental standards imposed by the Jining government continue to exert pressure on the business. In FY2020, the three Jining ports suspended operations for 71 days due to a severe air pollution alert and inspection by port authorities. This significantly lowered cargo throughput for the year.

[1] Source: China National Statistics Bureau.

To mitigate future challenges, Sime Darby Logistics will undertake strict measures to tighten control over overheads, extend the service chain from port handling to logistics, lock in customers and improve infrastructure and equipment to meet the increasingly stringent environmental standards.

Divisional Operations Review
Sime Darby Logistics

Risks to Our Business

Key Risk	Description	Mitigation Strategies
Competition	Intensive price competition from nearby ports, especially Shandong Port Group.	• Refine pricing strategy to defend market share. • Develop end-to-end logistics services to lock in end customers and increase revenue streams.
COVID-19 Pandemic and Macroeconomic Effects	The COVID-19 pandemic has significantly affected business operations. In addition, the ongoing US-China trade conflict continues to dampen international trade.	• Tighten cost of sales and overhead expenses. • Defer non-revenue generating capital and operational expenses.
Stricter Environmental Controls	The Shandong government continues to tighten environmental regulations, adversely impacting the transportation industry. E.g. stricter overloading controls on trucks and compulsory upgrading of stacking yards and facilities at all Jining ports.	• Upgrade stacking yards and port facilities to comply with the revised environmental standards. Upgrading works are on target to be completed within the expected time frame.

01

02

01 Connecting hose to load liquid cargo to the ship berthing at Weifang Sime Darby Liquid Terminal Co., Ltd.

02 Operator supervising the coal unloading operation at Jining Sime Darby Port Co., Ltd.

03 Loading and unloading of container at the container terminal of Weifang Sime Darby Port Co., Ltd.

Quality & Customer Satisfaction

Sime Darby Logistics strives to improve operations to better serve its customers. In February 2020, Weifang Port expediently completed the loading of 12,000 MT of calcined coke despite limited production capacity due to COVID-19 restrictions. The team's timely and efficient handling of the task helped the customer gain valuable time to meet their delivery deadline. A letter of thanks to Weifang Port from the customer attests to the dedication, professionalism and diligence of the team. Sime Darby Logistics remains committed to discovering more ways to enhance customer-centricity across its operations.

03

Outlook

China's container ports are facing their first decline in throughput since the financial crisis in 2009 due to reduced global demand for Chinese goods resulting from the economic uncertainty. Coupled with increasing competition and stricter environmental standards imposed by the Chinese government, port operations in Weifang and Jining will continue to face challenging times ahead.

However, port activities have progressively recovered as measures have been taken to contain the COVID-19 outbreak and lockdown restrictions have gradually eased in China and abroad. To mitigate future challenges, Sime Darby Logistics will undertake strict measures to tighten control over overheads, extend the service chain from port handling to logistics, lock in customers and improve infrastructure and equipment to meet the increasingly stringent environmental standards. Sime Darby Logistics will also seek new opportunities for cooperation with other businesses and customers to optimise land resources in the logistics park at Weifang Port.

Creating Sustainable Value
Overview

We are committed to champion sustainability through a conscientious approach to business and a culture of transparency in reporting our sustainability performance.

Sime Darby's Commitment

Sime Darby's commitment towards sustainable operations is demonstrated by balancing economic aspirations with having genuine care and respect for our people and the communities the Group operates in, and in our programmes to reduce the impact of our operations on the environment.

Sime Darby believes that a focus on sustainability not only strengthens our social licence to operate, but also enhances our ability to run our businesses efficiently, competitively and generatively into the future.

With sustainability inherent in the Group's organisational strategy and business model, sustainability-related information is integrated throughout this report, reflecting how the Group's sustainability mindset guides operations and its ability to create value over time. The following table outlines the main topics in relation to the sustainability statement within this report.

Sustainability Statement Topics	Section in This Report	Page Number
Sustainability Reporting Scope	About This Report	08
Sustainability Governance	Creating Sustainable Value	87
Sustainability Framework	Creating Sustainable Value	87
Stakeholders engaged to identify and determine material issues	Engaging Stakeholders; Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders	38 and 134
How material issues are determined	Material Issues	40
Safety Performance	Safety	89
People and Community Performance	People; Community Contributions and Development	94 and 98
Environmental Sustainability Performance	Environmental Sustainability	100
Governance	Chairman's Statement on Corporate Governance	116
Economic Performance	Divisional Operations Review	60

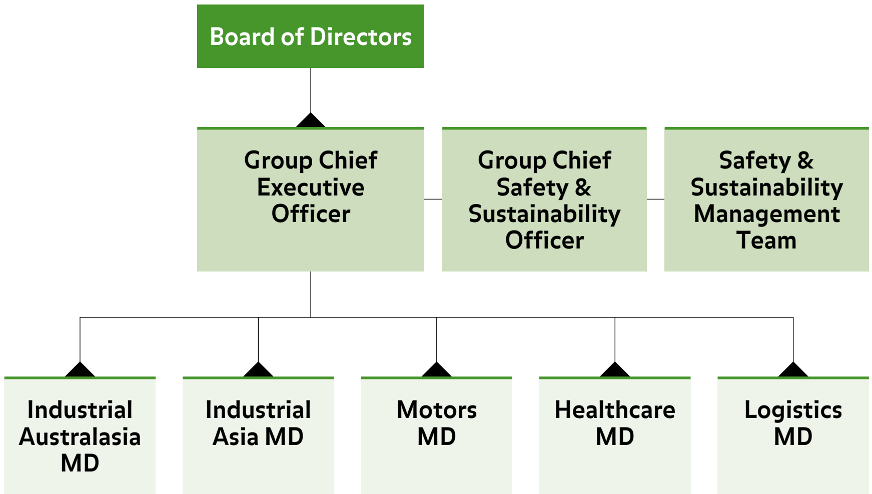
Sustainability Governance

Sime Darby's commitment to sustainability begins with an established governance model. The Board of Directors ultimately governs the Group's sustainability strategy, with support from the GCEO, who reports to the Board on safety and sustainability matters.

Sime Darby acknowledges the significance of safety and sustainability in its long-term business strategy, and in October 2019, appointed a Group Chief Safety & Sustainability Officer (GCSSO), who reports directly to the GCEO.

The GCSSO is accountable for setting the strategic direction for safety and sustainability across the Group. Since the appointment of the GCSSO, the Group has:

- Implemented a structure to support all Divisions;
- Established a strategic direction to identify and address risks, standardise reporting and improve workplace safety culture and capabilities; and
- Formulated a Safety and Sustainability Strategic Plan to position Sime Darby as a global leader in safety and sustainability, to realise its goal of "No Harm" and embed sustainability across all aspects of operations.



Sustainability Framework

Our Purpose: Delivering Sustainable Futures

Our Enabler of Value Creation: Sustainability Strategy

Sustainability Pillars	**Safety**	**People and Community**	**Environmental Sustainability**	**Governance**	**Economic**
Addressing Our Material Issues	Occupational Health and Safety	Community Contributions and Development	Waste and Effluents Management	Business Ethics and Compliance	Quality and Customer Satisfaction
		Employee Training and Development	Energy and Carbon Management	Data Privacy and Security	Business Growth and Performance
		Fair Employment Practices	Water Management		Technology and Innovation
	Read more on Page 89	Read more on Page 94 to 99	Read more on Page 100	Read more on Page 116	Read more on Page 60
Supporting the United Nations Sustainable Development Goals (UN SDGs)					

Creating Sustainable Value
Overview

Sustainability is a key enabler of the Group's VCP, which in turn helps Sime Darby fulfil its purpose of Delivering Sustainable Futures. As a responsible business entity, Sime Darby aims to promote a safety culture, nurture its people, community and environment, and generate a business environment that is guided by transparent and accountable governance.

The Group's Sustainability Framework supports and contributes towards achieving the UN SDGs.

To ensure that it is on track to deliver on the VCP, the Group has developed Key Performance Indicators (KPIs) related to each material issue to track its performance in an open, transparent manner.

Sustainability Accolades

FTSE4Good

Constituent of the FTSE4Good Index Series

Sime Darby remains a constituent of the FTSE4Good Index Series for the third consecutive year. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices, and is used by a wide variety of market participants to create and assess responsible investment funds and other products.

The Building Trust Awards®

2nd Place, Building Trust Awards 2019 by PwC Malaysia

PwC's Building Trust Awards is the first in Malaysia to measure trust among the top 50 companies in Malaysia by market capitalisation. The awards assess companies from two perspectives: the company's communication of value creation, and their trust perception among their internal and external stakeholders.

Creating Sustainable Value
Safety

Our safety initiatives aim to realise the goal of "No Harm" while creating value in all aspects of the Group's operations.

The health and safety of our employees, partners and local communities is the top priority for the Group. Our goal is to position Sime Darby as a globally recognised leader in safety and sustainability, realising the goal of "No Harm" with sustainability creating value in all aspects of the Group's operations. In collaboration with all partners and stakeholders, the Group will continue to develop its people, systems and processes to manage risks, build resilience and achieve continuous improvement in safety and sustainability performance.

Stakeholder Health and Safety

In an unfortunate incident in July 2019, a fatality occurred involving a contracted stevedore at Weifang Port in China. Any fatality is unacceptable and deeply regrettable. The Group is determined to further enhance safety culture and systems across all operations and influence cultural change with its contractors to prevent a recurrence of such an incident. We have introduced a next-generation safety culture programme called "SELF", which stands for Safe Engage Lead and Focus, which will be rolled out to all operations in stages.

The unprecedented COVID-19 pandemic has impacted the health and wellbeing of millions of people globally, bringing social and economic disruption. COVID-19 has threatened the health and safety of the Group's stakeholders, primarily our employees and customers. The Group has responded swiftly to the pandemic, with the implementation of a business continuity management plan across all operations.

In managing safety and health, the Group has focused its efforts on prompt and clear communication to employees, while the necessary personal protective equipment was procured, and travel was restricted in line with guidance from the relevant health authorities. Workplace exposure was also limited, with the institution of work-from-home arrangements, split teams and increased frequency of cleaning and sanitisation of premises.

The Group's focus on a transparent reporting culture, in addition to standardised reporting and classification procedure, has improved the consistency of injury reporting across geographical boundaries.

Creating Sustainable Value
Safety

We firmly believe that consistent injury reporting, the timely sharing of preventive actions and the roll out of a safety culture programme to all operations will provide the support required to reduce injury rates in the future.

Health and Safety Strategy

The Group's health and safety strategy is guided by the Safety and Sustainability Strategic Blueprint which identifies the critical success factors for delivery in FY2021. This includes the delivery and a roll out plan for the Group's safety culture programme, "SELF".

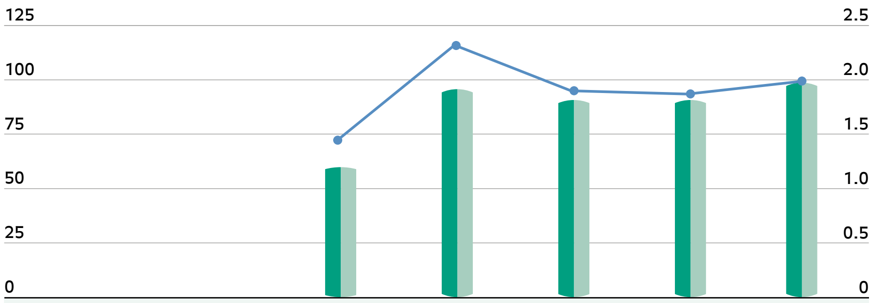
The Blueprint focuses on four critical success factors: improving health and safety, building value through sustainability, managing risk and quality assurance, and enhancing business resilience. These four success factors are instrumental to achieving the Group's "No Harm" goal, which is supported by the following initiatives:

- Promoting a generative safety culture;
- Building capability through Felt leadership;
- Group-wide safety culture programmes;
- Enhancing lead indicator reporting;
- Customising training programmes and audits that target high risk activities;
- Delivering systems and processes to support assurance through organisational governance activities; and
- Embedding a continuous improvement culture.

Standardisation

With the Group focused upon improving the culture of reporting all safety and sustainability events, a standardised incident reporting, investigation and classification process has been rolled out

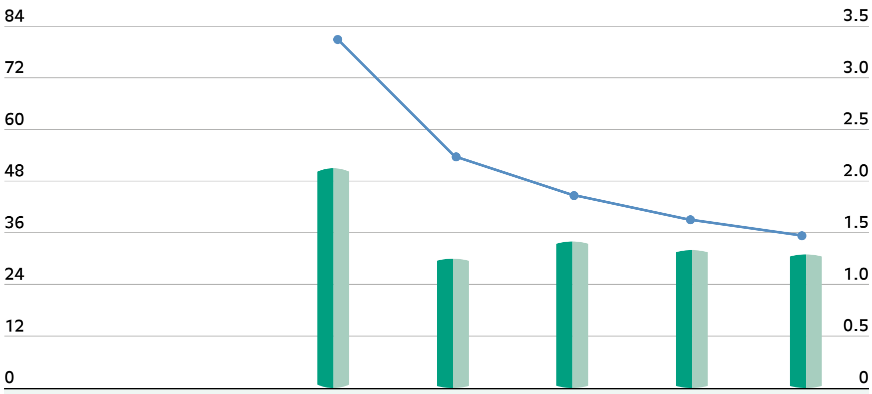
Sime Darby's Lost Time Injury (LTI) and Lost Time Injury Frequency Rate (LTIFR)



	FY2016	FY2017	FY2018	FY2019	FY2020
LTI Cases	60	96	91	91	**99**
LTIFR	1.45	2.32	1.90	1.87	**1.99***

* Sime Darby LTIFR data has been assured by a third party.
LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

Sime Darby Industrial's Lost Time Injury and Lost Time Injury Frequency Rate



	FY2016	FY2017	FY2018	FY2019	FY2020
LTI Cases	51	30	34	32	**31**
LTIFR	3.37	2.24	1.87	1.63	**1.47**

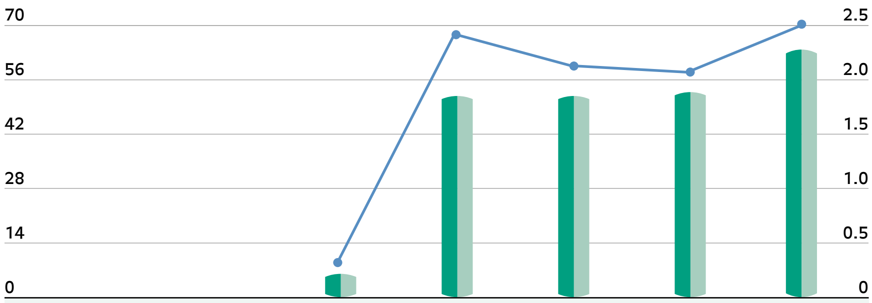
LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

Group-wide. Standardised safety and sustainability KPI's aligned to the Safety and Sustainability Strategic Blueprint have been implemented across all Divisions and operating units.

In the second half of FY2020, an internal health, safety, environment and quality (HSEQ) self-assessment programme was conducted across the Group. The outcome of the assessment will help determine the framework and schedule for the independent Sime Darby safety and sustainability audit team for the coming year.

Additionally, Sime Darby Logistics had in FY2020 introduced formatted daily pre-operational safety meetings designed to enable every employee to be switched on and focused on safety for their upcoming work shift. Along with its partner at the Weifang Liquid Terminal, Sime Darby Logistics engaged an external party to undertake a full compliance review of joint

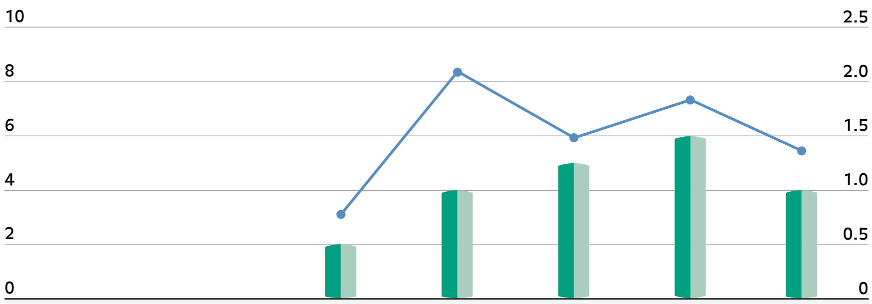
Sime Darby Motors' Lost Time Injury and Lost Time Injury Frequency Rate



	FY2016	FY2017	FY2018	FY2019	FY2020
LTI Cases	6	52	52	53	**64**
LTIFR	0.33	2.42	2.13	2.07	**2.51**

LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

Sime Darby Logistics' Lost Time Injury and Lost Time Injury Frequency Rate



	FY2016	FY2017	FY2018	FY2019	FY2020
LTI Cases	2	4	5	6	**4**
LTIFR	0.78	2.09	1.48	1.83	**1.36**

LTIFR = The total number of lost time injuries per 1,000,000 hours worked.

operations. In addition to the outcomes of the audit, focus has been upon ensuring critical hazards are minimised and hazardous chemicals are stored in accordance with internal standards.

Life Saving Commitments

Sime Darby Industrial maintained its focus on minimising critical hazards within work processes throughout FY2020. Following the successful roll out of Life Saving Commitments in FY2018 in the Australasia operations, the programme is being deployed across Sime Darby Industrial's Asia operations and is scheduled for completion by the end of 2020. Standardised controls developed to support the Life Saving Commitments will be incorporated into safety management systems across Sime Darby Industrial. This in turn will be supported by baseline health and safety audits and action plans to address any gaps.

Technology

In FY2020, Sime Darby Industrial's focused upon data-driven projects to digitise forms and make data-based decisions. The Sime Darby Industrial Safety and Sustainability team has leveraged digital platforms to make safety forms and data more accessible and transparent, thereby improving efficiencies. The successful deployment of digital forms has improved the user experience and delivered an immediate data source with enhanced data integrity. This has enabled greater identification of non-compliances and the development of more targeted training for quality risk assessments.

Sime Darby Logistics implemented a digital application to report incidents and hazards. Since the application went live, the target of identifying one hazard for every ten employees per month has been exceeded by over six times, attesting to the effectiveness of the application and improved user experience.

The use of advanced materials technologies has also become a feature of safety initiatives for some operating units. The safety of night workers has been further improved, using more reflective coatings and lighting modifications, while higher resolution cameras have enabled wider coverage of operational areas to more effectively monitor safety and environmental hazards. Particulate filters for non-road mobile machinery, online particulate detectors, fog gun trucks, and sweeping vehicles have helped control exposures to airborne hazards at several operations.

Recognition

Hastings Deering has introduced an Excellence Awards programme for "No Harm" achievements. As part of an enterprise-wide Employee Excellence Reward and Recognition strategy, employees can be nominated by their leaders, peers or other colleagues for recognition of any innovation or improvement they have made to a system or process that contributes to the business' "No Harm" goal. Award winners receive company-wide recognition and cash prizes which reward and incentivise continuous improvement and innovation in workplace safety.

Creating Sustainable Value
Safety

Sime Darby's demonstration of operational efficiency during the pandemic

Terra Cat

The Terra Cat dealership in New Zealand implemented a full shutdown as part of the COVID-19 response in compliance with the New Zealand government's requirements in March 2020. The business transitioned from full operations to effective closure within two days. With approvals to reopen in June 2020, it successfully achieved a return to 80% operational efficiency within two days. Throughout the seven-week interruption to business operations due to the lockdown, employees were closely monitored and supported. All Terra Cat employees remained free of COVID-19. By managing this period strategically, Terra Cat was able to control the financial impact of the lockdown whilst maintaining positive engagement with customers and the workforce.

Sime Darby's Digital Solutions

Sime Darby Motors and Sime Darby Industrial accelerated the adoption of digital solutions to present customers with a seamless online shopping experience. Examples include the launch of Auto Bavaria's and Performance Motors' digital showrooms in Malaysia and Singapore respectively, Continental Cars' contactless engagement with customers in New Zealand, which included home test drives and China Engineers Limited's 720° online exhibition gallery.

CEL's COVID-19 Response

To minimise business disruption, CEL adopted a rapid response to the pandemic outbreak by immediately reviewing travel plans and developing an alternating team roster to ensure staff safety. PPE supplies were immediately acquired at the onset of the COVID-19 outbreak.

Sime Darby Industrial leads the way with a refreshed safety culture programme

During FY2020, Sime Darby Industrial Australasia progressively deployed its next-generation safety culture programme, "SELF", throughout its businesses. "SELF" is designed to deliver enhanced engagement of people and to train them to make safer choices by exploring and challenging their existing thoughts and behaviours in the workplace. "SELF" challenges participants to explore the reasons they are safe, the choices they make each day, the standards they set and the actions they take. It aims to reinforce the culture of safety by promoting personal ownership for safety in a mindful process while complementing safety leadership. The "SELF" programme will be delivered across the broader Group in the coming year.

Sime Darby Motors drives home safety message

Sime Darby Motors has longstanding collaborations with its Principals to promote driver safety. Not only is safety a fitting extension of customer care, it is also a valuable service to the community, both of which will strengthen brand loyalty which ultimately boosts business resilience. In December 2019, Sime Darby Motors again partnered with Ford to deliver the annual Safe Driving Skills for Life Programme workshop in Sabah, this being the first time the programme was introduced to East Malaysia.

Plans for Next Year

Our Safety and Sustainability Strategy Blueprint has identified the critical success factors for delivery next financial year. We are reviewing the delivery and a roll out plan for our safety culture programme, "SELF", across targeted areas within the Group.

Sime Darby Industrial is launching a new HSEQ management reporting system in FY2021. The new system is an enterprise-wide solution aimed at replacing existing safety reporting systems which will allow for full lifecycle recording and management of all HSEQ events. The solution contains functionalities to support and manage lead and lag indicator reporting including incidents, hazards, audits and inspections, safety interactions, as well as preventive and corrective actions. The integrated system will also enhance user experience and increase the quality of event reporting thereby improving data analysis and review processes.

A comprehensive range of specific injury prevention strategies will continue to be deployed, ranging from working at heights programmes, chemicals surveillance, noise risk assessments and hearing conservation programmes, through to indoor air quality monitoring. Initiatives to promote incident reporting, hazard identification and safety culture have been identified by each Division and will support Sime Darby's continuous improvement journey towards "No Harm".

To underpin these strategies and initiatives, existing internal regulatory systems and processes will be enhanced to strengthen regulatory understanding across the Divisions and to promote a culture beyond compliance underpinned by teamwork.

FY2020 Safety Achievements and Accolades

Highest level of workplace safety accreditation
Awarded to Terra Cat by the New Zealand Accident Compensation Corporation in recognition of its first-class claims management and internal processes

Gold Class 1 Award, MSOSH 2019 Awards
Sime Darby Industrial Klang Valley (Workshop) and Sime Darby Industrial's operations in Ipoh were awarded Gold Class 1 for proven outstanding occupational safety and health (OSH) performance by the Malaysian Society for Occupational Safety & Health

Gold Class 2 Award, MSOSH 2019 Awards
Sime Darby Industrial's operations in Kuantan were awarded Gold Class 2 for proven outstanding OSH performance by the MSOSH

Advanced Safety Company
Sime Darby Motors' dealership in Chongqing received the 'Advanced Safety Company' award twice from the local authorities

Advanced Unit in Safety Operation 2019
Jining's Yuejin Port was awarded Advanced Unit in Safety by the Jining People's Government Safety Committee

Creating Sustainable Value
People

Our people are at the heart of our business. We are committed to promoting fair employment practices and investing in the development of our people.

The Group's employees are the life force that sustains the business; they deliver on the Group's corporate strategies and are ambassadors of the brand. Sime Darby is committed to continuously engage in a respectful and fair manner with all its employees, honouring their potential by investing in relevant training and development opportunities to help them realise their potential and aspirations. The Group's approach is geared towards retaining the right mix of intellectual capital and cultural fit to propel the organisation forward.

Employee Engagement

A positively engaged workforce boosts productivity, reduces turnover, strengthens internal company culture and increases customer satisfaction. In short, it underpins the Group's ability to do right and to do it well. In view of this, Sime Darby conducted a Group Employee Engagement Survey in Q3 of FY2020, which saw 83% of employees taking the opportunity to have their say about what it feels like to work in the Group.

The Group Head Office, Sime Darby Industrial and Sime Darby Motors saw an increase in scores compared to the previous survey conducted in 2016. This was due in part to a planned and concerted effort to strengthen management culture, placing more emphasis on "Safety" and "Manager or Business Unit Leadership". The results of the survey were discussed and analysed at the Group, function, business and country levels with respective teams and leaders addressing areas to be improved. In the coming year, the Group will continue to develop and implement targeted action plans for improvement.

Employee Training and Development

The capability and capacity of the Group's employees is one of the key enablers of the Group's VCP. By investing in human capital, the Group is preparing for leadership succession in driving the organisation towards its goals.

In FY2020, 87% of the trainings conducted were job-specific, while 11.3% were on personal effectiveness and the remaining 1.6% comprised of leadership trainings.

Core Executive Programme (CEP)

Sime Darby has a proprietary training framework called the CEP. CEPs are designed to harness the leadership competencies of the Group's workforce and ensure that talent are kept abreast of requisite skillsets and are primed for optimum performance. At the Divisions, the Human Resources departments proactively identify skill gaps among employees based on prevailing and predictive market trends, then recommend and provide relevant training opportunities to ensure employees are prepared to respond to dynamic business landscapes.

In FY2020, a new CEP was introduced at the executive level, with enhanced content which included a platform for each Division to facilitate sharing and discussions around key focus areas. For Sime Darby Motors, this involved a focus on performance driven culture whereas for Sime Darby Industrial, the focus was on safety, innovation and customer service. A review of the CEP curriculum for other levels in the organisation will take place progressively.

Targeted Leadership Programmes

Sime Darby also runs programmes that empower leaders, expand talent capabilities and engage employees in a manner that supports the delivery of business strategies. Initiatives such as the Young Executive Incubation Programme, conducted by CEL, is targeted at grooming young executives and engineers as part of a future-focused manpower and succession planning strategy. Similar young talent development programmes are implemented in Sime Darby Motors in China. Structured programmes, such as those catered towards entry-level management trainees and Executive MBA for potential general managers, have proven successful. Some of the management trainees and potential general managers have already assumed leadership roles in operating units. At Hastings Deering in Australia, leadership programmes such as iLead and Step Up are designed to focus on the development of core behaviours, values and delivery of results amongst their current and future leaders.

World-Class Management Training in Easily Accessible On-Demand Modules

As a global business with operations in 18 countries and territories, there is an opportunity for the Group to develop world-class content to provide its talent pool with the latest management skills, in a way that is conveniently accessible regardless of where they are based. In FY2020, Sime Darby launched an on-demand learning and performance support resource, in partnership with Harvard Business School Publishing, a wholly-owned subsidiary of Harvard University. This initiative addresses the need to upskill company leaders and is delivered in a format that is highly efficient and familiar to the tech-savvy, time-pressed learners.

Technical Training Programmes

Hastings Deering, in collaboration with industry leaders, state government and national education bodies, is developing and deploying specifically-designed technical training programmes to support workforce development. Programmes such as "Introduction to Technology" and "Advanced Technology and Diagnostics" are designed to suit the workforce of the future.

At Sime Darby Motors, in addition to providing Principal-driven product and technical trainings to its technicians, a team and individual competition was organised in China for after-sales personnel, to assess and evaluate key after-sales points including painting work and quick repair process. The aim was to improve technical skills, ensure the quality of repairs and improve work efficiency rate.

Ensuring Leadership Continuity

In building a strong leadership bench strength, the Group has adopted robust talent assessment methods to identify high potentials and external incumbents for critical and pivotal roles. Sime Darby's approach is based on a combination of scientifically-validated psychometric assessments and a comprehensive leadership framework to ensure a consistent and accurate assessment of talent fit. Over the past 12 months, the Group has embarked on a Group-wide assessment of senior leaders and will continue in FY2021 with the assessment of the next tier of leaders. This ensures that the Group will continue to have a healthy talent pipeline for continuity in leadership.

Fair Employment Practices

The Group believes in promoting and developing a diverse workforce, as it brings with it a variety of complementary skills, experiences and perspectives, which will enhance the Group's capacity to create value. To support this, equal opportunity and non-discriminatory policies for remuneration, promotion, recruitment and selection have been instituted Group-wide. These policies ensure that all qualified candidates regardless of gender, race, disability, nationality, religion and age are treated equally, providing fair opportunity for all. The Group also abides by local labour laws, regulations and cultural practices. Employment statistics are regularly reviewed, to monitor workforce diversity.

Creating Sustainable Value
People

Overview of Sime Darby's Employees

Total Employees by Country/Territory

20,920
Employees

100%

Country/Territory	%	Employees
Malaysia	28.5%	5,969
China	29.3%	6,131
Australia	16.7%	3,494
Hong Kong	5.7%	1,191
Singapore	5.2%	1,089
New Zealand	7.4%	1,556
Thailand	3.2%	677
Others	4.0%	813

Total Employees by Gender

Gender	%	Employees
Female	24.8%	5,196
Male	75.2%	15,724

Total Employees by Generation Group

Generation Group	%	Employees
Baby Boomers (1962 & earlier)	4.5%	941
Gen X (1963 – 1979)	28.4%	5,942
Gen Y (1980 – later)	67.1%	14,037

Breakdown of Employees by Position and Gender

	Female		Male		Grand Total
Management Category	Headcount	(%)	Headcount	(%)	Headcount
Top Management	2	6.5	29	93.5	31
Senior Management	19	23.5	62	76.5	81
Middle Management	132	22.7	449	77.3	581
Junior Management	1,104	31.7	2,375	68.3	3,479
Non-Executive	3,861	28.2	9,839	71.8	13,700
Workers	78	2.6	2,970	97.4	3,048
Total	**5,196**	**24.8**	**15,724**	**75.2**	**20,920**

01

02

01 Joanne Best of Hastings Deering was awarded the 2020 Exceptional Woman of the Year Award from QRC/WIMARQ

02 CEL is the first of four dealers in China to receive the excellent capability level for Caterpillar's Technician Career Development Process – Assessment

Plans for Next Year

Sime Darby will continue to champion excellence in human resources practices and promote initiatives to improve workforce strength, based on the principles of diversity, non-discrimination and fair opportunity.

FY2020 Human Resource Achievements and Accolades

In FY2020, the Group and its employees were recognised for excellence and performance in their respective fields of work.

Most Popular Graduate Employer in the Automotive Industry in 2019

Sime Darby was awarded the Most Popular Graduate Employer in the Automotive Sector at Malaysia's 100 Leading Graduate Employers Award.

Technician Career Development Process – Assessment

CEL and Hastings Deering both received the excellent capability level for Caterpillar's Technician Career Development Process – Assessment, with CEL being the first of four dealers in China to receive the award.

Caterpillar 5-Star Award

CEL Industrial Equipment Training Centre (IETC) facility was awarded 5 Stars in Contamination Control by Caterpillar.

2020 Woman of the Year

Joanne Best, General Manager of Enterprise Excellence and Employee Experience at Hastings Deering was awarded the 2020 Exceptional Woman of the Year award by the Queensland Resource Council/Women in Mining and Resources Queensland.

VISTA Award For 2019/2020

Ben Treagus, Luke Ross and Shannan Smith from Truckstops Napier won the New Zealand leg of the 2019/20 VISTA (Volvo International Service Training Award) competition.

Promoting diversity at Hastings Deering

Hastings Deering was awarded the Queensland Resource Council's Excellence in Diversity Programmes and Performance for its 'Together as One' initiative, in recognition for its exceptional work in promoting diversity and inclusion within its workplace. The 'Together as One' initiative was first launched in January 2018 with specific action areas around culture, gender, abilities and generational inclusion. The purpose of the initiative is to ensure that every one of the 3,500 people who come to work at Hastings Deering each day, feel like they truly belong. The programme's mission is to create a workplace that is both supportive and safe for employees of diversified backgrounds, experiences and perspectives to ensure they can deliver their best at work. It is sponsored by the company's leadership team and guided by a council of nominee employees from all areas and levels of the business, establishing Terms of Reference for activities and ensuring that the quality and best practice initiatives are aligned to enterprise strategy. In 2019, 'Together as One' also won the National Association of Women in Construction's Queensland Award for Diversity and in August this year was named a finalist in the Queensland Mining Awards.

Creating Sustainable Value
Community Contributions and Development

As a responsible corporate steward, we believe in delivering sustainable futures to our stakeholders by supporting the communities in which we operate.

The Group values and respects the communities in its areas of operations. Sime Darby believes in giving back to the communities by backing worthy social causes and contributing to their development. And in doing so, the Group fulfils its purpose to deliver sustainable futures to its stakeholders.

The Group, together with Sime Darby Plantation Berhad and Sime Darby Property Berhad, makes social investments through a philanthropic foundation, Yayasan Sime Darby. Over the years, Yayasan Sime Darby has expanded its wings from offering scholarships to outstanding and deserving individuals to funding impactful conservation, outreach and development programmes today. The GCEO of Sime Darby is on the Governing Council of Yayasan Sime Darby, ensuring that the foundation's strategies are relevant and aligned with Sime Darby's organisational objectives and strategies. Every year, the Group contributes RM20 million to the foundation, representing about 40% of the total contribution Yayasan Sime Darby receives annually.

Yayasan Sime Darby supports five pillars: education, environment, community and health, sports and arts and culture. Internal strategic reviews of these five pillars were conducted in FY2019 and FY2020 to ensure that they continue to be aligned with the ten UN SDGs which Sime Darby has pledged to support.

Yayasan Sime Darby runs a variety of community activities every year to promote its five pillars. In FY2020, its contributions have been allocated to the five pillars accordingly:

Pillar	% Contribution
Education	48.0
Community & Health	30.6
Environment	12.8
Arts & Culture	5.8
Sports	2.8

Sparking Young Scientists: Sime Darby Young Innovators Challenge

One of Yayasan Sime Darby's flagship programmes is the annual Sime Darby Young Innovators Challenge (SDYIC), a unique platform where participating teams of secondary school students pit their coding and software design skills in a showdown of teamwork, creative thinking, leadership and entrepreneurial skills. SDYIC is unique in the way it is designed to be highly collaborative. The programme partners undergraduate students as mentors to junior participants giving the opportunity for the seniors to hone soft skills. It also brings in leading industry expertise with the aim to reduce gaps in access to quality education between rural and urban communities and to improve access to basic education for the marginalised. SDYIC 2019 was held for the first time in a state outside the Klang Valley, in Terengganu. For 2020, the programme was organised virtually via an online platform for the first time, which meant that there were minimal disruptions despite the global pandemic. Plans are underway to bring this programme to other states in the future, and to continue to spark interest in critical science and technology skills in the younger generation to prepare them for IR4.0.

Catalyst for Communities: Hubs for Good

Hubs for Good is an arts and culture programme supported by Yayasan Sime Darby in collaboration with British Council Malaysia and the University of Malaya. The programme connects Malaysian creative hubs and hub leaders with each other and to various local stakeholders. It provides dynamic, informative, and research-based resources that can advance the professional development of creative hub leaders, which will allow them to better support hundreds of creative practitioners in Malaysia.

The programme involves projects including country-wide mapping and research, a toolkit for the use of creative hub leaders and creative practitioners, a digital networking platform, and capacity building activities to address skills and knowledge needs of local creative hub leaders. Yayasan Sime Darby plays a key role as co-funder of the three-year programme, enabling the programme to double its scope and number of activities. The foundation's support also aided scholarships for three research assistants working on the research and development of the toolkit and the digital platform. By nurturing creative hubs, it is hoped that they become social catalysts, radiating positive social impact to communities across Malaysia.

Sporting for Good: Malaysia Rugby Sponsorship

Yayasan Sime Darby has been the sponsor of Malaysia Rugby since 2019, supporting talent scouting, a series of elite training camps and participation in tournaments. The RM1.4 million sponsorship, for a period of one and a half years, filled a critical gap in the development of the sport, where funding aids were few and far between. It aims to produce a pool of 30 male players aged between 15 and 20 years old for the U19 and U20 men's elite team by FY2022. Additionally, in FY2020, Yayasan Sime Darby has started supporting 21 players for the U20 women's elite team, to encourage female participation in the sport. This echoes Sime Darby's talent management philosophy of promoting diversity and inclusivity. The foundation's partnership creates a well-rounded rugby ecosystem that involves the government, the National Sports Council and Malaysia Rugby.

Fostering the Spirit of Volunteerism

The Group takes a holistic view to developing human capital by focusing on professional as well as personal growth. Encouraging volunteerism for causes which employees personally identify with is a meaningful way to facilitate that growth. Yayasan Sime Darby's Huluran Kasih is a volunteering programme spearheaded for employees of Sime Darby Plantation Berhad, Sime Darby Property Berhad and Sime Darby. With it, the foundation aims to provide a platform to nurture employees' spirit of giving while contributing fruitfully to the causes it supports. In FY2020, 103 employees from Sime Darby contributed 817 volunteering hours through 19 initiatives.

Plans for Next Year

Sime Darby will continue to support and develop communities through its contributions to Yayasan Sime Darby. The Group will also continue to ensure that its community contributions are strategically aligned with its corporate objectives through representation at Yayasan Sime Darby's Governing Council.

The Sime Darby Young Innovators Challenge provides an opportunity for youth to explore science and technology skills that are critical for the fourth industrial revolution.

Creating Sustainable Value
Environmental Sustainability

Our approach to environmental stewardship is a balance between the pursuit of socio-economic and environmental sustainability.

Climate change, scarcity of resources and improper management of waste and effluents are pressing environmental issues on a global scale that have the potential to pose regulatory, physical and reputational risks to Sime Darby's operations. It is therefore imperative that the Group's environmental footprint is proactively managed.

Of the 18 countries and territories in which Sime Darby operates, 15 are signatories to the Paris Agreement[1], which calls on countries to strengthen the global response to the threat of climate change. Furthermore, in the 11th Malaysia Plan, the Malaysian government has set a target for Malaysia to become an advanced economy in a resilient, low-carbon, resource-efficient, and socially-inclusive manner.

Sime Darby is committed to supporting the efforts of the governments in the areas it operates. In alignment to this, Sime Darby's mission is to develop a winning portfolio of sustainable businesses in an ethical way that balances the interests of stakeholders while delivering superior financial returns. The pursuit of socio-economical and environmental sustainability must be in a way that creates long-term value.

The Group's policy on carbon, energy, water and effluents management and waste disposal encapsulates the following, and is applicable across the Group:

- Track carbon emissions, energy and water consumption, and waste disposal
- Set reduction targets for carbon emissions, energy and water consumption and waste disposal
- Identify and implement water, waste and energy-efficient measures
- Develop, implement and monitor progress of action plans
- Comply with all local and country-specific legislation regarding carbon, energy, water and waste management

The Group will continue to work towards reducing greenhouse gas emissions, water consumption and waste generation to limit its environmental impact.

[1] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Carbon and energy management

Clear Group-wide carbon and energy management targets have been set, to mitigate the Group's impact and fulfil its sustainability commitments.

	Targets
Sime Darby Industrial	• Reduce absolute GJ energy use/total headcount by 5% between FY2017 and FY2023
Sime Darby Motors	• Reduce Scope 1 & 2 Emission (tCO_2e) per car assembled at Inokom Corporation Sdn Bhd (Inokom) by 5% between FY2018 and FY2023 • Obtain baseline energy and carbon emissions for all business units in FY2021
Sime Darby Logistics	• Reduce Scope 1 & 2 emissions per 1000 port throughput by 5% between FY2018 to FY2023

Electricity to power operations and fuel for vehicles and machinery form a significant component of carbon emission and energy consumption across the Group. All Divisions are making progress in energy saving initiatives. To reduce carbon footprint and energy consumption, the Group is focused on renewable power generation, installation of LED lighting, asset efficiency and behavioural change.

Renewable Power Generation

Since 2016, Sime Darby Industrial has installed over 525kW of solar photovoltaic (PV) systems across its operations in Australia, China and New Zealand, generating over 1,000MWh of electricity.

Solar lighting projects have been undertaken along the quay front at Sime Darby Logistics' Weifang and Longgong ports. Longgong Port has also installed solar lighting on its production road while Motors' Inokom operations has installed solar lighting along new walkways.

LED Lighting

Across the Group's operations, existing lighting has been progressively switched to LEDs. LED lighting uses at least 65% less energy compared to metal halide and incandescent lighting.

Sime Darby Industrial has replaced incandescent lighting with LED lighting across its operations in Australia, Singapore and New Zealand. Meanwhile, Sime Darby Motors has commenced installation of LED lighting solutions across all its operations in Australia, Malaysia, New Zealand and Thailand. Motors' Gough Transport Solutions' Victoria site completed an LED replacement project in 2018 which has saved approximately AUD14,000 in energy cost per annum.

Asset Improvements

Sime Darby Logistics' Weifang Port has invested RMB9.2 million to install shore power facilities. The facilities include a 2000kVA high-voltage variable frequency shore power system in its West operations area and a 1000kVA high-voltage variable frequency shore power system in the container berth located in its East operations area. This project has enabled vessels to connect to the power facilities rather than utilise diesel generators, which reduces emissions and noise generated during berthing.

In the year under review, Hastings Deering's Brisbane Business Centre replaced its aged air-conditioning system. The replacement system is at minimum 25% to 30% more efficient resulting in reduced power consumption and the elimination of R22 gas use (ozone depleting gas).

Behavioural Programmes

Across the Group, there is a focus on behavioural programmes to promote energy conservation practices, including switching off equipment and lights which are not in use and setting air conditioning temperatures appropriate to the climate. The Group and the respective Divisions track and report energy consumption and carbon emissions on a six-monthly basis.

Telematics for lower carbon emissions and better resource efficiency

In FY2020, Hastings Deering installed a telematics system across its light vehicle fleet which includes service and light vehicles. The project is estimated to deliver reductions in carbon emissions and improve efficiency in how resources are deployed, in particular:

- A reduction in CO_2 emissions of enrolled vehicles by 6% to 10%, distance driven by 19%, and fuel consumed by 8%; and
- A reduction of up to 10% in the number of pool cars required for use by employees.

The system is targeted to be rolled out to all vehicles in stages by mid-2021.

Creating Sustainable Value
Environmental Sustainability

Greening Sime Darby Motors City

Sime Darby Motors City in Malaysia has achieved the provisional Green Building Index (GBI) certification in April 2019. The index is Malaysia's industry-recognised green rating tool for buildings to promote sustainability in the built environment. As part of fulfilling GBI's full certification, Sime Darby Motors City has introduced initiatives such as:

- Implementation of a 3R (Reduce, Reuse and Recycle) initiative by providing dedicated recycling waste bins at every retailer's store
- Use of LED lighting throughout the complex
- Installation of systems for efficient management and usage of water and electricity
- Establishment of a herb garden

Sime Darby Motors aims to attain full GBI certification by fulfilling the conditions required, including maintaining the building for at least a year based on the criteria set to attain provisional certification.

Powering up renewables

Terra Cat has procured 100% renewable energy across its business centre footprint. Effectively, Terra Cat has achieved zero carbon emissions from its electricity consumption. In addition to this, the dealership has installed a 50kW solar energy system at its Component Rebuild Centre.

Terra Cat's initiatives on renewable energy contributes to the Group's and global efforts to achieve the commitments in the Paris Agreement to reduce emissions.

Improving energy efficiency at Inokom

Inokom has embarked on a company-wide initiative to improve energy efficiency through the replacement of conventional lighting systems with LED lighting. This involves:

- 3644 units of 36W fluorescent tubes replaced with 18W LED lights;
- 285 units of 400W high bay lights replaced with 55W LED lights;
- 81 units of 250W street lanterns replaced with 100W LED lights; and
- 23 units of 250W normal flood lights replaced with 100W LED lights.

In addition, Inokom's new walkway project utilises solar lighting instead of conventional lighting.

Carbon and Energy Management Plans for Next Year

In addition to the Group-wide plans, Inokom is embarking on a project to harvest solar power. Project tendering is in progress and the target completion date is February 2021. Similarly, throughout Sime Darby Motors' operations in Australia, installation of rooftop solar harvesting is planned for Porsche Centre Parramatta and Denlo Volkswagen.

The Group will continue to replace lighting with LEDs, review renewable energy solutions, undertake energy audits and improve asset efficiency across its business.

Waste and Effluent Management

The Group generates a broad range of wastes and effluents due to the diverse nature of its operations. All businesses comply with the Group-wide policy on waste and effluents management, with hazardous and scheduled waste specifically tracked and managed across all regions in accordance with respective national and local regulations.

The Group is prioritising reduction targets for hazardous and scheduled waste. Clear waste and effluent management targets have been set, to fulfil the Group's environmental sustainability commitments.

	Targets
Sime Darby Industrial	• Reduce scheduled waste by 5% between FY2019[2] and FY2023
Sime Darby Motors	• Reduce scheduled waste per car assembled on the wastewater treatment sludge at the Inokom vehicle assembly plant by 5% between FY2017/2018 and FY2022/2023
Sime Darby Logistics	• 100% compliance to waste and effluent regulations

[2] Changed from FY2017 to FY2019, due to improved and standardised reporting capability across Division to capture waste in FY2019

All Divisions are making positive progress in waste and effluent management initiatives. During FY2020, some of the programmes introduced were:

Reduce, Reuse, Recycle

Performance Motors Limited (PML) in Singapore identified that a significant amount of waste was generated across the industry

Inokom has embarked on a company-wide initiative to improve energy efficiency at their assembly plant in Kulim, Kedah.

through custom car backdrops, welcome counters and furniture requirements as set by the principals. In FY2017, PML set out with an objective to minimise waste and cost by reusing and upcycling materials wherever and whenever possible. PML has successfully reused almost 80% of all set-up materials from events, resulting in reduced waste and cost savings of more than SGD150,000 per year.

In FY2020, nearly 65% of all waste generated at Hastings Deering was recycled or reused.

Gough Transport Solutions in Australia reviewed and renewed waste contracts with an increased recovery of cardboard waste which has led to an annual cost savings of AUD10,000, while Sime Darby Motors Thailand reduced paper usage by about 8% over the past year.

Sime Darby Motors City in Malaysia saved RM117,315 in FY2019 and RM21,762 as at March 2020 through a recycling initiative of used lubrication oil.

Sime Darby Motors' New Zealand operations completed waste audits at three different premises to identify waste streams as well as waste segregation processes. This resulted in opportunities to improve waste disposal and waste minimisation. In particular, plastics was identified as a priority, and steps have been taken to increase awareness to replace plastics with more sustainable options.

Waste Supplier

Haynes Group in Australia engaged a new waste service contract with a supplier to provide improved reporting capabilities for hazardous and non-hazardous wastes, identify waste sent for landfill and to be recycled. In the coming year, Haynes Group aims to develop strategies to improve recycling and reduce waste sent to landfill by utilising the baseline data developed.

All of CEL's branches that produce hazardous wastes have signed contracts with registered hazardous waste disposal agencies to ensure that its hazardous wastes are properly collected and treated.

Waste Management Plans for Next Year

Sime Darby Logistics has commissioned and is installing vessel waste intelligent collection bins at Taiping Port, Yuejin Port and Longgong Port. The waste bin system has intelligent positioning, overflow warning and usage frequency monitoring functions. The collection points are able to automatically identify vessel names, weigh the waste, and generate an electronic receiving receipt. The collection bins will improve waste management and tracking across the ports.

The Haynes Group will further undertake an internal audit of its waste management, in addition to energy and water consumption, to identify excess usage or problem areas. Action plans will subsequently be developed to address priority reduction opportunities in FY2021. Meanwhile, Sime Darby Motors' New Zealand operations aims to identify additional waste material recycling opportunities through site audits.

Collaboration with clients to reduce all waste streams, particularly e-waste and hazardous waste, is a common focus across the Group.

Creating Sustainable Value
Environmental Sustainability

Sime Darby Logistics' Longgong Port has introduced a domestic sewage treatment station to treat production sewage.

Water Management

The Group's policy on water management promotes conservation efforts through water-saving initiatives. These include the adoption of technologies to improve management of water as a precious resource, and to enhance the tracking of water consumption and efficiency. Clear water management targets to fulfil the Group's environmental sustainability commitments have also been set.

Monitoring

In FY2020, a water management study was undertaken at Hastings Deering's sites in Brisbane with the following scope:

- Investigate the deployment of 'Smart Meters'
- Investigate early leak detection and meter accuracy
- Reinforce water conservation across sites
- Consider the pilot installation of sub-smart water meters

	Targets
Sime Darby Industrial	• Reduce water consumption by 5% between FY2017 and FY2023
Sime Darby Motors	• Reduce water consumed per car assembled at Inokom by 5% between FY2018 and FY2023
Sime Darby Logistics	• Reduce water used per 1,000MT port throughput by 5% between FY2018 and FY2023

A water monitoring dashboard has been piloted across the Brisbane sites to enable ongoing review and analysis of water consumption. Having transparent information about water usage will challenge current practices and facilitate the generation of options to reduce water usage or develop re-use strategies.

Reuse

At Sime Darby Logistics' Longgong Port, a domestic sewage treatment station treats production sewage which is then used for greening and dust suppression. The use of recycled treated water conserves up to 70 kilolitres of surface water daily.

Similar initiatives have been rolled out at Taiping Port, where treated water from domestic and production sewage is also used for dust suppression.

At Inokom, initiatives were also introduced to reuse wastewater for the watering of local football fields.

Asset Improvement

In the rebuilding of the Jaguar Land Rover showroom in Parramatta, Australia in 2018, several water management elements were incorporated in the design. For example, on-site stormwater retention and water treatment systems make water available for in-house vehicle detailing and wash bays. Separation and filtration facilities were also installed to improve the quality of treated storm water discharge.

A project to harvest rainwater for internal use was also completed at Castle Hill BMW, Australia.

Sime Darby Logistics has installed dust suppression systems at material ports. Additionally, the use of fog machines and fog sprays have reduced the volume of water consumption. Innovations such as solar reflectors have increased illumination of premises and saved electricity, while engineered grates and roller brush systems have reduced dust and improved cleaning processes.

FY2020 Environmental Achievements and Accolades

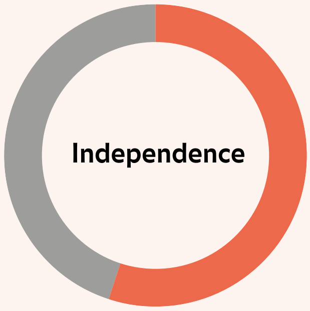
Industry Environmental Excellence (Heavy Industry Category)
Inokom was recognised for its compliance and performance from 2018-2019 by the Malaysian Department of Environment

Advanced Unit in Port Spring Greening 2020
All three Sime Darby Logistics' Jining ports, namely Longgong, Taiping and Yuejin, were recognised for their greening efforts to reduce dust generation by Jining Port and Waterway Development Centre

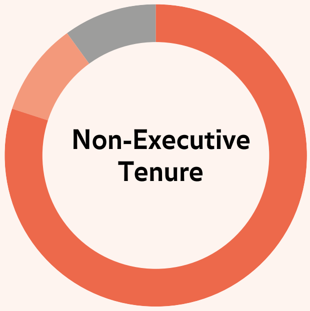
Board of Directors

A Balanced Board

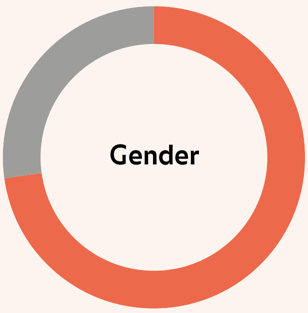
Our Board of Directors comprises strategic thinkers with relevant operational experience, industry success and professional expertise. The balanced leadership team reflects Sime Darby's corporate governance framework that embraces workplace diversity and independent thinking as tools that drive excellence and enterprise.



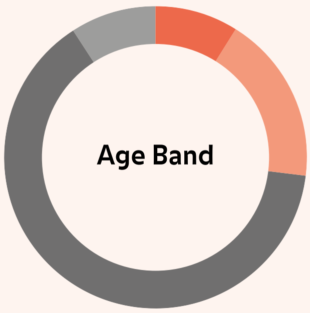
Independent Directors	55%
Non-Independent Directors	45%



0–3 Years	80%
3–6 Years	10%
More than 9 Years	10%



Male	73%
Female	27%



40–49 Years Old	9%
50–59 Years Old	18%
60–69 Years Old	64%
70–79 Years Old	9%

Malay	64%
Chinese	9%
Indian	18%
Others	9%

Committee Membership

NRC Nomination & Remuneration Committee

GAC Governance & Audit Committee

RMC Risk Management Committee

● Chairman ● Member

Tan Sri Samsudin Osman
Non-Independent Non-Executive Chairman

RMC

Malaysian	Age 73	Male

Date of Appointment
19 December 2008

Length of Service (as at 30 September 2020)
11 years 9 months

Academic/Professional Qualification/ Membership(s)
- Bachelor of Arts (Hons) and Diploma in Public Administration, University of Malaya
- Master in Public Administration, Pennsylvania State University

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Public Administration and Fund Management

Relevant Experience
Held various senior positions in the Malaysian Government including as the Secretary-General, in the Ministry of Home Affairs and Ministry of Domestic Trade and Consumer Affairs, and as the Chief Secretary to the Government of Malaysia. Former President of Perbadanan Putrajaya and former Chairman of the Employees Provident Fund (EPF) Board and EPF Investment Panel.

Tan Sri Ahmad Badri Mohd Zahir
Non-Independent Non-Executive Director

Malaysian	Age 60	Male

Date of Appointment
1 September 2020

Length of Service (as at 30 September 2020)
1 month

Academic/Professional Qualification/ Membership(s)
- Master in Business Administration, University of Hull
- Degree in Land and Property Management, Universiti Teknologi MARA

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
Nil

Attendance at Board Meeting in FY2020*
Not applicable*

Areas of Expertise
Public Administration, Strategic Investment, Loan Management and Financial Market

Relevant Experience
Currently the Chairman of the Employees Provident Fund. Has held various senior positions in the Ministry of Finance, including as the Secretary General of Treasury. Vastly experienced in the fields of strategic investment, loan management, financial markets and actuarial science.

* Not applicable as appointment was after FY2020.

Board of Directors

Datuk Wan Selamah Wan Sulaiman
Independent Non-Executive Director

GAC NRC

Malaysian	Age 65	Female

Date of Appointment
15 January 2016

Length of Service (as at 30 September 2020)
4 years 8 months

Academic/Professional Qualification/ Membership(s)
- Master in Business Administration (Finance), Universiti Kebangsaan Malaysia
- Fellow, Association of Chartered Certified Accountants
- Member, Public Sector Accounting Committee
- Member, Malaysian Institute of Accountants

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Accounting and Finance

Relevant Experience
Served in the ministries of Education and Defence. Held various positions in the Accountant-General's Department of the Ministry of Finance, including as the Director of the Central Operations and Agency Services Division, Director of the Information Technology Services Division and Deputy Director of the Government Pensions Trust Fund. Former Accountant-General of Malaysia.

Dato' Sri Abdul Hamidy Abdul Hafiz
Independent Non-Executive Director

NRC GAC

Malaysian	Age 63	Male

Date of Appointment
1 December 2017

Length of Service (as at 30 September 2020)
2 years 10 months

Academic/Professional Qualification/ Membership(s)
- Bachelor in Business Administration and Master in Business Administration, Ohio University

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
- AmBank (M) Berhad
- AmBank Islamic Berhad
- Chubb Insurance Malaysia Berhad

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Banking, Finance and Fund Management

Relevant Experience
Has over 30 years of banking experience in the fields of finance, commercial, investment and Islamic banking. Former Chief Executive Officer/Managing Director of Pengurusan Danaharta Nasional Berhad, Affin Bank Berhad and Kuwait Finance House (Malaysia) Berhad.

Dato' Ahmad Pardas Senin
Senior Independent Non-Executive Director

GAC NRC

Malaysian	Age 67	Male

Date of Appointment
1 December 2017

Length of Service (as at 30 September 2020)
2 years 10 months

Academic/Professional Qualification/ Membership(s)
- Fellow, Chartered Institute of Management Accountants
- Member, Malaysian Institute of Accountants
- Member, Institute of Internal Auditors, Inc
- Member, Institute of Corporate Directors Malaysia

Present Directorship(s)
Listed Entity
- S P Setia Berhad

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Business Administration, Accounting and Management

Relevant Experience
Has more than 41 years' experience in the corporate sector, including 23 years at board level. Former Managing Director and Chief Executive Officer of UEM Group Berhad. Held various key positions within the UEM Group, including as Managing Director of UEM World Berhad, Renong Berhad, TIME Engineering Berhad, TIME dotCom Berhad and EPE Power Corporation Berhad.

Thayaparan Sangarapillai
Independent Non-Executive Director

GAC RMC

Malaysian	Age 65	Male

Date of Appointment
1 December 2017

Length of Service (as at 30 September 2020)
2 years 10 months

Academic/Professional Qualification/ Membership(s)
- Fellow, Institute of Chartered Accountants in England & Wales
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

Present Directorship(s)
Listed Entity
- Axiata Group Berhad

Other Public Companies
- AIG Malaysia Insurance Berhad
- Celcom Axiata Berhad

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Audit, Business and Corporate Finance

Relevant Experience
Began his career with Price Waterhouse (now known as PricewaterhouseCoopers) and has over 30 years of experience in providing audit and business advisory services to clients in a wide range of industries. His portfolio of clients included major public listed companies involved in power, telecommunications, automotive, property development, plantation, manufacturing and trading sectors. Led assignments on financial due diligence, mergers & acquisitions, initial public offerings, finance function effectiveness reviews and other advisory work.

Dato' Lawrence Lee Cheow Hock
Non-Independent Non-Executive Director

RMC

Singaporean	Age 66	Male

Date of Appointment
1 March 2018

Length of Service (as at 30 September 2020)
2 years 7 months

Academic/Professional Qualification/ Membership(s)
Fellow, Institute of Chartered Accountants in England and Wales

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Automotive, Accounting and Management

Relevant Experience
Former Managing Director of Sime Darby Motors. Has served the Sime Darby Group in various capacities for more than 36 years during which he saw the growth of the Motors Division.

Board of Directors

Moy Pui Yee
Independent Non-Executive Director

RMC

Malaysian	Age 53	Female

Date of Appointment
2 July 2018

Length of Service (as at 30 September 2020)
2 years 3 months

Academic/Professional Qualification/ Membership(s)
- Graduated in Economics and in Law, Monash University of Australia
- Admitted to the Malaysian Bar in 1992

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Legal and Corporate Finance

Relevant Experience
Currently a partner and the Head of the Mergers & Acquisition department of Rahmat Lim & Partners. Former partner in the Corporate & Financial Services practice at Chooi & Company for 13 years.

Mohamad Idros Mosin
Non-Independent Non-Executive Director

NRC

Malaysian	Age 48	Male

Date of Appointment
15 November 2018

Length of Service (as at 30 September 2020)
1 year 10 months

Academic/Professional Qualification/ Membership(s)
- Bachelor's degree in Business Administration (Hons), International Islamic University Malaysia
- Executive Diploma in Investment Analysis, Universiti Teknologi MARA
- Graduate Diploma in Applied Finance and Investment, Securities Institute Australasia
- Advanced Management Programme, Harvard Business School

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
9/10

Areas of Expertise
Finance and Business Administration

Relevant Experience
Currently the Group Head, Strategic Investments of Permodalan Nasional Berhad (PNB) with key role focusing on the formulation and implementation of initiatives on value creation plan involving public listed strategic and core investee companies of PNB.
Has been involved in various assignments including development/evaluation of value enhancement strategies for strategic investment in automotive, chemical, infrastructure, logistics, oil & gas, plantation, property, and pharmaceutical sectors.

Dato' Dr Nirmala Menon
Independent Non-Executive Director

RMC

Malaysian	Age 60	Female

Date of Appointment
15 November 2019

Length of Service (as at 30 September 2020)
10 months

Academic/Professional Qualification/ Membership(s)
- Degree in Medicine, University of Mysore

Present Directorship(s)
Listed Entity
- Nestle (Malaysia) Berhad

Other Public Companies
Nil

Attendance at Board Meeting in FY2020
5/6*

Areas of Expertise
Insurance, Medical and Healthcare

Relevant Experience
Has vast experience in the insurance and health sectors. Held various leadership positions within the Asian life and health insurance industry and had served as a Medical Officer at Hospital Kuala Lumpur for 7 years before commencing her career in the insurance industry. She was the first female Chief Executive Officer in the life insurance industry in Malaysia when she was appointed the President and Chief Executive Officer of ING Malaysia Berhad, and thereafter as the Head of South Asia at ING Asia Pacific Ltd. Had served as the Executive Vice President and Head of Designated Markets & Health Asia at Metlife Asia Pacific Ltd.

Dato' Jeffri Salim Davidson
Executive Director/Group Chief Executive Officer

Malaysian	Age 56	Male

Date of Appointment
1 December 2017

Length of Service (as at 30 September 2020)
2 years and 10 months

Academic/Professional Qualification/ Membership(s)
- Bachelor of Science in Geology, University College London
- Member, Institute of Chartered Accountants in England & Wales
- Advanced Management Programme, Harvard Business School

Present Directorship(s)
Listed Entity
Nil

Other Public Companies
- Sime Darby Holdings Berhad
- Sime Darby Malaysia Berhad
- Kumpulan Sime Darby Berhad

Attendance at Board Meeting in FY2020
10/10

Areas of Expertise
Accounting, Finance and Management

Relevant Experience
Began his career with Coopers & Lybrand, London, United Kingdom in 1986 before joining the Sime Darby Group in 1992. Has held various senior finance positions in the Industrial Division in China and Singapore before being appointed as the Deputy Group Chief Financial Officer of Sime Darby. Has also served in senior finance roles in NS Water Konsortium Sdn Bhd, Cahya Mata Sarawak Berhad and Putrajaya Holdings Sdn Bhd.

Additional Information

1. Save as disclosed below, none of the Directors have any family relationship with and are not related to any Director and/or major shareholder of Sime Darby:
   (i) The Nominee Directors of Permodalan Nasional Berhad are:
      - Tan Sri Samsudin Osman;
      - Dato' Lawrence Lee Cheow Hock; and
      - Mohamad Idros Mosin
   (ii) Tan Sri Ahmad Badri Mohd Zahir is the Nominee Director of the Employees Provident Fund
2. None of the Directors have any conflict of interest with Sime Darby.
3. Other than traffic offences, none of the Directors have any conviction for offences within the past five years nor public sanctions or penalties imposed by the relevant regulatory authorities during the financial year.
4. Directorships held by the Directors in other companies, if any, are disclosed in the Board of Directors section at http://www.simedarby.com/company/board-of-directors.
5. The full profiles of Directors are available on the Sime Darby website at http://www.simedarby.com/company/board-of-directors.

* Reflect the number of meetings held during the period of office held.

Executive Leadership

Dato' Jeffri Salim Davidson
Group Chief Executive Officer

Malaysian	Age 56	Male

Date of Appointment
21 November 2017

Relevant Experience
He began his career with Coopers & Lybrand, London, United Kingdom in 1986 before joining the Sime Darby Group in 1992. He has held various senior finance positions in the Industrial Division in China and Singapore before he was appointed as the Deputy Group Chief Financial Officer of Sime Darby. He has also served in senior finance roles in NS Water Konsortium Sdn Bhd, Cahya Mata Sarawak Berhad and Putrajaya Holdings Sdn Bhd.

Academic/Professional Qualification/Membership(s)
- Bachelor of Science in Geology, University College London
- Member, Institute of Chartered Accountants in England & Wales
- Advanced Management Program, Harvard Business School

Mustamir Mohamad
Group Chief Financial Officer

Malaysian	Age 48	Male

Date of Appointment
21 November 2017

Relevant Experience
He began his career with PricewaterhouseCoopers, London in 1995 followed by a seven-year stint at Bank Negara Malaysia where he was the Manager of Investment Operations and Financial Markets. He joined the Sime Darby Group in September 2005 as Manager, Value Management in Group Strategy. In September 2007 he moved to Sime Darby Plantation to lead the EVP Office prior to the completion of the merger of Sime Darby, Golden Hope Plantations and Kumpulan Guthrie. Before assuming the GCFO role, he was the Head of Group Finance.

Academic/Professional Qualification/Membership(s)
- Bachelor of Science in Accounting and Finance, London School of Economics and Political Science
- Fellow, Institute of Chartered Accountants in England and Wales
- Member, Malaysian Institute of Accountants
- Advanced Management Program, Harvard Business School

Datuk Thomas Leong Yew Hong
Group Chief Strategy Officer

Malaysian	Age 48	Male

Date of Appointment
1 December 2017

Relevant Experience
He joined the Sime Darby Group as the Head of Group Strategy and Corporate Finance in 2016. Prior to that, he was the Executive Vice President and the Head of Maybank Group's Strategy and Business Development. He has also held various senior positions in Accenture and Deloitte Consulting, based in Australia, Hong Kong and Malaysia.

Academic/Professional Qualification/Membership(s)
- Bachelor of Software Engineering, Australian National University
- Master of Business Administration (MBA), University of Sydney

Roselaini Faiz
Group Chief Human Resources Officer

Malaysian	Age 55	Female

Date of Appointment
1 August 2018

Relevant Experience
She was formerly the Director, Human Capital & Communications at Danajamin Nasional Berhad. Before that, she headed Human Resources at Hong Leong Bank Berhad. Her previous roles included Director of Human Resources at CIMB Aviva Assurance Berhad, Chief Human Resources Officer at Kuwait Finance House (Malaysia) Berhad, Head of Rewards & Benefits Administration at Standard Chartered Bank Berhad and Vice President of Compensation and Benefits at Citibank Berhad.

Academic/Professional Qualification/Membership(s)
- Bachelor of Economics (majoring in Analytical Economics), University of Malaya

Dean Mehmet
Managing Director, Industrial Division – Australasia

Australian	Age 56	Male

Date of Appointment
1 January 2020

Relevant Experience
He has more than 35 years of industry experience including Chief Executive leadership roles for the past 17 years at multinational corporations such as BlueScope Steel and Royal Dutch Shell. He joined the Sime Darby Group in 2012 as the Chief Operating Officer at Hastings Deering (Australia) Limited. He was later promoted to the position of Chief Executive Officer and Managing Director of the Hastings Deering Group where he led the entire Industrial business portfolio across Australia, Papua New Guinea, Solomon Islands and New Caledonia.

Academic/Professional Qualification/Membership(s)
- Bachelor of Mechanical Engineering (Hons), Queensland University of Technology
- Stanford Executive Program in Organisational Leadership
- Member, Australian Institute of Company Directors

Shiu Chi Yan
Managing Director, Industrial Division – Asia

Chinese (HKSAR)	Age 56	Male

Date of Appointment
1 January 2020

Relevant Experience
He joined CEL in 1986 and spent 23 years in various positions in the Power Systems Division, from being a technical assistant, sales engineer, and project manager to general manager before assuming the role of Managing Director of CEL. He has extensive experience in project management, and in the sales and marketing of Caterpillar engine products in Hong Kong and China.

Academic/Professional Qualification/Membership(s)
- Higher Diploma in Electrical Engineering, Hong Kong Polytechnic
- Master of Science in Engineering Business Management, Warwick University
- Global CEO Program for China, Harvard Business School

Executive Leadership

Andrew Basham
Managing Director, Motors Division

Australian	Age 54	Male

Date of Appointment
1 February 2018

Relevant Experience
He has more than 23 years of extensive experience in management, business development and operations for leading brands in the automotive industry globally. He started his career in audit and accounting with PriceWaterhouse Australia before moving to distribution and logistics, and later assumed senior management roles in various automotive companies.

Academic/Professional Qualification/Membership(s)
- Bachelor of Economics, University of Adelaide
- Member, Institute of Chartered Accountants, Australia

Timothy Lee Chi Tim
Managing Director, Logistics Division

Chinese (HKSAR) and Canadian	Age 55	Male

Date of Appointment
15 December 2011

Relevant Experience
He has over 20 years of operational experience in the ports and container terminal management industry in Hong Kong, one of the world's busiest ports. Prior to joining the Sime Darby Group, he held the position of Operations Manager for the Hong Kong Business Unit for Modern Terminals Limited, the second largest port operator in Hong Kong. He was formerly the Chairman of the Sea Cargo Customer Liaison Group in 2010, a committee organised by the Hong Kong Customs & Excise Department to gather industry expertise to improve port competitiveness.

Academic/Professional Qualification/Membership(s)
- Bachelor of Science, Simon Fraser University of British Columbia

Peter Hong Kah Peng
Managing Director, Healthcare Division

Malaysian	Age 48	Male

Date of Appointment
2 January 2019

Relevant Experience
He has close to 25 years of working experience with large multinationals in the healthcare, pharmaceutical, medical devices, hospital & FMCG industries. Prior to joining the Sime Darby Group, he was the Group Operations Director of Siloam International Hospital Group (part of Lippo Group), the largest private hospital group in Indonesia. He was previously the Finance and Operations Head at Fresenius Medical Care in Malaysia.

Academic/Professional Qualification/Membership(s)
- Bachelor of Economics (Accounting), Monash University
- Member, CPA Australia
- Member, Malaysian Institute of Accountants

Goh Hai Peow
Group Chief Information & Digital Officer

Australian	Age 62	Male

Date of Appointment
1 November 2019

Relevant Experience
He has more than 37 years of experience in the information technology sector including in senior global leadership roles with major resource, logistics, oil and gas, IT and services companies. Prior to joining the Sime Darby Group, he was the Chief Information Officer with Aurizon, Australia's largest rail freight operator. He also had an extensive career with Rio Tinto as its Chief Operating Officer responsible for business information systems and technology, strategy, global IT infrastructure and the delivery of major enterprise applications.

Academic/Professional Qualification/Membership(s)
- Bachelor of Science in Computer Science, University of Manchester
- Master of Business Administration, Murdoch University

Glenn Sheahan
Group Chief Safety & Sustainability Officer

Australian	Age 51	Male

Date of Appointment
1 October 2019

Relevant Experience
He has more than 25 years of industry experience and has held senior safety management roles at Halliburton, Rio Tinto, Comalco, Downer EDI Mining, the John Holland Group and Thiess Process. He has international experience working in Bahrain, Qatar, Indonesia and Thailand in oil and gas, metallurgical refining and construction industries and has held safety and security positions in Dubai and auditing and compliance positions in Qatar. He is also a qualified nurse.

Academic/Professional Qualification/Membership(s)
- Post Graduate Certificate in Managing Occupational Health and Safety, University of Southern Queensland

Noor Zita Hassan
Group Secretary

Malaysian	Age 54	Female

Date of Appointment
21 November 2017

Relevant Experience
She began her career as a management trainee in the accounting, internal audit, tax and corporate planning functions with Kumpulan Sime Darby Berhad (KSDB) in 1989 and subsequently transferred to the Group Secretarial department of KSDB in 1993. She was the Company Secretary of Hyundai-Sime Darby Berhad, a subsidiary of KSDB listed on the Main Board of Bursa Malaysia Securities Berhad from December 2004 until its delisting from the Official List of Bursa Securities in July 2006. She is also currently the Company Secretary of Sime Darby Motors.

Academic/Professional Qualification/Membership(s)
- Bachelor of Economics with Accountancy, Loughborough University of Technology
- Master in Accountancy, Charles Sturt University
- Member, CPA Australia
- Member, Malaysian Institute of Accountants

Additional Information
1. None of the Executive Leadership has any family relationship with and is not related to any Director and/or major shareholder of Sime Darby.
2. None of the Executive Leadership has any conflict of interest with Sime Darby.
3. Other than traffic offences, none of the Executive Leadership has any conviction for offences within the past five years nor public sanctions or penalties imposed by the relevant regulatory authorities during the financial year.
4. Directorships held by the Executive Leadership in public companies and listed issuers, other than companies within the Group, if any, are disclosed in the Executive Leadership section at http://www.simedarby.com/company/executive-leadership
5. The full profile of the Executive Leadership is available on the Sime Darby website at http://www.simedarby.com/company/executive-leadership.

Chairman's Statement on Corporate Governance

"Sime Darby's rigorous governance framework has kept the Group agile and effective in uncertain times, sustaining our growth and steering us to new strengths. The Board will continue to refine the Group's governance structure, sustain our ethical corporate culture and guide the Management on the furtherance of the Group's Value Creation Plan."

Tan Sri Samsudin Osman
Chairman

Dear Shareholders,

I am pleased to present the Group's report on corporate governance for FY2020.

In presenting this report, we have implemented, where applicable, the principles of the Malaysian Code on Corporate Governance 2017.

However, our approach to corporate governance has always been more than just meeting regulatory requirements. My Board colleagues and I strive to discharge our duties to the highest ethical standards and see to it that the principles of transparency, integrity and accountability are instilled in our corporate culture. We have also taken it upon ourselves to provide a robust governance regime that evaluates and enhances the management structure, policies and systems, in order to safeguard our shareholders' long-term interests while driving growth.

Our reporting is premised upon the three principles of the MMLR – Leadership and Effectiveness, Effective Audit and Risk Management and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

Leadership and Effectiveness

Good corporate governance underpins a well-run business. The distinct roles played by the Board and the Management create a healthy ecosystem of checks and balances, in the Group's pursuit of its interests. Supported by the Governance & Audit, Risk Management and Nomination & Remuneration committees, the Board deliberates on the strategies proposed by the Management in a supportive and collaborative manner in order to stimulate careful consideration of issues and to minimise undue risks. This sets the tone for a culture of openness and collaboration.

Over the year, we focused on ensuring that the Board's collection of professional skills remain relevant to our businesses, and that we continue to be informed of the latest developments in our sectors and are balanced in our decision-making. The Nomination & Remuneration Committee (NRC) continually reviews the composition of the Board to ensure that it comprises a diverse team with complementary expertise and experience relevant to the Group's needs.

The Board Effectiveness Assessment (BEA) is conducted annually to evaluate the Board's performance and to identify opportunities to increase its effectiveness. This year, the BEA was conducted internally through questionnaires based on the Corporate Governance Guide (3rd Edition) on the Guidance on Board Leadership and Effectiveness issued by Bursa Malaysia Berhad and the Board was satisfied with the overall results of the BEA 2020. The Board will focus its efforts on addressing the areas which were identified for improvement and ensure that Board members are equipped with the latest skills and industry knowledge to enhance their performance.

Effective Audit and Risk Management

The Group's ethical business framework includes a Code of Business Conduct (COBC) and an Anti-Bribery and Anti-Corruption Policy. This year, in alignment with the Guidelines

Guidelines Followed

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report, which is published online at http://www.simedarby.com/investor/annual-reports

Bursa Malaysia Berhad Corporate Governance Guide

MCCG 2017
ASEAN CG

MMLR
IIRC
CA 2016

on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), the Governance & Audit Committee (GAC) has made concerted efforts to enhance these policies, which constitutes the Group's Anti Bribery Management System. Through these efforts, we aim to maintain a healthy business environment for all our stakeholders.

The Group also upholds a healthy risk culture by encouraging all employees to respond to opportunities, threats and stresses with sound judgement while upholding high ethical values. In FY2020, one of the key initiatives undertaken by the RMC was the formalisation of the Group's Risk Appetite Statement, which communicates the Group's risk management strategy and serves as a guide on the level of risk the Group is willing to take in pursuit of our objectives.

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Board advocates meaningful engagement with the Group's key stakeholders by communicating openly, clearly, effectively and in a timely manner through authorised channels and personnel to disclose information. Two-way communication is vital, and we ensure that we remain attuned to stakeholders' concerns through regular engagements, while keeping them apprised of our financial and operational performance, as well as the future direction of the company.

In responding to stakeholders' concerns, we adopt a holistic approach, considering both financial and non-financial aspects in our decision-making process. This integrated approach is comprehensive, authentic and breaks down organisational silos thus encouraging different conversations to take place. We warmly welcome feedback and look forward to continue engaging with our investors, shareholders, employees and other stakeholders in the coming year. Further information can be found in the Engaging Stakeholders section on page 38 and in the Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders on page 134.

Looking Ahead

With global market conditions expected to remain challenging and the world still in the grips of the pandemic, active corporate governance and robust systems of oversight are critical. Sime Darby's rigorous governance framework has kept the Group agile and effective in uncertain times, sustaining our growth and steering us to new strengths. The Board will continue to refine the Group's governance structure, sustain our ethical corporate culture and guide the Management on the furtherance of the Group's Value Creation Plan. We will maintain a close watch on the rapidly evolving market conditions, but I am confident we have the right governance structure and team in place to maintain the momentum of our high-performance business units in leading the Group towards greater resilience and recovery.

Tan Sri Samsudin Osman
Chairman

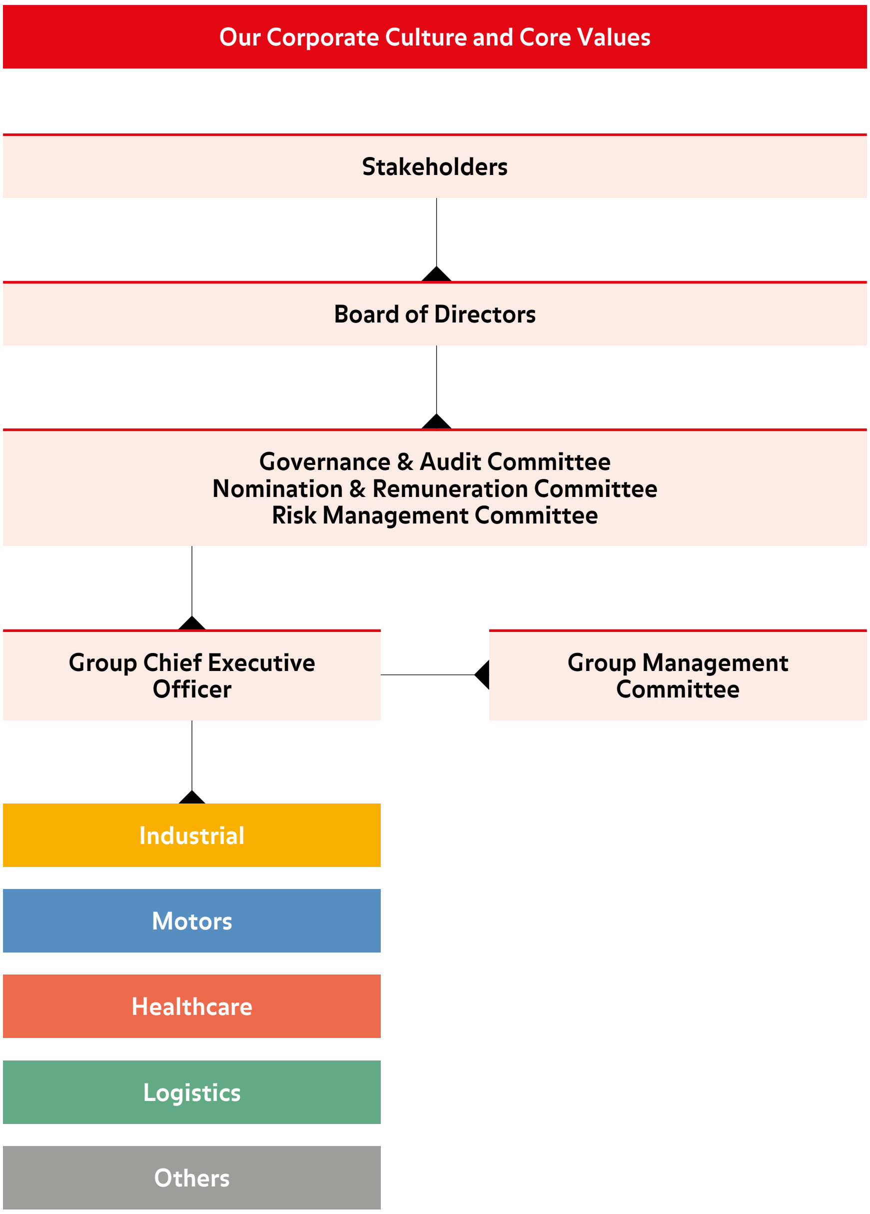
Leadership & Effectiveness

Creating the Right Culture Through a Strong Governance Framework

A healthy corporate culture and a robust governance framework ensures that the organisation continues to run smoothly and efficiently. It sets the tone for how the employees within the Group engage with one another and with other stakeholders, creating an environment of trust and respect that leads to better teamwork, improved decision-making and increased efficiency.

To the Board of Directors, embedding the right culture starts with a clear definition of the standards expected in the day-to-day conduct of every individual in Sime Darby, in accordance with the Group's core values.

These values are reflected in the Group's governance framework which defines the way in which strategic and operational activities are managed. The framework is based on the following principal aims:



1. Promote transparency, accountability and a responsive attitude;
2. Provide operating autonomy to the Divisions and the Group's companies in achieving business objectives while maintaining adequate checks and balances; and
3. Cultivate ethical business conduct and desired behaviours, based on the Group's core values and business principles.

The powers of the Chairman, Senior Independent Director, Non-Executive Directors and the GCEO are set out in the Board Charter.

The Board may exercise all powers conferred on it by the Board Charter, in accordance with the Companies Act 2016 and other applicable legislations.

The Board Charter is available at www.simedarby.com/operating-responsibly/governance

The Board is satisfied that each Director has devoted sufficient time to effectively discharge their responsibilities. The current composition of Directors on the Board has a blend of skills, experience and knowledge suited to the Group's needs.

Board and Committee Meeting Attendance

In FY2020, the Board held ten meetings. All Directors exceeded the requirements set out in the Board Charter in terms of attendance, demonstrating their commitment and dedication in fulfilling their duties and responsibilities. In addition to Board meetings, the Chairman and the Non-Executive Directors have maintained regular contact and held ad-hoc meetings without the GCEO or other members of the Management present to discuss matters relating to the Group. Discussions and deliberations during Board meetings and otherwise were always open and challenging yet cordial and constructive. The Board received regular reports and Management presentations to ensure that the Directors were suitably briefed to fulfil their roles.

Information and Support for the Board

The Chairman, assisted by the Group Secretary, ensures that the Board and its Committees receive pertinent information on a timely basis to enable all Directors to discharge their duties competently. They are provided with copies of the minutes of meetings from the Group Management Committee and Board Committees, the Group's operational and financial reports, reports on the Group's Health, Safety and Environment matters as well as reports on the Group's compliance with the relevant ethical and security standards. The Group Secretary attends all Board meetings and provides support to the Directors, in addition to the documents they receive. The Board also has access to independent professional advice at the Group's expense to facilitate informed decision-making.

Board Matters and Delegation

The Board has established a formal schedule of matters specifically reserved for its approval. Other specific responsibilities have been delegated to its Committees, which are clearly defined within their Terms of Reference.

The Board Committees' Terms of Reference and other delegated authorities are formalised and reviewed from time to time, as and when required.

The Terms of Reference are available at www.simedarby.com/operating-responsibly/governance

Summary of Key Board Reserved Matters

1. Group strategy, plans and budgets
2. Acquisitions, disposals and transactions exceeding the authority limits of the GCEO
3. Changes to the Board and executive leadership of the Group
4. Changes in key policies, procedures and delegated authority limits of the Group

Leadership & Effectiveness

Key Areas of Focus During the Year

1. Reviewing and adopting the strategy blueprint for the Group, which includes setting the Group's budget as well as reviewing the challenges to the Group's business strategy and plan.

2. Improving diversity in terms of gender, age, experience and expertise across the Group. Presently, the Group has achieved female representation of 27% for the Board, 18% for the senior management team and 25% in the Group's general workforce.

3. Ensuring an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks to the Group, including setting the Group's Risk Appetite Statement.

4. Ensuring a ready pipeline of talent with the right combination of technical competencies and leadership potential, which is key to smooth leadership transition and the Group's future growth.

5. Ensuring the integrity of the Group's financial and non-financial reporting.

Board Effectiveness

A BEA was conducted to provide opportunities to increase efficiency, maximise strengths and to highlight areas for improvement. Where applicable, professional consultants are engaged to conduct the assessment in alternate years. The BEA 2020 was conducted internally through questionnaires. The questionnaires were based on the Corporate Governance Guide (3rd Edition) on the Guidance on Board Leadership and Effectiveness issued by Bursa Malaysia Berhad. The results of the BEA 2020 were presented to the Board at its meeting held on 28 September 2020 and the Board was satisfied with the results. The Board as a whole had discharged its functions, duties and responsibilities effectively in accordance with its Board Charter and there was a positive Boardroom environment and healthy Boardroom dynamic. Arising from the BEA 2020 were areas of focus for FY2021 as identified by the Board:

1. To review the Terms of Reference and the structure of Board Committees; and
2. To ensure continued focus and deliberation by the Board on strategy, succession planning, the digitalisation of the Group's business and environmental, social and governance matters.

The Board had taken the following actions to address the areas highlighted for improvement in the BEA 2019:

Areas for Improvements Identified in FY2019	Actions Taken to Address in FY2020
1. Improve oversight on the Group's investment in JVs, particularly in Australia and China. 2. Ensure proper governance structures are in place for JVs and improve the reporting of information and issues to the Board.	The Board discussed key highlights, material risks and issues from JV and associate companies in the quarterly Board meetings during which, GCEO presented key information from significant JVs and associates in his report to the Board.

Board Effectiveness *(Continued)*

Areas for Improvements Identified in FY2019	Actions Taken to Address in FY2020
3. Review the composition of the Board from time to time; enhance the diversity of the Board by appointing Directors with relevant international, digital/technology or healthcare experience.	The NRC carried out a recruitment exercise for the Board and was mindful of the need to achieve diversity in ethnicity, age and gender, when shortlisting potential candidates from internal as well as external independent sources. To that end, the Board appointed Dato' Dr Nirmala Menon to the Board on 15 November 2019. With this, the Board's gender composition is closer to its target of having 30% female Directors. Dato' Dr Nirmala holds a degree in medicine from the University of Mysore in India, which will be a valuable skillset for the Group's healthcare business.
4. Ensure sufficient focus and deliberation by the Board on strategy, risk, digital economy and on environmental, social and governance matters.	The Board was apprised of the latest social, environmental, innovation and technology updates by qualified speakers at the annual Board retreat. Site visits to operations were also arranged to provide Directors with an in-situ, visual perspective of the Group's operations, deepening their understanding and appreciation of the key drivers behind the Group's diverse operations. Key matters requiring the attention of the Board were brought up and deliberated at Board meetings.

Governance & Audit Committee Performance Review

Pursuant to Paragraph 15.20 of the Listing Requirements, the NRC also reviewed the terms of office and performance of the GAC and is satisfied that the GAC as a whole and its members individually have discharged their functions, duties and responsibilities in accordance with the Committee's Terms of Reference.

Nomination & Remuneration and Risk Management Committee Performance Review

During the financial year under review, the Board is satisfied with the performance and effectiveness of the NRC and RMC respectively, in providing sound advice and recommendations to the Board.

Board Induction and Development

The Group has a multi-faceted Board induction and development programme. The Group Secretary facilitates the orientation of newly appointed Directors, which consists of comprehensive trainings through tailored induction programmes to familiarise themselves with the Group's businesses.
They receive briefings covering a range of topics, including:

(a) The Group's corporate governance framework;
(b) The Group's financial position;
(c) The Group's risk management processes;
(d) The internal audit function;
(e) Policies and procedures;
(f) Key areas of business and operations by Divisional Managing Directors; and
(g) Innovation and technological advancements in the sectors relevant to the Group.

On-boarding sessions help new Directors become acquainted with the various aspects of their new roles smoothly and quickly. Such sessions are reviewed regularly to ensure that they remain relevant and effective.
The Group Secretary also coordinates a range of training programmes for all Directors, contributing to the continued development of the Board. For an immersive learning experience, annual Board retreats and technical visits are designed to enhance Directors' understanding and knowledge of the Group's operations and keep them informed of the latest industry-specific or technological developments.

In FY2020, the Board met with the Management team on a regular basis to better understand their respective areas of responsibility. In addition to that, the Board visited the Group's assembly operations in Kedah to better understand the growth opportunities in the industry, as well as the Group's businesses in China, to acquire a deeper appreciation of the Group's operations in the region.

During the year under review, Directors participated in a range of conferences, seminars and training programmes covering relevant industry updates and a diverse range of topics, such as:

(a) Leadership;
(b) Governance;
(c) Finance;
(d) Risk management;
(e) Legal;
(f) Information technology; and
(g) Social security.

Leadership & Effectiveness

A summary of training courses attended by the Directors and the Group Secretary during the year is listed below:

List of Training Attended

Board Members
External Opportunities and Threats
Marketing & Innovations
Khazanah Megatrend 2019 – Building Our Collective Brain
PNB Corporate Summit 2019 – Rebooting Corporate Malaysia
The Diverse Facets of Leadership
International Social Well-Being Conference
China & The World
Disruption Meets Tradition
Leadership in Digital World
Prolonged Lockdowns and Post-MCO Obligations – Are You Ready For The Perfect Storm
The Role of the Board in Talent Management and Succession Planning
COVID-19 and Current Economic Reality
The Digital Boardroom (Shaping Policy, Business and Finance in a Time of Crisis)
Navigating in Turbulent Times
Anti-Money Laundering Training
Workshop on Corporate Governance
Boards and Post COVID-19 Governance
Business Valuation
How to Develop Integrated Reports
Thematic Sustainability Workshop – Recommendations of the Task Force on Climate related Financial Disclosure
Role of Board in Strategy and Risk Management Oversight
Risk Management – Why Are We Embarking Internal Rating Based Journey and Accreditation Expectations
Damages in Mergers & Acquisitions Disputes
Introduction to Section 17A MACC (Amendment) Act 2018 – Corporate Liability
ISO 37001: 2016 & MACC Act Section 17A Foundation Course
Raising Defences Section 17A MACC Guidelines
Cybersecurity Awareness
Cybersecurity Risk
Data Analytics for Business

Group Secretary
The Diverse Facets of Leadership
China & The World
Related Party Transactions and Provision of Financial Assistance

Nomination & Remuneration Committee Report

Dato' Sri Abdul Hamidy Abdul Hafiz
Chairman of the Nomination & Remuneration Committee

Composition

The NRC, chaired by Dato' Sri Abdul Hamidy Abdul Hafiz, comprises three Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

Roles and Responsibilities

The NRC manages the nomination and remuneration process for the Board and the various Board Committees, as well as for other critical management positions within the Group. The NRC also assists the Board in reviewing the mix of skills, experience, core competencies and other qualities required for an effective Board for Sime Darby. The NRC recommends candidates for appointments to the Board and Board Committees, and ensures appropriate assessment of Directors occurs on an ongoing basis.

Detailed Terms of Reference of the NRC is available at www.simedarby.com/operating-responsibly/governance

Meetings and Attendance

Members	Membership	Appointment	Attendance	
Dato' Sri Abdul Hamidy Abdul Hafiz^	Chairman/Independent Non-Executive Director	4 September 2019	6/6	100%
Dato' Ahmad Pardas Senin	Member/Senior Independent Non-Executive Director	1 December 2017	7/7	100%
Encik Mohamad Idros Mosin	Member/Non-Independent Non-Executive Director	21 November 2018	7/7	100%
Datuk Wan Selamah Wan Sulaiman	Member/Independent Non-Executive Director	9 June 2020	–	–
Former Members	**Membership**	**Appointment**	**Attendance**	
Dato Sri Lim Haw Kuang*	Member/Senior Independent Non-Executive Director	23 November 2015	2/2	100%

* Resigned as Chairman of NRC on 14 November 2019
^ Appointed as Chairman of NRC on 26 November 2019

Key Activities of FY2020

Nomination Function

- Reviewed the composition of the Board and Board Committees;
- Evaluated and recommended suitable candidates for appointments to the Board, Board Committees and senior management of the Group;
- Evaluated the contributions of Directors seeking election and re-election at the AGM and made recommendations on the suitability of Directors for election and re-election to the Board; and
- Oversaw the succession planning and performance evaluation of the Board, Board Committees and the senior management team.

Remuneration Function

- Reviewed and recommended the remuneration framework for Non-Executive Directors;
- Reviewed and recommended the Group's rewards philosophy and remuneration structure;
- Recommended the bonus pay out and salary increment for employees of the Group;
- Appraised the performance and recommended the bonus pay-out and salary increment for the GCEO and his direct reports.
- Reviewed and recommended the renewal of fixed-term contracts of senior management;
- Reviewed the parameters and eligibility criteria for the Long-Term Incentive Plan; and
- Recommended the allotment and issuance of new Sime Darby shares to eligible grantees pursuant to the Long-Term Incentive Plan.

Leadership & Effectiveness

Key Activities of FY2020 *(Continued)*

Governance Function

- Reviewed the Terms of Reference of the Board Committees;
- Reviewed the terms of office and the performance of the GAC;
- Reviewed the Board composition policy;
- Reviewed the GCEO's key performance indicators and scorecard for the new financial year; and
- Reviewed the results of the Global Employee Engagement Survey.

Election and Re-Election of Directors

The NRC ensures that the Directors retire and are re-elected in accordance with the relevant laws and regulations, and the Constitution of the Company. The performance of each retiring Director at the next AGM is considered by the NRC before making recommendation to the Board for election or re-election of the relevant Directors.

Board Independence and Diversity

The Board, under the advice of the NRC, has adopted the policy that the tenure of an Independent Non-Executive Director should not exceed a cumulative term limit of nine years.

The NRC has determined that the criteria for appointment of Board members are as follows:

(a) Required skills, knowledge, expertise and experience;
(b) Time commitment, character, professionalism and integrity;
(c) Ability to work cohesively with other members of the Board;
(d) Specialist knowledge or technical skills in line with the Group's strategy and businesses;
(e) Diversity in age, gender and experience/background;
(f) Number of directorships in companies outside the Group; and
(g) Appropriateness and fit in terms of the person's probity, soundness of judgement and competency.

Remuneration Approach

The approach to the Non-Executive Directors' remuneration is aligned to the Group's strategic objectives and allows the Group to attract, motivate and retain talent and leaders of high calibre. Periodic reviews are performed by the NRC on the remuneration structure to ensure that the compensation of the Non-Executive Directors is competitive, appropriate and aligned with prevalent market practices and trends. The review takes into account the level of responsibilities undertaken by the Non-Executive Directors concerned and the complexity of the Group's operations. The Group also reimburses all expenses incurred by the Non-Executive Directors, where relevant, in the course of carrying out their duties as Directors.

The components of the remuneration for the GCEO are structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. Performance is measured against individual KPIs in a scorecard aligned with corporate objectives as approved by the Board, as well as profits and other targets set in accordance with the Group's annual budget and plans. The NRC reviews the performance of the GCEO annually and submits their views and recommendations to the Board on adjustments in remuneration and/or rewards to reflect the GCEO's contribution towards the Group's achievements for the year. The GCEO recuses himself from deliberation and voting on his remuneration and/or rewards at Board meetings.

The remuneration philosophy reflects the Group's commitment to comply with best practices in the areas of remuneration, retention and rewards, to ensure that the Group continues to attract and retain the best talent. The remuneration packages and incentives are regularly evaluated against market-related surveys.

Effectiveness Review and Performance

From the BEA 2020 exercise, the Board reviewed the performance of the NRC and based on the results, is satisfied with the performance and effectiveness of the NRC in discharging its duties and responsibilities as stated in its Terms of Reference.

Employee Engagement

The alignment between employees and the organisation relies upon the workforce's engagement level. An engaged workforce would display more productive and demonstrate discretionary efforts to achieve the desired level of performance. In FY2020, Sime Darby partnered with Kincentric conducted the Global Employee Engagement Survey (GEES) 2020. The objective of this exercise is to gauge the level of engagement of Sime Darby's employees across the Group. It received an encouraging response rate which demonstrated the employees' commitment towards making Sime Darby an engaged workplace. The GEES 2020 results were presented to the NRC and the NRC's views and recommendations were taken and formulated into action plans to drive further employee engagement at Sime Darby.

	Salary & Other Remuneration (RM'000)	Directors' Fees		Benefits-in-kind (RM'000)	PBESS@ (RM'000)	Total (RM'000)
		Company (RM'000)	Subsidiary (RM'000)			
Present Directors						
Executive Director+						
Dato' Jeffri Salim Davidson	4,437	–	–	87	657	5,181
Non-Executive Directors						
Dato' Lawrence Lee Cheow Hock	N/A[1]	415	58	14	N/A[1]	487
Mr Thayaparan Sangarapillai		349	–	10		359
Dato' Sri Abdul Hamidy Abdul Hafiz		334	–	11		345
Dato' Ahmad Pardas Senin		325	–	12		337
Tan Sri Samsudin Osman		318	–	6		324
Datuk Wan Selamah Wan Sulaiman		292	–	6		298
Ms Moy Pui Yee		275	–	2		277
Encik Mohamad Idros Mosin		275^	–	1		276
Dato' Dr Nirmala Menon[2]		259	–	–		259
Total for Non-Executive Directors		**2,842**	**58**	**62**		**2,962**
Former Directors						
Non-Executive Directors						
Dato' Abdul Rahman Ahmad[3]	N/A[1]	408#	–	22	N/A[1]	430
Dato Sri Lim Haw Kuang[4]		177	56	25		258
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah[5]		187	–	30		217
Total for Non-Executive Directors		**772**	**56**	**77**		**905**
Grand Total for Non-Executive Directors		**3,614**	**114**	**139**		**3,867**

1 N/A – Not Applicable
2 Appointed on 15 November 2019
3 Appointed on 1 September 2019 and resigned on 10 June 2020
4 Retired on 14 November 2019
5 Retired on 31 October 2019

@ Long-Term Performance-Based Employee Share Scheme
+ Paid by Sime Darby Holdings Berhad
^ Fees paid to PNB
# Fees for the period from 1 September 2019 to 30 September 2019 were paid to PNB

Focus Areas for FY2021

Promote Diversity

- Strive to create a diverse, non-discriminatory and inclusive environment across the Group's operations.
- Actively promote diversity from a broad range of perspective including mix of skills, background, ability, professional and industry experience, age, independence and ethnicity across all levels to help the Group to remain competitive and to ensure sustainable business growth.

Succession Planning

- Maintain a steady supply of suitable talent to meet future leadership and business growth demands, ensuring the long-term sustainability of the Group.
- Identify and develop a pipeline of talent for succession planning at various levels of the organisation.

Directors' Training

- Equip Directors with up-to-date knowledge and skills to strengthen their ability to discharge their fiduciary duties.
- Identify the training needs of the Board of Directors and develop the appropriate training solutions for them.

Compensation and Reward Framework

- Shape the remuneration framework to ensure that the Group continues to attract and retain talent.
- Review the compensation and rewards framework to ensure that it remains competitive, appropriate and in alignment with prevalent market practices.

Effective Audit & Risk Management

Governance & Audit Committee Report

Thayaparan Sangarapillai
Chairman of the Governance & Audit Committee

Composition

The GAC, chaired by Mr Thayaparan Sangarapillai, comprises four members, all of whom are Independent Non-Executive Directors, in compliance with the listing requirements of Bursa Malaysia Securities and the Malaysian Code on Corporate Governance.

Roles and Responsibilities

The GAC is a committee of the Sime Darby Board tasked with the following primary objectives:

(a) To assist the Board in fulfilling its statutory and fiduciary responsibilities of monitoring the Group's management of its financial risk processes, and accounting and financial reporting practices;
(b) To review the Group's business processes, quality of accounting function, financial reporting and internal controls;
(c) To enhance the independence of both the external and internal audit functions by providing direction and oversight on behalf of the Board; and
(d) To assist the Board in monitoring the implementation of an effective ethics programme and compliance with established policies and procedures.

Detailed Terms of Reference of the GAC is available at www.simedarby.com/operating-responsibly/governance

Meetings and Attendance

Members	Membership	Appointment	Attendance	
Mr Thayaparan Sangarapillai	Chairman/Independent Non- Executive Director	1 December 2017	6/6	100%
Datuk Wan Selamah Wan Sulaiman	Member/Independent Non-Executive Director	1 March 2016	6/6	100%
Dato' Sri Abdul Hamidy Abdul Hafiz	Member/Independent Non-Executive Director	1 December 2017	6/6	100%
Dato' Ahmad Pardas Senin	Member/Independent Non-Executive Director	1 December 2017	5/6	83%

Key Activities of FY2020

Financial Reporting

- All quarterly financial results and the annual audited financial statements for FY2020 were reviewed and recommended to the Board for approval; and
- The GAC's review focused on changes to accounting policies, areas of significant judgement, corrected and uncorrected misstatements.

External Audit

- Reviewed and approved the Group Audit Plan, which outlines the audit strategy and approach for FY2020;
- Affirmed that Messrs. PricewaterhouseCoopers PLT and all members of its engagement team maintained their independence in accordance with the provisions of the By-Laws on Professional Ethics, Conduct and Practice of the Malaysian Institute of Accountants;
- Noted the internal control memorandum for FY2019;
- Considered in consultation with the Management, the audit fees of the external auditors for FY2020 for recommendation to the Board for approval; and
- Completed the annual external auditor assessment prior to the recommendation for re-appointment to the Board for approval. The assessment covered, amongst others:
  - Governance and independence;
  - Communication and interaction; and
  - Quality of resources and services.

Internal Audit

- Reviewed and approved the Group Corporate Assurance Department's (GCAD) Audit Plan and operating budget for FY2021;
- Reviewed internal audit reports at each GAC meeting;
- Considered the following:
  - Results of planned, follow-up and special audits including whistleblowing investigations and data analytics initiatives;
  - Adequacy of the Management's responses to the audit findings and recommendations;
  - Status of audits as compared with the approved Corporate Assurance Plan; and
  - Adequacy of audit resources.
- Approved the KPIs for FY2020 and at the end of the financial year, conducted the performance appraisal for the Group Head – GCAD.

Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs)

- Reviewed RPTs and RRPTs of the Group to ensure compliance with the Companies Act 2016, the Main Market Listing Requirements and the Malaysian Financial Reporting Standards. The objective is to ensure that RPTs and RRPTs are not accorded conditions more favourable than that generally available to the public, and that they are not detrimental to minority shareholders.

Governance and Regulatory Compliance

- Conducted annual review of the Group Policies & Authorities (GPA). Changes to the GPA which were reviewed include:
  - Amendments emphasising the impact of the new Section 17A of the Malaysian Anti-Corruption Act 2009 (Amendment 2018) and the implementation of the Group's Anti-Bribery Management System (ABMS); and
  - Amendments to the existing policy on Board Appointments and Corporate Representatives.
- Approved the Vendor Due Diligence Guidelines to identify potential bribery related "red flags";
- Continuously reviewed the results of risk-based vendor due diligence for the Group, including remediation plans to be undertaken by Management to address issues identified;
- Reviewed the Bribery Risk Assessment which identified low, medium and high-risk operating environments. The results of further analysis of bribery risks within each high risk operating environment were also considered;
- Reviewed the revised Gifts, Hospitality and Donation procedures;
- Reviewed the Regulatory Compliance Monitoring Report which was carried out through self-assessment and self-attestation;
- Approved the Interactions with Regulators and Authorities Framework, which is a high-level guidance framework that sets out the broad approach for routine interactions with regulators and/or authorities and during Dawn Raid protocols;
- Reviewed the Statement of Risk Management and Internal Control attestations by the Management; and
- Approved the KPIs for FY2020 and at the end of the financial year, conducted the performance appraisal for the Head - Group Compliance & Integrity.

Annual Report

Reviewed and endorsed the following:
- Annual Audited Financial Statements for FY2020;
- Statement on Risk Management and Internal Control;
- The GAC report for inclusion in the FY2020 Annual Report; and
- The Corporate Governance Overview Statement.

Other Activities

- Noted on a quarterly basis:
  - The Group's cash and borrowings position and cash flow projections; and
  - The status of key investments, material litigations and major operational issues.
- Noted the Group's sponsorships and donations approved by the GCEO for FY2020;
- Noted the initiatives by Group IT on cybersecurity, including the development of the cybersecurity framework and risk reduction measures; and
- Noted the shares granted under the Long-term Incentive Plan.

Effective Audit & Risk Management

Key Matters Considered

The GAC receives updates on key governance matters, audit initiatives and observations across the Group at each Committee meeting. The Committee reviews and reports to the Board on significant matters including financial reporting, significant judgments made by the Management, significant and unusual events or transactions, and how these matters were addressed.

Some of the key matters considered by the Committee during the financial year include:

Significant Initiatives/Issues	Matters Considered	Outcomes
Recoverability of the Group's investments in the Logistics Division	Focus was given on the Group's investments in Logistics Division as a number of its operating entities were performing below expectation. In view of uncertainty on the recoverability of the Group's investment in Weifang Port Services Co., Ltd (WPS), the Management fully impaired the Group's investment in it along with receivables from WPS amounting to RM98 million. Impairment assessments were also performed on the Group's investment in Weifang Sime Darby Liquid Terminal Co., Ltd (WSDLT) and Jining Sime Darby Longgong Port. Co., Ltd (JSDLP). The Management concluded that the Group's share of the recoverable amount from WSDLT and JSDLT had dropped and an impairment of RM22 million and RM7 million respectively were recorded as at 30 June 2020.	The GAC considered and concurred with the Management's assessment and decision on the impairment charge.
Recoverability of the carrying amount of intangible assets in Industrial Australasia	The Management performed an impairment assessment on the Cash Generating Units (CGU) in the Group's Industrial operations in Australasia based on the Value-in-Use (VIU) methodology using the five-year discounted cash flows. As a result of the exercise, the Management reversed the RM28 million impairment made for the distribution rights in Papua New Guinea, given the improved positive results and outlook.	The GAC considered and concurred with the Management's assessment on the recoverability of the carrying amount of the intangible assets in the Group's Industrial operations in Australasia.
Recoverability of the Group's investment in Mines Energy Solution Pty Ltd (MES)	The Management performed an assessment of the shareholder's loan extended to MES, a 50% joint venture company in Australia. MES is conducting a pilot project for its truck engine technology at a customer's site in the United States. The pilot has been delayed from June 2019 to June 2021 due to technical issues and travel restrictions caused by the COVID-19 pandemic. In view of heightened risks and uncertainties around the commencement of the pilot project and its success, the Management recognised a fair value loss of RM72 million, being the entire carrying value of the shareholder's loan.	The GAC considered and concurred with the Management's assessment and decision on the impairment charge.

Significant Initiatives/Issues	Matters Considered	Outcomes
Acquisition of Gough Group Limited and three automotive dealerships in Sydney, Australia (Sydney dealerships)	The acquisitions of Gough Group Limited and the Sydney dealerships were completed during the year. Purchase Price Allocation exercises were performed to determine the fair value of the net identifiable assets, franchise rights and goodwill.	The GAC considered and concurred with the Management's decision.
Adoption of the Malaysian Financial Reporting Standard (MFRS) 16	The Group adopted MFRS 16 with effect from FY2020, which led to the recognition of previously off-balance sheet operating leases. This resulted in the recognition of right-of-use assets and lease liabilities of RM1,773 million. In addition, leasehold land and prepaid lease rentals were also reclassified as right-of-use assets.	The GAC considered and concurred with the Management's decision.
Cybersecurity practices and posture of the Group	The Management completed a review of its readiness against cybersecurity risk. Arising from the review, actions are being taken to enhance the Group's defences against this threat. These included the setting up of a dedicated cybersecurity team, a Security Operations Centre and the implementation of a Group-wide cybersecurity awareness and improvement programme.	The GAC considered the Management's actions and requested for status updates periodically.
ABMS	Focus was given to ensure that the Group has adequate procedures in place across all its operations in preparation for S17A of the MACC Act. The Management had implemented the ABMS, which is benchmarked against the ISO 37001 standard. The implementation of ABMS will continue to be reviewed and enhanced, where necessary, to improve its effectiveness.	The GAC considered the Management's actions and requested for quarterly status updates.

Effective Audit & Risk Management

Corporate Assurance Department

The Group has an internal audit function which is carried out by GCAD, headed by Mr Ramesh Ramanathan. Mr Ramesh is a Chartered Accountant (ACCA) with more than 20 years of experience with two prominent "Big 4" accounting firms. He is a member of the Malaysian Institute of Accountants.

GCAD is a centralised function with regional corporate assurance teams having direct control and supervision over audit services across the Group. There is a total of 35 internal auditors across the Group led by regional heads in Malaysia, Australia and China.

GCAD is guided by its Charter which specifies functional reporting to the GAC and administrative reporting to the GCEO, to allow an appropriate degree of independence from the operations of the Group. GCAD's principal responsibilities are to undertake regular and systematic reviews of internal controls systems, and to provide reasonable assurance that the systems in place continue to operate satisfactorily and effectively throughout the Group.

The GAC reviews, challenges and approves the annual GCAD audit plan with periodic reviews to ensure business alignment, appropriate risk assessment and audit methodology, and to ensure robustness in the audit planning process. The GAC also approves the appointment and termination of the Group Head – GCAD and GCAD regional heads. There were no outsourced audit assignments during the year under review.

The Quality Assurance & Improvement Programme (QAIP), which focuses on the efficiency and effectiveness of audit processes, continues to be applied to assess the quality of audit processes adopted. It is an ongoing internal assessment to identify and make appropriate recommendations for improvement of key activities within GCAD. These are carried out in the form of annual internal team validations.

The Quality Assurance Review (QAR) is an external assessment conducted at least once every five years by a qualified, independent assessor from an external organisation. It is expected to be conducted in FY2021.

In FY2020, the total cost incurred for the internal audit function was RM13.1 million (FY2019: RM13.1 million).

Group Compliance & Integrity

The Group's independent in-house compliance function is carried out by Group Compliance & Integrity (GCI). Ms Chuah Yean Ping is the Head – GCI. Ms Chuah is a member of The Honourable Society of Lincoln's Inn and was admitted to the Malaysian Bar in 1996. With over 20 years of work experience, beginning as a legal practitioner, she now heads compliance activities across the Group.

GCI monitors regulatory compliance and administers the Group's ABMS, which provides reasonable assurance that the Group's operations and activities are conducted in line with key regulatory requirements, internal policies and the COBC. Guided by its Compliance Charter and Compliance Management Framework, GCI reports functionally to the GAC and administratively to the GCFO. The dual reporting line ensures a level of independence and objectivity in discharging of responsibilities. The GAC reviews and approves GCI's work plan annually. It also approves the appointment of Head – GCI.

This report is made in accordance with a resolution of the Board of Directors dated 28 September 2020.

Risk Management Committee Report

Tan Sri Samsudin Osman
Chairman of the
Risk Management Committee

Composition

The Risk Management Committee led by Tan Sri Samsudin Osman, consists of three Independent Non-Executive Directors and a Non-Independent Non-Executive Director. Members of the RMC bring with them a diverse set of expertise and experience and have a solid understanding of the sectors in which the Group operates. This enables them to execute their role of anticipating, assessing and mitigating potential risks, by challenging and facilitating robust discussions on the management of the Group's key risk areas.

Roles & Responsibilities

The RMC is primarily responsible for risk monitoring and oversight across the Group. The Committee assists the Board in discharging its main responsibilities of identifying principal risks and key trends, and deliberating strategic action plans to mitigate the impact of such risks. Specific duties of the RMC are as follows:

(a) Reviewing the adequacy of the scope, function, authority, competence and resources of the GRM department;

(b) Providing direction, counsel and oversight over risk management processes, specifically to:
- ensure that appropriate risk management policies, framework and processes are implemented;
- review the Group's risk profile and ensure that potential significant risks beyond tolerable ranges are responded to with appropriate and effective mitigation actions; and
- monitor and evaluate the risk profile and appetite of the Group.

(c) Reviewing significant investment proposals and monitoring the execution of risk mitigation strategies for such proposals; and

(d) Following up on post-investment risk mitigation strategies to ensure that they are implemented as prescribed by the Board.

In discharging its responsibilities, the RMC is assisted by the GRM department.

Detailed Terms of Reference of the RMC is available at www.simedarby.com/operating-responsibly/governance

Meetings and Attendance

Members	Membership	Appointment	Attendance
Tan Sri Samsudin Osman	Chairman/Non-Independent Non-Executive Chairman	1 December 2017	6/6
Dato' Lawrence Lee Cheow Hock	Member/Non-Independent Non-Executive Director	20 July 2018	6/6
Ms Moy Pui Yee	Member/Independent Non-Executive Director	20 July 2018	6/6
Mr Thayaparan Sangarapillai	Member/Independent Non-Executive Director	4 September 2019	3/4
Dato' Dr Nirmala Menon	Member/Independent Non-Executive Director	26 November 2019	2/2
Former Members	**Membership**	**Appointment**	**Attendance**
Dato Sri Lim Haw Kuang*	Member/Senior Independent Non-Executive Director	23 November 2015	3/3

* Resigned on 14 November 2019

Effective Audit & Risk Management

Group Risk Management

GRM's primary role is to assist the RMC and the Board in discharging their risk management responsibilities. GRM is structured to ensure that adequate support is provided at both the GHO and Divisional levels, with responsibilities mainly, but not limited to, the following:

- Outline a strategic plan to guide the priorities and direction of the Group's risk management activities;
- Develop appropriate risk management policies and guidelines;
- Conduct annual or periodical review of the Group Risk Management Policy and Framework, as well as continuously monitor risk exposure across the Group;
- Develop and articulate the Group's risk appetite, and periodically assess the level of risk exposure via continuous monitoring of risk tolerance and limits;
- Facilitate risk management structure, processes, tools and systems to support risk assessment activities at the GHO and Divisional levels;
- Conduct risk assessments on all major investments and tenders in accordance with the Group's Limits of Authority; and
- Continuous effort to inculcate and raise risk awareness across the Group.

GRM is currently headed by Mr Richard Ong Aik Jin. Richard is a Fellow Member of the Association of Chartered Certified Accountants with 15 years of experience in governance, risk and control. He joined the Group in October 2018 as the Head of Group Risk Management and is responsible for implementing appropriate systems, programmes and initiatives to manage the Group's overall risk exposure. Richard also leads and manages the Group's insurance and business continuity management programme.

Key Activities of FY2020

Group Risk Management Framework

Reviewed and advised the Board on amendments to the Group Risk Management Framework to reflect the latest risk management standards and changes to the Group's business environment.

New Risk Management Guidelines

Reviewed and approved the implementation of an Investment and Project Risk Assessment Guideline to facilitate the identification, evaluation and management of risks for major projects and investments.

Bribery Risk Assessment

Reviewed and advised the Board on bribery risks for key business units in key markets in-line with Transparency International guidelines.

Risk Appetite Statements

Developed the Risk Appetite Statement which articulates the level of risk that the Group is prepared to take in pursuing its strategic objectives. Please see pages 50 and 51 for more details.

Appraise New Investments

Evaluated risks pertaining to new major investment proposals in accordance with the Group's Limits of Authority.

Review of Group and Divisional Risks

Reviewed and assessed the Group's and Divisional risk profiles, and managed the significant financial and non-financial risks identified.

Enhance Organisational Resiliency

Developed a road map to enhance the Group's overall BCM programme, which included the set-up of a BCM Steering Committee and the formalisation of governance, policies and procedures across the Group.

Key focus areas for FY2020 as highlighted in the Annual Report 2019 were successfully implemented.

Focus Areas for FY2021

The RMC will continue to assist the Board to oversee the implementation of the Group's risk management framework, which includes recommending the appropriate risk appetite, policies and risk management methodologies throughout the Group. The RMC's key priorities and initiatives for FY2021 include:

Risk Management Awareness

Implement activities to enhance knowledge and understanding of risk management across the business.

Risk Management Blueprint

Provide guidance, governance and oversight over the implementation of strategic priorities and initiatives outlined in the Risk Management Blueprint.

Read pages 43 to 49 for more information.

GRM-Developed Initiatives and Programmes

Assess how effective these initiatives are in instilling risk awareness across the Group, including integrating risk management into the day-to-day decision-making process across all operations.

Strategic and Emerging Risks

Review and monitor strategic and emerging risks based on approved risk appetite thresholds. Evaluate the effectiveness of internal controls and mitigative actions in ensuring that risks taken are within the Group's risk appetite and in the event of a breach, within the Group's risk appetite threshold.

Business Continuity Management

Evaluate effectiveness of the Group's BCM programme with an eye towards how it can strengthen the Group's preparedness and resilience during crisis or disasters.

Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders

The Board maintains an open and constructive relationships with all its stakeholders – large and small, institutional and private. The Chairman, supported by the Management, has the overall responsibility of ensuring that the Group listens to and effectively communicates with its stakeholders.

The Group's Investor Relations unit, headed by the Group Chief Strategy Officer, facilitates communication between the Group and the investment community. Pertinent matters that may concern stakeholders include strategic developments, financial results and material business matters affecting the Group. A comprehensive investor relations programme, designed for institutional investors and private shareholders, addresses these matters on a regular basis.

How the Group Communicates

Meetings, Conference Calls and Site Visits

The Investor Relations unit holds regular meetings, conference calls and site visits with investors, intended to keep the investment community abreast of the Group's operations, strategic developments and financial performance. In addition, investment roadshows are held to engage with shareholders and potential investors across the globe.

Engagements in FY2020	
1.	FY2019 Results Announcement – 27 August 2019
2.	Citi Malaysia Investor Symposium 2019 – 4 September 2019
3.	UOB Kay Hian: Healthcare Day – 19 September 2019
4.	BMW 3 Series Test Drive Event for Research Analysts – 4 October 2019
5.	Investor Relations Visit to Inokom with Affin & CIMB – 15 October 2019
6.	13th Annual General Meeting – 14 November 2019
7.	Q12020 Analyst Briefing – 26 November 2019
8.	CGS-CIMB 12th Annual Malaysia Corporate Day – 6 & 7 January 2020
9.	UBS Malaysia Corporate Day 2020 (Singapore) – 21 January 2020
10.	Citibank Pan Asia Regional Investor Conference (Virtual) – 19 & 20 May 2020
11.	UBS Virtual Malaysia Corporate Day 2020 (Virtual) – 11 June 2020
12.	Daiwa Auto and Industrials Leaders Conference (Virtual) – 29 June 2020
13.	UBS Virtual Asia Industrials Day 2020 (Virtual) – 8 July 2020

Quarterly Financial Results Briefings and Announcements

Every quarter, the Investor Relations and Group Communications units provide the investment and media community with an up-to-date view of the Group's financial performance and operations via analyst briefing and media briefing sessions, which coincide with the release of the Group's quarterly financial results on Bursa Malaysia Securities.

These sessions are also broadcasted live via webcast to members of the investment community who are overseas or unable to participate in person.

Corporate Website

The Group maintains a comprehensive website which includes an up-to-date investor centre to communicate with stakeholders. Regular news, announcements, share price updates, investor presentations, events and other relevant information are posted on the website.

Shareholders are also welcomed to raise queries by contacting the Group at any time throughout the year. Contact details are available at the Contact Us section of the Group's website at http://www.simedarby.com/contact-us.

Annual General Meeting (AGM)

The AGM provides a platform for the Chairman and GCEO to share how the Group has performed during the year with shareholders.

It also provides all shareholders with the opportunity to put forward questions to the Chairman of the Board, the chairmen of the Governance & Audit, Nomination & Remuneration and Risk Management committees, and to the Senior Independent Director.

At these meetings, e-polling is conducted on each resolution. Shareholders also have the opportunity to cast their votes by proxy in advance of the meeting. Following the AGM, results of the polls are published on the Group's website and released to Bursa Malaysia Securities.

The FY2020 AGM will be held virtually at 10.00 a.m. on 12 November 2020. The notice of the AGM is issued at least 28 days prior to the date of the meeting in accordance with the Malaysian Code on Corporate Governance 2017. The notice and agenda will also be published in the local Bahasa Melayu and English newspapers and made available on the Group's website at www.simedarby.com.

Financial Calendar for the Financial Year Ended 30 June 2020

Announcement of Unaudited Consolidated Results

1st Quarter ended 30 September 2019	2nd Quarter ended 31 December 2019	3rd Quarter ended 31 March 2020	4th Quarter ended 30 June 2020
26 November 2019	26 February 2020	21 May 2020	27 August 2020

Dividends

1st Interim Dividend of 2.0 sen Per Ordinary Share	
Announcement of the Notice of Entitlement and Payment:	26 February 2020
Date of Entitlement:	27 April 2020
Date of Payment:	12 May 2020
2nd Interim Dividend of 7.0 sen and Special Dividend of 1.0 sen Per Ordinary Share	
Announcement of the Notice of Entitlement and Payment:	27 August 2020
Date of Entitlement:	5 October 2020
Date of Payment:	30 October 2020

14th Annual General Meeting

Notice Date 14 October 2020

Meeting Date 12 November 2020

Statement on Risk Management and Internal Control

Introduction

The Board is pleased to provide this statement on Risk Management and Internal Control which outlines the nature of risk management and internal controls within Sime Darby for the year under review.

Risk management and internal controls are integrated into management processes and embedded in the business activities of the Group.

Responsibilities and Accountabilities

A) The Board

The Group is led by the Board. The Board has delegated the governance and risk management responsibilities to Board Committees which ensure independent oversight of internal controls and risk management. Notwithstanding the delegated responsibilities, the Board takes overall responsibility in the establishment and oversight of the Group's risk management framework and internal controls systems. The Board is cognisant of its role in setting the tone and nurturing a culture towards managing key risks to achieve the Group's business objectives. The Board also recognises that internal controls systems are designed to manage and minimise rather than eliminate and avoid occurrence of material misstatements or unforeseeable circumstances, fraud or losses.

- **Governance & Audit Committee**

  The key responsibility of the GAC is to assist the Board in fulfilling the Board's statutory and fiduciary responsibilities of monitoring the Group's management of financial risk processes, accounting and financial reporting practices. The GAC is also tasked to review the processes and quality of the Group's accounting function, financial reporting and the internal controls system, which include ensuring that an effective ethics programme is implemented across the Group, and to monitor compliance of established policies and procedures. The GAC's Terms of Reference and activities in assessing the adequacy and effectiveness of internal controls system and their implementation within the Group are detailed on pages 126 to 130 of this annual report.

  In discharging its duties, the GAC is supported and assisted by two functional units within the Group, i.e. GCI and the GCAD.

- **Risk Management Committee**

  The RMC assists the Board in providing oversight, direction and counsel on the overall risk management process; establishing and reviewing the risk management framework, processes and responsibilities; as well as assessing whether they provide reasonable assurance that risks are managed within tolerable ranges. The RMC is also entrusted to set the tone and culture towards effective risk management and control within the Group.

  The responsibilities of the RMC are detailed on pages 131 to 133 of this annual report. The RMC is chaired by a Non-Independent Non-Executive Director.

  In discharging its responsibilities, the RMC is assisted by the Group Risk Management Department.

B) The Management

The Management is responsible for implementing Board-approved frameworks, policies and procedures related to risk management and internal controls. The Management is also accountable for identifying, assessing and monitoring the risks that may impede the Group's goals and objectives.

The Management's responsibility includes but is not limited to:

- Implementing relevant policies and processes to identify, evaluate, monitor and report risks and internal controls.
- Ensuring appropriate and timely corrective actions are taken to strengthen internal controls and minimise occurrence of non-compliant incidents.
- Assuring the Board that adequate mitigative actions have been promptly and properly carried out to address any lapses.
- Setting the right example (in words and actions) to encourage and reinforce the importance of ethical business conduct.
- Applying all required rules and regulations.
- Seeking guidance from the Board on matters concerning risks and internal controls when required.

The Management also provides assurance to the Board that the risk management and internal controls systems are adequate and operating effectively based on the risk management framework adopted by the Group.

C) Group Compliance & Integrity

GCI's main role is to assist the Board, GAC and Management in coordinating compliance risk management activities such as programmes or activities to identify, mitigate and educate employees about the risks of non-compliance, and to provide reasonable assurance that the Group's operations and activities are conducted in line with key regulatory requirements. This role is executed via oversight, coordination, consultation, validation and monitoring of the Group's state of compliance.

In recognising the diverse nature and the challenges faced by the Group, GCI's programmes and activities are tailored to meet the specific needs and requirements of each of the Division focusing on emerging areas of compliance not addressed or covered by other assurance functions to minimise duplication of work. The GAC monitors the strategy and delivery of the compliance programmes via periodic progress reports submitted and reported by the Head of GCI. The GAC provides feedback to GCI, including through the annual GAC survey conducted by GCI as part of its continuous improvement efforts. GCI's mandate and activities are detailed on page 130 of this annual report.

D) Group Corporate Assurance Department

GCAD which is an integral part of the Group's internal controls system, reports directly to the GAC. GCAD's primary role is to provide independent, reasonable and objective assurance in addition to consulting services designed to add value and improve efficiency of the Group's operations. In assisting the Group to achieve its objectives, the GCAD employs a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

A risk-based annual audit plan is developed by GCAD which sets out GCAD's audit engagements within the Group for the year, and is reviewed and approved by the GAC. GCAD's audit practices conform to the International Professional Practices Framework (IPPF) published by the US Institute of Internal Auditors Inc.

GCAD conducts periodic assessments of emerging business risks and actively monitors and responds to adverse indicators and key risks. Adjustments are made to the audit coverage as required, including scope extensions and/or undertaking special reviews with amendments to the audit plan. These are reported to the GAC periodically.

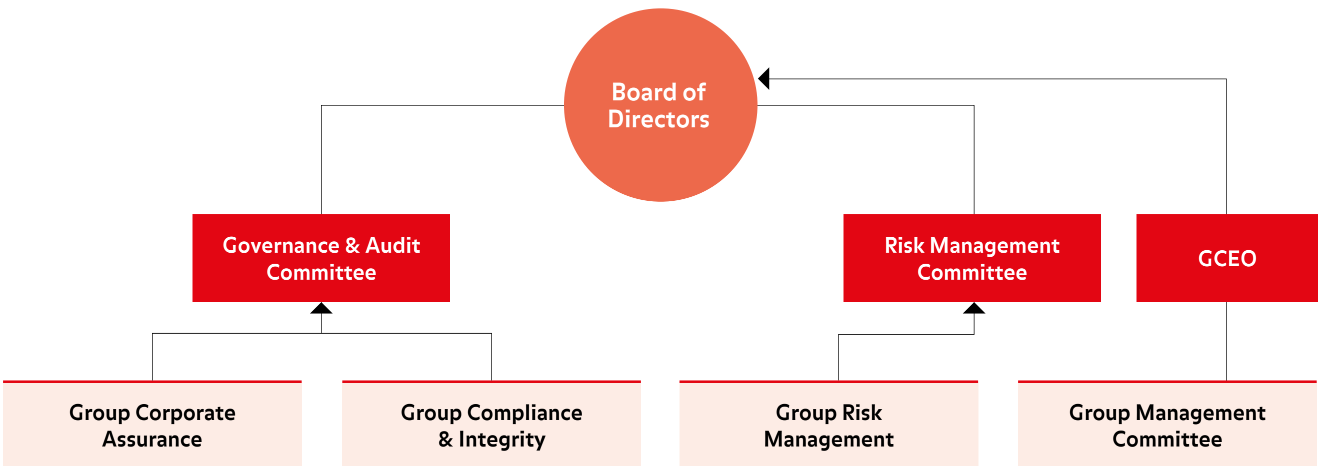
GCAD's mandate and activities are detailed on page 130 of this annual report.

E) Group Risk Management Department

The GRM department assists the Board and RMC in discharging their risk management responsibilities. GRM is structured to provide adequate support to both the GHO and the Divisions in regard to risk management implementation. GRM also sets the strategic plan to guide the priorities and direction of the Group's risk management activities.

GRM's mandate and activities are on page 132 of this annual report.

Reporting Structure – Assurance, Compliance and Risk



Statement on Risk Management and Internal Control

Risk Management and Internal Controls Framework

The Group's ERM Framework is integrated and where appropriate, embedded into the day-to-day business activities and management decision-making. Designed and adapted as reasonably practicable from the ISO 31000:2018 Risk Management Guidelines, the framework is aimed at establishing a robust risk management process across the Group and to ensure that all business risks are prudently identified, analysed and effectively managed.

Supporting this broader risk management framework is an internal controls system that facilitates internal controls design and operating effectiveness to manage key risks.

Key aspects of the Group's overall risk management and internal controls system are selectively outlined below, where they provide assurance that the framework is adequate and effective for the purposes of this Statement.

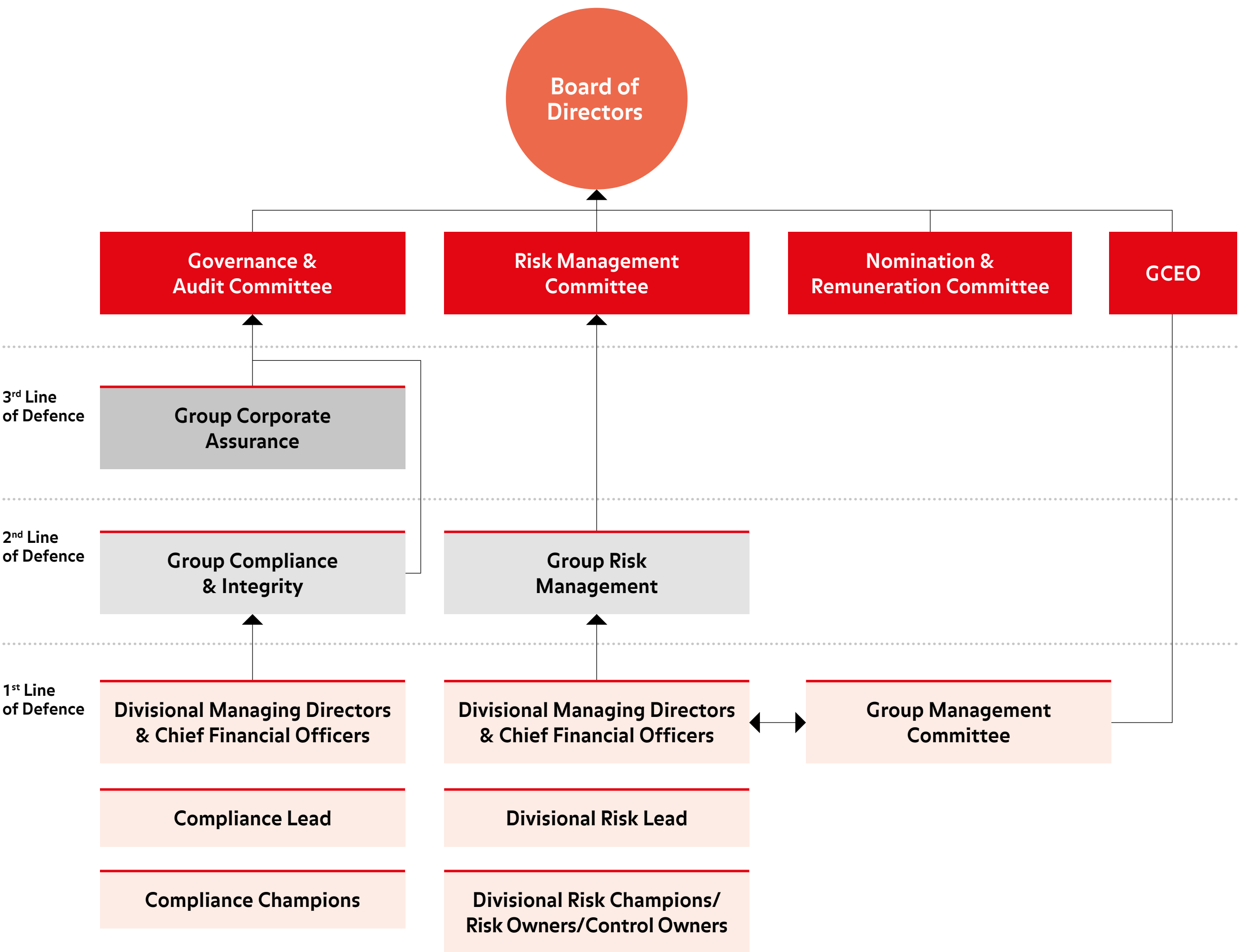
Mandate and Commitment

The Board has approved, via the RMC, the ERM Framework which encapsulates the governance arrangements as well as assigns responsibility to relevant levels of management and operations.

The implementation of the Framework is ultimately the responsibility of the GCEO and members of the Sime Darby Group Management Committee. Evidence of implementation can be seen in the appropriate risk management practices integrated into the relevant business processes. These practices which assist with decision-making aimed at achieving the Group's objectives are supplemented by a more formal and explicit risk management process.

The diagram below provides an overview of the governance structure:

Overview of the Group's Governance Structure



Integration of Risk Management and Internal Control

Integration of the formal ERM Framework into the wider management framework occurs wherever practicable. The Group has embedded risk assessment into key operational activities and decision-making processes across the Group (refer to the tables below).

Risk assessments are performed based on a pre-defined risk management process adapted from ISO 31000 guidelines as well as globally acceptable risk management practices.

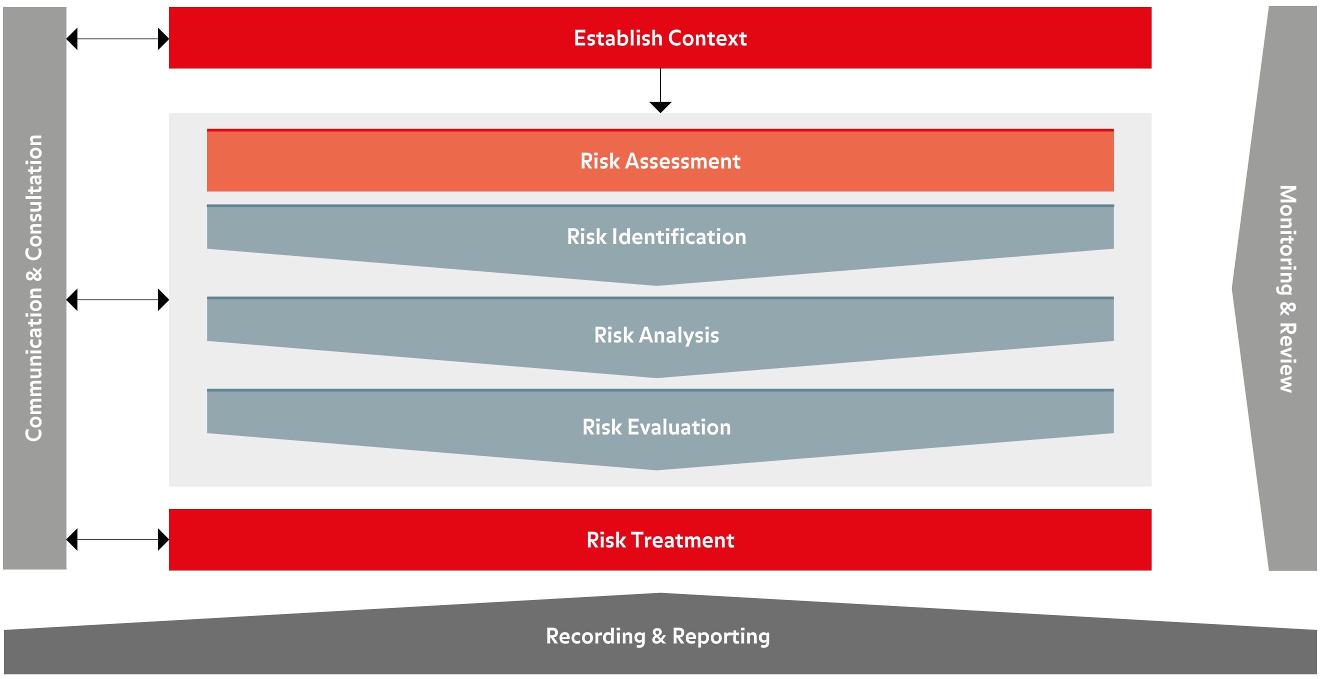
Risk Assessment Activities

Level/Context	Assessment	Management Involvement	Frequency
Strategic	Annual Strategy Planning	Set risk appetite, tolerance, limits and threshold	Annually
Enterprise-wide (Division/Business Units/Operating Units)	Quarterly Risk Profile Submission and Reporting	Update risks to reflect changes in rating, status of controls and action plans	Quarterly
Major Proposals/ Investments*	Proposal/Investment Risk Assessment	Assess key risk exposure and controls required to manage them	As required
Major Tenders*	Tender Risk Assessment		

* Selective investments/tenders based on the Group Policies and Authorities.

As illustrated, a top-down review of enterprise level risks is conducted as part of the annual strategic planning update to ensure that the risk implication of any change in strategy is identified, assessed and documented. This is supplemented by quarterly risk updates and regular reviews of projects along with assessments of investment proposals and tenders where required. The outcome of these reviews is the identification of new risks and the reassessment of others, and may also lead to the development of specific action plans. Where conditions significantly change during the year, changes to the strategy and risk implication may be necessary.

Risk Management Process



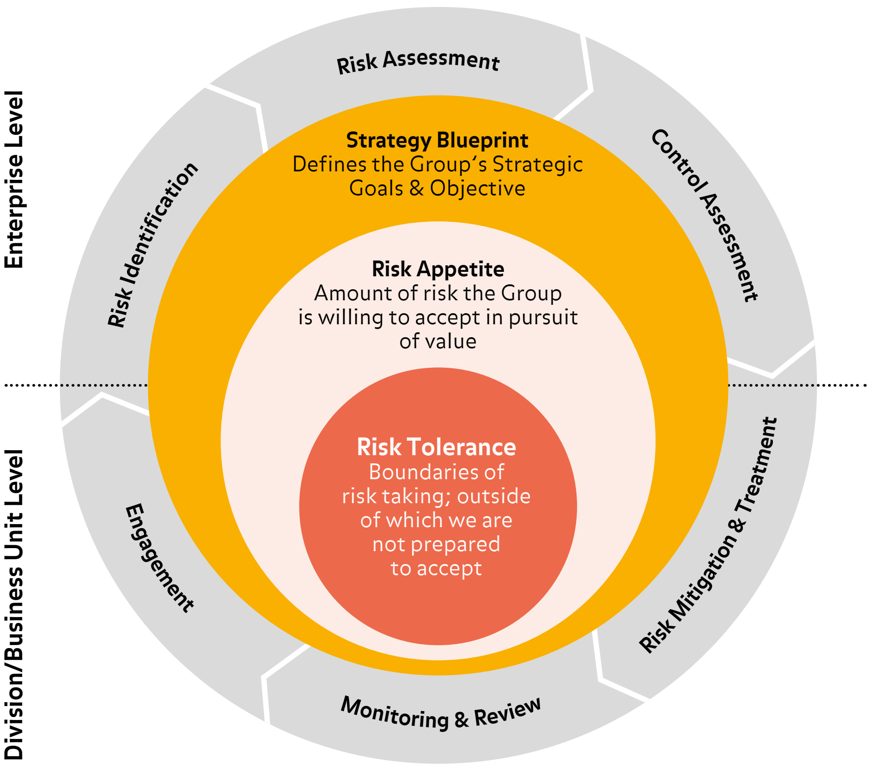
Statement on Risk Management and Internal Control

Risk Appetite

Risk appetite refers to the amount of risk an organisation is prepared to accept in pursuit of its strategic objectives. The Board, via the RMC, determines the Group's risk appetite and tolerance, and ensures that it is communicated appropriately across the Group. The Group's risk appetite is documented in a formal written statement (Risk Appetite Statement) which articulates the Group's risk strategy. The Risk Appetite Statement was developed by GRM, in consultation with the RMC and the Group Management Committee, and was presented to the Board for approval.

GRM has also developed a Risk Appetite Framework to guide the formulation and implementation of risk appetite statements. This is shown in the following diagram:

Risk Appetite Framework



How it works

Risk appetite is developed in alignment with the strategic goals and objectives of the Group, as identified in the Strategy Blueprint; and refers to the amount of risk that the Group is willing to accept in pursuing its goals and objectives.

The Risk Appetite Statement provides measurable guidelines demonstrating the Group's risk tolerance levels.

Risk appetite statements are crafted at the Group Level and cascaded down to the Divisions and operating units level.

Execution and monitoring of risk appetite occur within the risk management framework and periodic risk assessment and monitoring process.

Any critical breach of risk tolerance limits will be reported to the RMC. Any breach of appetite or limits also warrants the need to review the effectiveness of internal controls and mitigation actions; or a need to recalibrate the appetite or limits if they no longer reflect the Group's actual risk appetite.

Please refer to pages 50 and 51 for more details on the Group's risk appetite statements.

Control Environment

Group Policies and Authorities

The Board has put in place the GPA which act as a key pillar of the Group's governance framework. It is a tool the Board uses to formally delegate functions and powers to the Management with specific oversight and supervisory functions. This enables the Board to facilitate a robust control environment encircling clear lines of responsibilities, accountability and authority limits that are aligned with the Group's business operations.

As the GPAs cover a wide range of areas, they also act as an ethical road map for the Group's diverse businesses to navigate the intricacies of global business practices and cultures. The GPAs are reviewed annually whereby any new GPAs and/or enhancement to the current GPAs shall be approved by the Board prior to implementation. The Divisions develop further delegated authorities with supporting policies and procedures based on the mandate and guidance provided by the GPAs. The key supporting policies and procedures developed are as listed below:

- **Core Values, Business Principles and the Code of Business Conduct**

  The Group has clearly set out expected behaviours of Directors and employees of the Group in the Group's Core Values, Business Principles and the COBC. An attestation programme is in place with the aim to confirm that each Director and employee has read and agreed to comply with the provisions of the COBC. The COBC is available in five major local languages in recognition of the large geographical spread that the Group operates from, ensuring that it reaches far and wide to Group personnel with minimal risk of translation error.

  The COBC is available at www.simedarby.com/sites/default/files/pdf/new_cobc_english.pdf

- **Integrity, Anti-Bribery and Anti-Corruption**

  The Group's COBC articulates expected behaviours of all employees in terms of dealing with internal and external stakeholders. Strict adherence is expected without compromise. It upholds the Group's core values, the first of which is Integrity. The Group has in place the Anti-Bribery and Anti-Corruption Policy to strengthen the ring-fencing of the Group's ethics parameters, particularly in the area of anti-bribery and anti-corruption.

  The Anti-Bribery and Anti-Corruption Policy may be accessed from www.simedarby.com/sites/default/files/anti-bribery_anti-corruption_policy_february_2019.pdf

  The Group also has in place an ABMS. In November 2019, GCI formalised the appointment of Compliance Champions throughout the Group (compliance governance structure), to increase efficiency for the ongoing implementation and monitoring of compliance obligations (in particular, ABMS) throughout the Group's operations. All Compliance Champions carry 10% compliance KPI in their respective scorecards.

  As part of demonstrating top level commitment, an Anti-Bribery Management System Steering Committee (ABMS Steering Committee) has been set up, chaired by the GCFO. Members of the ABMS Steering Committee include the Group Secretary, Head – GCI, Division Managing Directors and Deputy Division Managing Directors. The role of the ABMS Steering Committee is to advise the GCEO on the progress of continuous improvement of the Group's ABMS, and escalate anti-bribery issues to the GCEO for finality on Management's position.

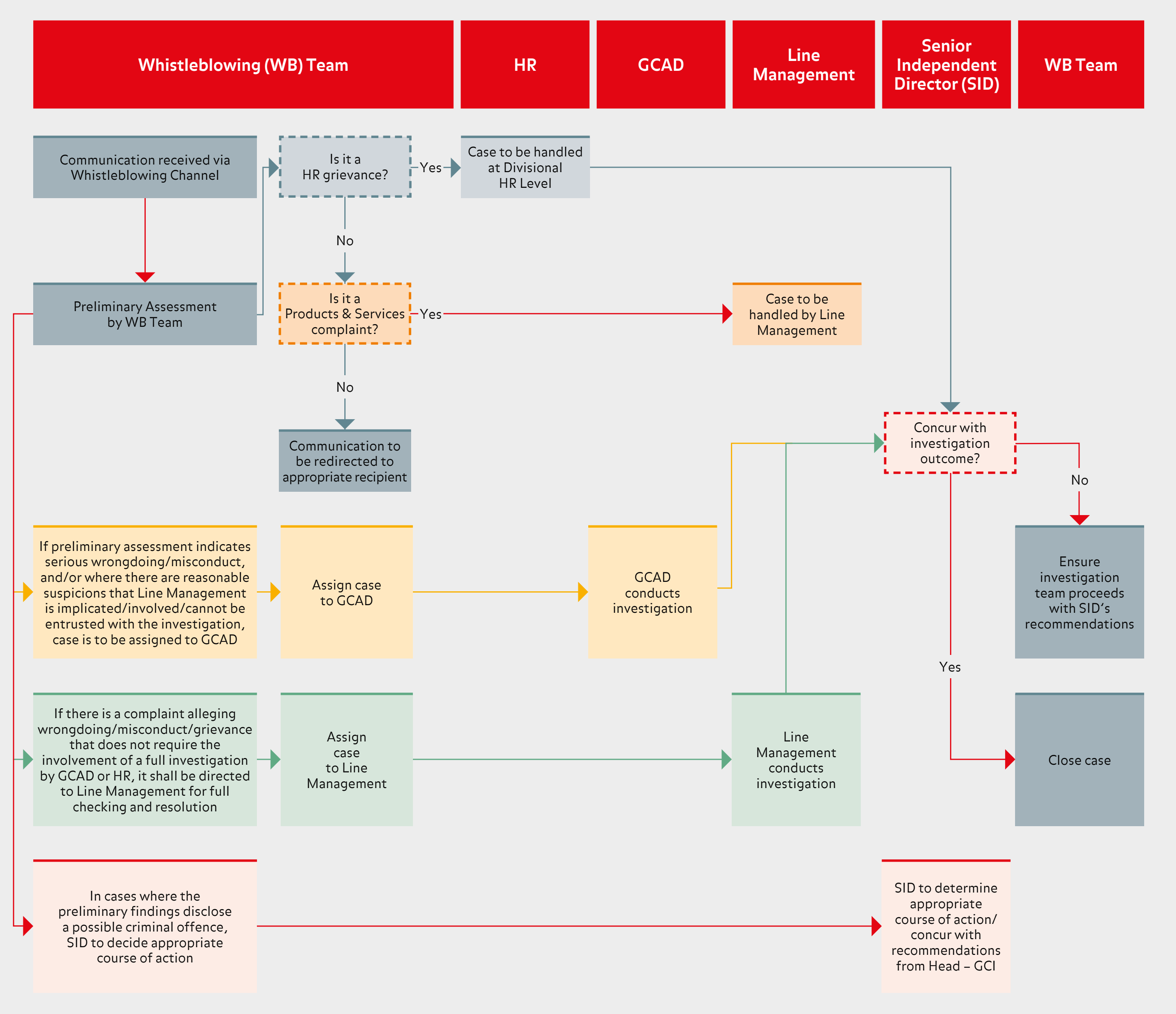
- **Whistleblowing Policy and Whistleblowing Mechanism/Channels**

  The Group has in place a Whistleblowing Policy that provides clarity on the oversight and responsibilities of the whistleblowing process, the reporting process, protection of whistleblowers and the confidentiality afforded to whistleblowers. The primary aim of the Whistleblowing Policy and its supporting mechanism is to enable individuals to raise genuine concerns without fear of reprisal. The policy on whistleblowing as set out in the GPA is available in the Group's Enterprise Portal.

  An overview of the whistleblowing policy is accessible to all at www.simedarby.com/operating-responsibly/whistleblowing

Statement on Risk Management and Internal Control

A brief summary of how whistleblowing communications are escalated through the organisation is provided as follows:



The Group's whistleblowing mechanism and channels are managed by GCI, to provide independence from Management. This is articulated in the Whistleblowing Policy (as stated in the GPA), where GCI can be contacted for reporting either through emails, letters or calls. The Senior Independent Non-Executive Director has oversight over all whistleblowing cases, from the receipt of the cases via the online system or otherwise, through to the closure of each investigation. A summary of trends and analysis reports is presented to the Board for notation.

- **Group Procurement Policies and Authorities**

  The Group Procurement Policies and Authorities (GPPA) covers all types of purchases (capital expenditure, operating expenditure, trade) made by all businesses in the countries in which the Group operates. The GPPA states the key principles and procedures required in the procurement of goods and services within the Group. These key principles and procedures shall also serve as guidelines in establishing the detailed procurement procedures at all Divisions.

- **Vendor Code of Business Conduct**

  Vendors are expected to adhere to standards of behaviour aligned to promote a fair, honest and ethical business environment. The Group's Vendor COBC provides a guide on these standards of behaviour when dealing with or on behalf of the Group.

- **Vendor Letter of Declaration**

  The Vendor Letter of Declaration (VLOD) was introduced as one of the Group's initiatives to align the Group's expectations with the behaviours of our suppliers and the principles contained in the Vendor COBC. The VLOD captures vendors' formal affirmation to comply with the principles of the Vendor COBC, to refrain from involvement with any offence of bribery, corruption or fraud; and to refrain from engaging in bribery, corruption or fraud with the Group.

  The VLOD is available at www.simedarby.com/sites/default/files/vlod_eng_2018.pdf

- **Regulatory Compliance Monitoring**

  The Group's state of compliance to key regulatory requirements is monitored to manage potential breaches and to detect incidents which may have a material effect on the annual Statement on Risk Management and Internal Control.

- **Risk Management Policy**

  The Group has a formal risk management policy that describes the risk management framework and supporting processes that have been approved by the RMC. Supporting policies, standards and guidelines are also available to guide decision making. Wherever appropriate, risk management practices are integrated into operating policies, procedures and guidelines.

- **Business Continuity**

  Management to ensure that the Group is able to respond to and recover from significant unexpected events, work on BCM is ongoing to facilitate the development of robust policy, frameworks and plans to protect the interests of all stakeholders.

- **Financial Budgets**

  The Group's Divisions prepare budgets on an annual basis. The budgets are reviewed by Management prior to submission to the Board for approval. The Group Management Committee reviews the Division's financial performance (actual against budget) and forecasts for the financial year on a regular basis. Additionally, the financial performance of the Group is reported to the Board on a quarterly basis.

Communication and Reporting

- **Reporting to Shareholders/ Stakeholders**

  External stakeholder relations and communication are given high priority in view of the types of risks faced by the Group. As a large government-linked company in Malaysia, an effective external communications strategy is essential to protect the Group's reputation.

  The Group has established processes and procedures to ensure that quarterly and annual audited financial statements which cover the Group's performance, are submitted to Bursa Securities for release to shareholders and stakeholders on a timely basis. All quarterly financial results are reviewed and approved by the Board prior to announcement.

  The Group's Annual Reports which contain the annual audited financial statements, together with the auditors' and Directors' reports are issued to the Group's shareholders within the stipulated time prescribed under the MMLR of Bursa Securities.

Material Joint Venture and Associates

The disclosures in this Statement do not include the risk management and internal controls practices of the Group's material joint ventures and associates. The Group's interests in these entities are safeguarded through the appointment of members of the Group Management Committee to the respective joint venture and associate boards, and in certain cases, the management or operational committees of these entities.

Review of the Statement by the External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal controls systems of the Group.

Conclusion

For the financial year under review and up to the date of approval of this Statement, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal controls to safeguard shareholders' investments and the Group's assets. The Board has received reasonable assurance from the GCEO and the GCFO that the Group's risk management and internal controls system, in all material aspects, are operating adequately and effectively.

This statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (Guidelines) issued on 31 December 2012, which is in line with the requirements of Paragraph 15.26 (b) of the MMLR of Bursa Securities and Principle B of the Malaysian Code on Corporate Governance 2017 issued by Securities Commission Malaysia.

This statement is made in accordance with a resolution of the Board dated 28 September 2020.

Additional Compliance Information

(In accordance with Appendix 9C of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad)

1. Utilisation of Proceeds from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Audit and Non-Audit Fees

The amount of audit and non-audit (inclusive of assurance related services) fees paid or payable to PricewaterhouseCoopers PLT and member firms of PricewaterhouseCoopers International Limited, the auditors of the Company and Group, for work performed during the financial year are as follows:

RM million	Audit Work (RM million)	Non-Audit Work (RM million)
Company	1	–[1]
Group	17	3

Note:
1. Less than RM1 million

3. Material Contracts Involving Interests of Directors and Major Shareholders

There were no material contracts entered into by the Company and/or its subsidiaries involving interests of Directors and major shareholders during the financial year.

4. Contracts Relating to Loans

There were no contracts relating to loans by the Company and/or its subsidiaries involving interests of Directors and major shareholders during the financial year.

5. Share Buy-Back

The Company did not buy back any of its issued shares from the open market during the financial year.

6. Performance-Based Employee Share Scheme

The Performance-Based Employee Share Scheme for the eligible employees (including Executive Directors) of the Company and its subsidiaries (excluding subsidiaries which are dormant) (PBESS) was approved by the shareholders at the Extraordinary General meeting held on 8 November 2012 and effected on 15 January 2013. The PBESS is in force for a maximum period of ten (10) years from the effective date and is under the administration of the Nomination & Remuneration Committee of the Board.

The grants under the PBESS comprise the Group Performance Share (GPS), the Division Performance Share (DPS) and the General Employee Share (GES). Brief details of the grants offered since the commencement of the PBESS are set out below:

Grant Date	Grant Type	Total	Executive Director
1st Grant – 7 October 2013	GPS	4,100,000	82,200
	DPS	5,537,700	65,300
	GES	5,300,500	–
2nd Grant – 20 October 2014	GPS	3,899,300	82,200
	DPS	5,260,000	65,300
	GES	5,422,600	–

The 1st and 2nd grants were lapsed on 18 August 2016 and 23 August 2017 respectively as the vesting conditions which include performance targets were not met.

On 21 November 2018, the GPS Grant, DPS Grant and GES Grant were replaced by the Performance Share (PS) Grant, Restricted Share (RS) Grant and Group Chief Executive Special Grant.

The 3rd and 4th Grants comprising the PS Grant and RS Grant were made to the eligible employees on 15 January 2019 and 15 January 2020 respectively. The grants shall be vested upon the fulfilment of certain performance criteria by the Company and individuals as at vesting date with potential multiplier effect on the number of shares to be vested.

On 11 November 2019, the Company issued and allotted 608,400 new ordinary shares under the RS Grant of the PBESS at an issue price of RM2.293. Following the issuance and allotment, the Company's issued shares had increased from 6,800,839,377 ordinary shares to 6,801,447,777 ordinary shares.

The number of shares granted and vested under the PBESS and the number of shares outstanding at the end of the financial year are as follows

	Total		Executive Director	
Description	**PS**	**RS**	**PS**	**RS**
Granted	14,295,900	3,566,600	1,072,100	268,000
Forfeited	(956,500)	(197,200)	–	–
Vested	–	(608,400)	–	(41,400)
Outstanding	13,339,400	2,761,000	1,072,100	226,600

The Company did not grant any share pursuant to the PBESS to the Non-Executive Directors.

7. Recurrent Related Party Transaction of a Revenue or Trading Nature

At the Thirteenth AGM held on 14 November 2019, the Company obtained a general mandate from its shareholders for recurrent related party transactions of a revenue or trading nature, to be entered into by the Company and/or its subsidiaries set out in the Circular to Shareholders dated 16 October 2019 (RRPT Mandate). The RRPT Mandate is valid until the conclusion of the forthcoming Fourteenth AGM of the Company to be held on 12 November 2020.

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 30 June 2020 were as follows:

No.	Transacting companies in our Group	Transacting Related Party	Nature of Transaction	Related Party	Value of Transaction RM' million
Transactions with Sime Darby Plantation Berhad (SD Plantation) and its subsidiaries					
1.	Kumpulan Sime Darby Berhad	SD Plantation	• Leaseback of the Malaysia Vision Valley Land 1 from KSDB to SD Plantation for the SD Plantation Group to carry out the planting/replanting, maintenance of oil palm, and the harvesting and selling of fresh fruit bunches#	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera (ASB)[1]	7.4
2.	Sime Darby Malaysia Berhad	SD Plantation	• Grant of a non-exclusive, non-assignable and non-transferable licence to use the "SIME DARBY" mark, Sime Darby Shield Device Logo, Shield Device Logo, Sime Darby in Chinese Characters, the "DEVELOPING SUSTAINABLE FUTURES" tagline and the "DELIVERING SUSTAINABLE FUTURES" tagline worldwide, solely in the course of or in connection with SD Plantation's business		2.0

Additional Compliance Information

(In accordance with Appendix 9C of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad)

No.	Transacting companies in our Group	Transacting Related Party	Nature of Transaction	Related Party	Value of Transaction RM' million
3.	Sime Darby Rent-A-Car Sdn Bhd	SD Plantation and its subsidiaries	• Car rental service income	ASB	1.9
4.	Sime Darby Auto ConneXion Sdn Bhd	SD Plantation and its subsidiaries	• Sale of motor vehicles, parts & services		0.5
5.	• Sime Darby Industrial Sdn Bhd • Hastings Deering (PNG) Limited • Hastings Deering (Solomon Islands) Limited	SD Plantation and its subsidiaries	• Sale of heavy equipment and spare parts and provision of maintenance services		17.2
6.	• Sime Darby Energy Solutions Sdn Bhd • Mecomb Malaysia Sdn Bhd	SD Plantation and its subsidiaries	• Provision of engineering maintenance services		–[3]
7.	Hastings Deering (PNG) Limited	New Britain Palm Oil Limited, a subsidiary of SD Plantation	• Foreign currency payment arrangement		116.6
				Total	145.6

No.	Transacting companies in our Group	Transacting Related Party	Nature of Transaction	Related Party	Value of Transaction RM' million
Others					
1.	Inokom Corporation Sdn Bhd (Inokom)	Mazda Malaysia Sdn Bhd (Mazda Malaysia)	• Rental income received from Mazda Malaysia^ • Contract manufacturing assembly fee received from Mazda Malaysia	Bermaz Auto Berhad (Bermaz)[2]	97.8
				Total	97.8
				Grand Total	243.4

Notes:

[1] ASB is a Major Shareholder of Sime Darby Berhad, holding 41.83% direct equity interest in Sime Darby. ASB is also a Major Shareholder of SD Plantation holding 45.22% in SD Plantation as at 30 June 2020.

[2] Bermaz is a Major Shareholder of Inokom, holding 29.00% direct interest in Inokom. Bermaz is an indirect Major Shareholder of Mazda Malaysia, holding an effective interest of 30.00% through Bermaz Motor Sdn Bhd, a direct wholly-owned subsidiary of Bermaz as at 30 June 2020.

[3] Less than RM0.1 million.

^ Lands held under H.S. (D) 4103, PT No 439 and H.S. (D) 4104, PT No 440, Mukim Padang Meha, Kulim, Kedah bearing postal address at Lot 38, Mukim Padang Meha, 09400 Padang Serai, Kulim, Kedah. The duration of the rental is 10 years (on a 3-year term basis for 3 terms and 1 year extended term). The payment is made on a monthly basis.

\# Location : 29 plots of agricultural land with development potential with a total land area of 3,518 hectares in Labu, Negeri Sembilan.
Term : Original fixed period of 3 years from 30 June 2017 to 29 June 2020. Agreement has been extended by another 3 years from 30 June 2020 to 29 June 2023.
Rental Formula : The preceding month's average price of crude palm oil (CPO) per metric tonne for Malaysia x total planted area (in hectares)/12. Average price of CPO refers to average Malaysian Palm Oil Board delivered CPO price.
Payment Term : Monthly basis on or before the seventh (7th) day of each calendar month.

The Company proposes to seek a renewal of the existing RRPT Mandate and a new mandate for additional recurrent related party transactions of a revenue or trading nature at its forthcoming Fourteenth AGM. The renewal of the existing RRPT Mandate and the new mandate, if approved by the shareholders, will be valid until the conclusion of the Company's next AGM.

Details of the RRPT Mandate and the new mandate being sought are provided in the Circular to Shareholders dated 14 October 2020.

Statement of Responsibility by the Board of Directors

The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Sime Darby Berhad Group. As required by the Companies Act, 2016 (Act) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended 30 June 2020, as presented on pages 164 to 291, have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

The Directors consider that in preparing the financial statements, the Group and the Company have used the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors are satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and the financial performance the Group and the Company for the financial year.

The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and of the Company to enable the Directors to ensure that the financial statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 28 September 2020.

Board Approval of Financial Statements

The annual financial statements for the financial year ended 30 June 2020 are set out on pages 164 to 291. The preparation thereof was supervised by the Group Chief Financial Officer and approved by the Board of Directors on 28 September 2020.

FINANCIAL STATEMENTS

Contents

Directors' Report

The Directors have the pleasure of presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. There has been no significant change in the principal activity of the Company during the financial year. The principal activities and details of the subsidiaries, joint ventures and associates are disclosed in Note 54 to the financial statements.

FINANCIAL RESULTS

The results of the Group and of the Company for the financial year ended 30 June 2020 were as follows:

	Group RM million	Company RM million
Profit before interest and tax	1,407	717
Finance income	51	–[1]
Finance costs	(183)	–[1]
Profit before tax	1,275	717
Taxation	(402)	–[1]
Profit for the financial year	873	717
Profit for the financial year attributable to owners of:		
– the Company	820	717
– non-controlling interests	53	–
Profit for the financial year	873	717

1 Less than RM1 million

DIVIDENDS

Since the end of the previous financial year, the Company had paid the following dividends:

	RM million
a. In respect of the financial year ended 30 June 2019, a second interim dividend of 7.0 sen per share and special dividend of 1.0 sen per share were paid on 31 October 2019; and	544
b. In respect of the financial year ended 30 June 2020, an interim dividend of 2.0 sen per share was paid on 12 May 2020	136
	680

The Board of Directors has declared a second interim dividend of 7.0 sen per ordinary share amounting to RM476 million and a special dividend of 1.0 sen per ordinary share amounting to RM68 million in respect of the financial year ended 30 June 2020. The dividends will be paid on 30 October 2020.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

SHARE CAPITAL AND DEBENTURES

During the financial year, the Company issued 608,400 new ordinary shares under the Performance-Based Employee Share Scheme ("PBESS") as disclosed in the PBESS paragraph of this report and Note 37 of the financial statements. With the allotment of the new shares, the Company's issued and paid-up capital has increased from 6,800,839,377 ordinary shares to 6,801,447,777 ordinary shares.

There were no other issuance of shares or debentures during the financial year.

PERFORMANCE-BASED EMPLOYEE SHARE SCHEME

The Company's PBESS is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 8 November 2012 and was effected on 15 January 2013. Under the PBESS, ordinary shares in the Company are granted to eligible employees and executive directors of the Group. The PBESS is in force for a maximum period of ten (10) years from the effective date and is administered by the Nomination & Remuneration Committee ("NRC").

On 15 January 2020, the Company offered the fourth Grant Offer of ordinary shares of the Company under the PBESS which comprised the Performance Share ("PS") Grant and Restricted Share ("RS") Grant. The salient features of the PBESS and the vesting conditions are disclosed in Note 37 to the financial statements.

On 11 November 2019, the Company issued 608,400 new ordinary shares under the PBESS for RS Grant at an issue price of RM2.293. With the allotment of the new shares, the Company's issued and paid-up capital has increased from 6,800,839,377 ordinary shares to 6,801,447,777 ordinary shares.

The number of shares granted under the PBESS and the number of shares outstanding at the end of the financial year are as follows:

Third grant
Grant date: 15 January 2019

	PS	RS
At 1 July 2019	7,656,800	1,910,100
Forfeited	(807,100)	(159,900)
Vested	–	(608,400)
At 30 June 2020	6,849,700	1,141,800

Fourth grant
Grant date: 15 January 2020

	PS	RS
Granted	6,489,700	1,619,200
At 30 June 2020	6,489,700	1,619,200

Directors' Report

Directors

The Directors who held office since the end of the previous financial year up to the date of the report are as follows:

Tan Sri Samsudin Osman
Datuk Wan Selamah Wan Sulaiman
Dato' Sri Abdul Hamidy Abdul Hafiz
Dato' Ahmad Pardas Senin
Thayaparan Sangarapillai
Dato' Lawrence Lee Cheow Hock
Moy Pui Yee
Mohamad Idros Mosin
Dato' Jeffri Salim Davidson
Dato' Dr Nirmala Menon (Appointed on 15 November 2019)
Tan Sri Ahmad Badri Mohd Zahir (Appointed on 1 September 2020)
Dato' Abdul Rahman Ahmad (Appointed on 1 September 2019 and resigned on 10 June 2020)
Dato Sri Lim Haw Kuang (Retired on 14 November 2019)
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah (Retired on 31 October 2019)

The names of Directors of subsidiaries are set out in the respective subsidiaries' financial statements, where applicable, and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than those arising from the PBESS as disclosed in the Directors' Interests in Shares.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest except for any benefits which may be deemed to have arisen from the transactions disclosed in Note 8 to the financial statements.

The Directors and officers of the Group and of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year amounted to RM0.4 million, which covers the period up to November 2020 (2019: RM0.4 million, which includes the period up to November 2019).

Directors' Interests in Shares

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in shares or debentures of the Company were as follows:

	As at 1 July 2019	Addition	As at 30 June 2020
Dato' Jeffri Salim Davidson	–	41,400[1]	41,400

[1] Shares vested pursuant to the PBESS

		Number of ordinary shares granted under PBESS				
	Grant Date	Grant Type	As at 1 July 2019	Vested	Granted	As at 30 June 2020
Dato' Jeffri Salim Davidson	15 January 2019	PS	497,700	–	–	497,700
		RS	124,400	(41,400)	–	83,000
	15 January 2020	PS	–	–	574,400	574,400
		RS	–	–	143,600	143,600

Statutory Information on the Financial Statements

a. Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

   i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

   ii. to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.

b. At the date of this Report, the Directors are not aware of any circumstances:

   i. which would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

   ii. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

   iii. which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

c. As at the date of this Report:

   i. there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

   ii. there are no material contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

d. No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

e. At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

f. In the opinion of the Directors:

   i. the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Notes 4, 11, 12, 13, 26 and 45 of the financial statements; and

   ii. there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Immediate and Ultimate Holding Companies

The Directors regard Permodalan Nasional Berhad as the Group's immediate holding company and Yayasan Pelaburan Bumiputra as its ultimate holding company. Both companies are incorporated in Malaysia.

Directors' Report

Auditors' Remuneration

Details of auditors' remuneration are set out in Note 9 of the financial statements.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 28 September 2020.

Signed on behalf of the Board of Directors:

Tan Sri Samsudin Osman
Chairman

Dato' Jeffri Salim Davidson
Executive Director/Group Chief Executive Officer

Petaling Jaya
Selangor
28 September 2020

Statement by Directors

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

We, Tan Sri Samsudin Osman and Dato' Jeffri Salim Davidson, two of the Directors of Sime Darby Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 164 to 291 are drawn up, in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of the financial performance of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 September 2020.

Tan Sri Samsudin Osman
Chairman

Dato' Jeffri Salim Davidson
Executive Director/Group Chief Executive Officer

Petaling Jaya
Selangor
28 September 2020

Statutory Declaration

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

I, Mustamir Mohamad, the officer primarily responsible for the financial management of Sime Darby Berhad, do solemnly and sincerely declare that the financial statements set out on pages 164 to 291 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Mustamir Mohamad
(MIA No. 15302)
Group Chief Financial Officer

Subscribed and solemnly declared by the abovenamed Mustamir Mohamad, at Petaling Jaya, Selangor, Malaysia on 28 September 2020.

Before me,

PESURUHJAYA SUMPAH
B 520
SHAHRUDIN BIN ESA
1.10.2018-31.12.2020
MALAYSIA

Shahrudin bin Esa
Commissioner for Oaths (No. B520)
Petaling Jaya
Selangor

B-1-08, Blok B, Oasis Square,
Ara Damansara, Jalan PJU 1A/7A,
47301 Petaling Jaya, Selangor.

Independent Auditors' Report

To the Members of Sime Darby Berhad
(Incorporated in Malaysia)
Registration No. 200601032645 (752404 U)

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements of Sime Darby Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 164 to 291.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Report on the Audit of the Financial Statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Recoverability of investments in joint ventures in the Logistics Division	
The carrying amounts of the Group's investment in two of its joint ventures, namely Weifang Port Services Co., Ltd ("WPS") and Weifang Sime Darby Liquid Terminal Co., Ltd ("WSDLT") as at 30 June 2020 amounted to RM nil million and RM230 million respectively. During the financial year, the Group has fully impaired its investment in WPS of RM74 million and receivables from WPS of RM24 million. The Group has also recognised an impairment loss of RM22 million on its investment in WSDLT. We focused on the recoverability of the Group's carrying amounts on its investments in WPS and WSDLT due to the significant estimates and judgement involved in determining the key assumptions used in deriving the recoverable amounts of the investments. For WPS, management made a judgement that WPS will not have excess cash inflows from the potential disposal of sea-use-rights after the eventual settlement of an outstanding legal claim by its vendor. In addition, the channel operation business will be impacted by the local operating conditions resulting in the inability to be profitable. Management performed the impairment assessment of the investment in WSDLT based on the fair value less cost to sell method determined using the discounted cash flow projection where the key inputs are based on the budget approved by the Directors of the Group. The key assumptions used in the cash flow projections are growth rates for revenue, port operation cost and overhead, and the discount rate. Refer to Notes 4(c), 12 and 30 to the financial statements.	For WPS, we compared the estimated proceeds from disposal of sea-use-rights to a quotation received from third party for comparable sea-use-rights owned by WPS and discussion with local authority. We checked the potential settlement of the outstanding legal claim by WPS's vendor to the court final adjudication issued by the Qingdao Maritime Court. We checked the mathematical accuracy of the interest charges on the outstanding legal claim computed by management. We have also discussed with the Logistics Division and Group management on the future business plans for WPS. For WSDLT, we agreed the discounted cash flow projections of the investments to the cash flow projections approved by the Directors of the Group. We evaluated the reasonableness of the key assumptions used by management in the cash flow projections by comparing the growth rates for revenue, port operation cost and overhead to historical results, market data where available and inflationary rates in China. We also compared the increase in sales volume and price escalation in the cash flow projections, being the two primary driving factors of revenue growth, to historical trends. We involved our internal valuation expert to assess the discount rate used in determining the recoverable amount of investment in WSDLT and the appropriateness of the valuation methodology adopted by management in their cash flow projections. We assessed the appropriateness of sensitivity analysis performed by management, including the disclosures, on a reasonable possible change in the key assumptions and the corresponding effect on the recoverable amount. Based on the above procedures performed, we did not note any material exceptions to the Directors' assessment on the impairment of investments in joint ventures totalling RM96 million and impairment of receivables of RM24 million as at 30 June 2020.

Independent Auditors' Report

To the Members of Sime Darby Berhad
(Incorporated in Malaysia)
Registration No. 200601032645 (752404 U)

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of carrying amount of intangible assets in the Industrial operations in Australasia	
Intangible assets of the Group as at 30 June 2020 included Bucyrus distribution rights and goodwill of RM708 million and RM40 million respectively, which are allocated to the heavy equipment business within the Industrial operations in Australasia. We focused on the recoverability of the carrying amount of intangible assets arising from the heavy equipment business in Australasia within the Industrial segment due to the significant estimates involved in determining the key assumptions used in deriving the recoverable amounts of the cash-generating units ("CGUs"), i.e. revenue growth, earnings before interest, tax, depreciation and amortisation ("EBITDA") growth rate, terminal growth rate and discount rate. Management performed impairment assessments of the CGUs based on the value-in-use determined using the discounted cash flow projections based on the budgets approved by the Directors of the Group. Management has prepared the cash flow projections considering actual historical results, current available information such as the outcome of tender processes, secured contracts or latest available market information. Based on management's assessment, the Directors are of the opinion that the carrying amount of the intangible assets is recoverable. Refer to Notes 4(a) and 23 to the financial statements.	We evaluated the reasonableness of the key assumptions used by management in the approved cash flow projections by comparing the revenue growth rate, EBITDA growth rate and terminal growth rate to historical results and industry data, where appropriate. We assessed the reliability of management's forecast by comparing their previous years' forecasted results against past trends of actual results. We involved our valuation expert to assess the discount rate used in determining the recoverable amounts of the CGUs. We checked the appropriateness of sensitivity analysis performed by management, including the disclosures in the financial statements. Based on the above procedures performed, we did not note any material exceptions to the Directors' assessment on the recoverability of carrying amount of intangible assets in the Industrial operations in Australasia as at 30 June 2020.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of financial asset from a joint venture, Mine Energy Solution Pty Ltd	
During the financial year, the Group has fully impaired its shareholder's loan extended to its joint venture, Mine Energy Solutions Pty Ltd ("MES") of RM72 million. The shareholder's loan was classified as a financial asset at fair value through profit and loss ("FVTPL") in the financial statements of the Group. We focused on the recoverability of the financial asset due to the significant estimate and judgement involved in determining the key assumptions used in deriving the recoverable amounts of the financial asset i.e. the eventual commercialisation and the net cash flows derived thereon for the projects in MES. Management determined the fair value of the financial asset based on the probability weighted discounted cash flows calculated under several scenarios, that were approved by the Directors of the Group. Based on management's assessment, the Directors have fully impaired the financial assets. Refer to Notes 4(e) and 26 to the financial statements.	We reviewed the multiple scenarios fair value model of the shareholder's loan to MES which was developed by management. We evaluated the reasonableness of the key assumptions and the probability weighting applied for the difference scenarios developed by management. We enquired management of MES to obtain an understanding of the status of the ongoing project and corroborated those facts with the assumptions that were used by management in the fair value model. We performed a look back assessment and compared the status of the project in the current financial year to the previous financial year. Based on the above procedures performed, we did not note any material exceptions to the Directors' assessment on the recoverability of the shareholder's loan to MES as at 30 June 2020.

Independent Auditors' Report

To the Members of Sime Darby Berhad
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Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Acquisition of dealerships from Gough Group Limited and Inchcape Australia Limited On 30 September 2019, the Group completed the acquisition of Gough Group Limited ("GGL") for a purchase consideration of RM574 million. On 2 December 2019, the Group acquired business assets and properties of three luxury car dealerships (collectively "Sydney dealerships") from Inchcape Australia Limited for a purchase consideration of RM440 million. Management assessed that the acquisitions of GGL and Sydney dealerships qualify as business combinations based on MFRS 3 "Business Combination". Management performed a purchase price allocation ("PPA") and determined that the fair value of the net identifiable assets acquired from GGL is RM574 million, resulting in no goodwill. The fair value adjustments to the net assets acquired from GGL amounted to RM17 million. Based on the PPA for the Sydney dealerships, management determined that the fair value of the net identifiable assets acquired from the Sydney dealerships is RM425 million, of which RM57 million relates to dealership rights, which are classified as intangible assets. Goodwill recognised on the acquisition of the Sydney dealerships as at 30 June 2020 amounted to RM15 million. We focused on the acquisition of GGL due to its significance to the financial statements of the Group. We focused on the acquisition of the Sydney dealerships as the determination of the dealership rights is a significant area of judgement. The goodwill arising from the acquisition of the Sydney dealerships is also highly dependent on the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. Refer to Notes 4(d), 23 and 45 to the financial statements.	We obtained management's assessments that the acquisitions of GGL and the Sydney dealerships qualify as business combinations in accordance with the definition in MFRS 3. We assessed the appropriateness of the identifiable assets acquired and the liabilities assumed at the acquisition date by reading the clauses set out in the respective Share Purchase Agreements and discussions with management. We agreed the final purchase consideration to the respective Share Purchase Agreements. We obtained the PPA report for the acquisition of GGL which was prepared by an external party. We assessed the competency, capabilities and objectivity of management's expert who prepared the PPA report by considering their professional background, reputation and experience in similar industry. We involved our valuation expert to assess the appropriateness of the methodology adopted by management in the PPA of GGL assessments. We also involved our tax experts to assess the tax implications arising from the acquisition of GGL. We also obtained the PPA assessment for the acquisition of the Sydney dealerships which was prepared by management and incorporating assessment on the fair value of the identified dealership rights performed by an external party. We assessed the competency, capabilities and objectivity of management and their expert in the preparation of the PPA assessment by considering their respective professional background and experience. We assessed the basis for determining the fair values of the identifiable assets and liabilities assumed at the respective dates of acquisition and the appropriateness of the discount rate used, where applicable. We tested the calculation of goodwill arising from the acquisition of the Sydney dealerships, being the difference between the total purchase consideration and the fair value of net identifiable assets. Based on the above procedures performed, we did not note any material exceptions to the Directors' recognition of identifiable assets and liabilities including intangible assets arising from the acquisitions of GGL and the Sydney dealerships as at 30 June 2020.

There are no key audit matters to report for the Company.

Report on the Audit of the Financial Statements (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Group Chief Executive Officer's Review, Creating Sustainable Value segment, Chairman's Statement on Corporate Governance, Nomination & Remuneration Committee Report, Governance & Audit Committee Report, Risk Management Committee Report, Statement on Risk Management and Internal Control, Statement of Responsibility by the Board of Directors, and Directors' Report, which we obtained prior to the date of this auditors' report, and the rest of the Annual Report 2020 of Sime Darby Berhad, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Independent Auditors' Report

To the Members of Sime Darby Berhad
(Incorporated in Malaysia)
Registration No. 200601032645 (752404 U)

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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

a. Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

d. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

e. Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 54 to the financial statements.

Other Matters

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

PAULINE HO
02684/11/2021 J
Chartered Accountant

Kuala Lumpur
28 September 2020

Statements of Profit or Loss

For the financial year ended 30 June 2020

Amounts in RM million unless otherwise stated

		Group		Company	
	Note	2020	2019	2020	2019
Revenue	6	**36,934**	36,156	**766**	742
Operating expenses	7	**(35,703)**	(34,937)	**(49)**	(46)
Other operating income	10	**342**	268	**–**[1]	–[1]
Other (losses) and gains	11	**(60)**	55	**–**	–
Operating profit		**1,513**	1,542	**717**	696
Share of results of joint ventures	12	**(62)**	(62)	**–**	–
Share of results of associates	13	**(44)**	(97)	**–**	–
Profit before interest and tax		**1,407**	1,383	**717**	696
Finance income	14	**51**	32	**–**[1]	1
Finance costs	15	**(183)**	(124)	**–**[1]	–
Profit before tax		**1,275**	1,291	**717**	697
Taxation	16	**(402)**	(281)	**–**[1]	(6)
Profit for the financial year		**873**	1,010	**717**	691
Profit for the financial year attributable to owners of:					
– the Company		**820**	948	**717**	691
– non-controlling interests		**53**	62	**–**	–
		873	1,010	**717**	691
		Sen	Sen		
Basic and diluted earnings per share attributable to owners of the Company:		**12.1**	13.9		

[1] Less than RM1 million

The weighted average number of ordinary shares used to calculate the basic earnings per share was 6,801 million (2019: 6,801 million).

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

The notes on pages 175 to 291 form an integral part of these financial statements.

Statements of Comprehensive Income

For the financial year ended 30 June 2020

Amounts in RM million unless otherwise stated

		Group		Company	
	Note	2020	2019	2020	2019
Profit for the financial year		**873**	1,010	**717**	691
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences		**133**	(59)	**–**	–
Share of other comprehensive income of joint ventures and associates		**4**	2	**–**	–
Net change in fair value of cash flow hedges		**19**	(4)	**–**	–
Taxation		**(5)**	2	**–**	–
		151	(59)	**–**	–
Reclassified to profit or loss:					
– currency translation differences on:					
– repayment of net investments		**(7)**	(3)	**–**	–
– disposal/liquidation of subsidiaries		**–**	5	**–**	–
– changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses		**(1)**	12	**–**	–
Reclassification of changes in fair value of cash flow hedges to inventories		**(7)**	3	**–**	–
Taxation		**2**	(2)	**–**	–
		138	(44)	**–**	–
Items that will not be reclassified subsequently to profit or loss					
Actuarial loss on defined benefit pension plans		**(4)**	–	**–**	–
Share of actuarial gain on defined benefit pension plans of a joint venture		**1**	2	**–**	–
		(3)	2	**–**	–
Total other comprehensive income/(loss)	18	**135**	(42)	**–**	–
Total comprehensive income for the financial year		**1,008**	968	**717**	691
Total comprehensive income for the financial year attributable to owners of:					
– the Company		**954**	907	**717**	691
– non-controlling interests		**54**	61	**–**	–
		1,008	968	**717**	691

The notes on pages 175 to 291 form an integral part of these financial statements.

Statements of Financial Position

As at 30 June 2020

Amounts in RM million unless otherwise stated

		Group		Company	
	Note	2020	2019	2020	2019
NON-CURRENT ASSETS					
Property, plant and equipment	19	**6,010**	5,727	**–**	–
Right-of-use assets	20	**2,395**	–	**–**[1]	–
Prepaid lease rentals	21	**–**	292	**–**	–
Investment properties	22	**296**	286	**–**	–
Intangible assets	23	**1,596**	1,484	**–**	–
Subsidiaries	24	**–**	–	**8,887**	3,890
Joint ventures	12	**993**	1,145	**–**	–
Associates	13	**351**	433	**–**	–
Financial assets at fair value through profit or loss	26	**22**	87	**–**	–
Deferred tax assets	27	**613**	542	**–**	–
Tax recoverable	28	**46**	65	**–**	–
Derivative assets	29	**–**	2	**–**	–
Receivables and other assets	30	**230**	283	**–**	–
		12,552	10,346	**8,887**	3,890
CURRENT ASSETS					
Inventories	31	**8,346**	8,538	**–**	–
Receivables and other assets	30	**4,042**	4,120	**1**	2
Contract assets	32	**54**	46	**–**	–
Amounts due from subsidiaries	25	**–**	–	**969**	5,897
Prepayments	33	**423**	563	**–**	–
Tax recoverable	28	**56**	72	**–**	1
Derivative assets	29	**3**	6	**–**	–
Bank balances, deposits and cash	34	**1,694**	1,723	**130**	150
		14,618	15,068	**1,100**	6,050
Assets held for sale	35	**103**	102	**–**	–
TOTAL ASSETS		**27,273**	25,516	**9,987**	9,940

[1] Less than RM1 million

	Note	Group 2020	Group 2019	Company 2020	Company 2019
EQUITY					
Share capital	36	**9,300**	9,299	**9,300**	9,299
Reserves	38	**540**	380	**15**	6
Retained profits		**5,157**	5,034	**670**	633
ATTRIBUTABLE TO OWNERS OF THE COMPANY		**14,997**	14,713	**9,985**	9,938
Non-controlling interests	39	**416**	405	**–**	–
TOTAL EQUITY		**15,413**	15,118	**9,985**	9,938
NON-CURRENT LIABILITIES					
Borrowings	40	**110**	178	**–**	–
Lease liabilities	41	**1,438**	–	**–**[1]	–
Payables and other liabilities	42	**21**	10	**–**	–
Contract liabilities	32	**147**	169	**–**	–
Government grants	43	**153**	152	**–**	–
Provisions	44	**22**	16	**–**	–
Deferred tax liabilities	27	**331**	289	**–**	–
		2,222	814	**–**	–
CURRENT LIABILITIES					
Borrowings	40	**2,121**	2,397	**–**	–
Lease liabilities	41	**376**	–	**–**[1]	–
Derivative liabilities	29	**6**	18	**–**	–
Payables and other liabilities	42	**4,317**	4,647	**2**	2
Contract liabilities	32	**2,128**	1,991	**–**	–
Provisions	44	**417**	405	**–**	–
Tax payable		**273**	126	**–**	–
		9,638	9,584	**2**	2
TOTAL LIABILITIES		**11,860**	10,398	**2**	2
TOTAL EQUITY AND LIABILITIES		**27,273**	25,516	**9,987**	9,940

[1] Less than RM1 million

The notes on pages 175 to 291 form an integral part of these financial statements.

Statements of Changes in Equity

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

Group 2020	Note	Share capital	Reserves[1]	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total Equity
At 1 July 2019		9,299	380	5,034	14,713	405	15,118
Profit for the financial year		–	–	820	820	53	873
Other comprehensive income/(loss) for the financial year	18	–	137	(3)	134	1	135
Total comprehensive income for the financial year		–	137	817	954	54	1,008
Transfer between reserves[2]		–	14	(14)	–	–	–
Acquisition of a non-wholly owned subsidiary		–	–	–	–	3	3
Performance-based employee share scheme		–	10	–	10	–	10
Issuance of shares under the performance-based employee share scheme		1	(1)	–	–	–	–
Transactions with owners:							
– acquisition of non-controlling interests		–	–	–	–	(1)	(1)
– capital repayment by a non-wholly owned subsidiary		–	–	–	–	(8)	(8)
– dividends paid by way of cash	17	–	–	(680)	(680)	(27)	(707)
– dividends payable		–	–	–	–	(10)	(10)
At 30 June 2020		9,300	540	5,157	14,997	416	15,413

1 An analysis of the movements in each category within reserves is disclosed in Note 38.

2 Reclassification from retained profits to legal and capital reserves to reflect the restricted nature of the reserves at subsidiaries.

Group 2019	Note	Share capital	Reserves[1]	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total Equity
At 1 July 2018, as previously stated		9,299	341	4,730	14,370	389	14,759
Effects of adoption of MFRS 9		–	(3)	(19)	(22)	–	(22)
Restated as at 1 July 2018		9,299	338	4,711	14,348	389	14,737
Profit for the financial year		–	–	948	948	62	1,010
Other comprehensive (loss)/income for the financial year	18	–	(43)	2	(41)	(1)	(42)
Total comprehensive (loss)/income for the financial year		–	(43)	950	907	61	968
Transfer between reserves[2]		–	94	(94)	–	–	–
Reclassification upon disposal of a subsidiary		–	(15)	15	–	–	–
Acquisition of non-wholly owned subsidiary		–	–	–	–	5	5
Disposal of non-wholly owned subsidiary		–	–	–	–	(4)	(4)
Performance-based employee share scheme		–	6	–	6	–	6
Transactions with owners:							
– issue of shares in a subsidiary		–	–	–	–	2	2
– acquisition of non-controlling interests		–	–	(4)	(4)	1	(3)
– dividends paid by way of cash	17	–	–	(544)	(544)	(49)	(593)
At 30 June 2019		9,299	380	5,034	14,713	405	15,118

1 An analysis of the movements in each category within reserves is disclosed in Note 38.
2 Reclassification from retained profits to legal and capital reserves to reflect the restricted nature of the reserves at subsidiaries.

Statements of Changes in Equity

For the Financial Year Ended 30 June 2020
Amounts in RM million unless otherwise stated

Company 2020	Note	Share capital	Share grant reserve	Retained profits	Total equity attributable to owners of the Company
2020					
At 1 July 2019		**9,299**	**6**	**633**	**9,938**
Profit for the financial year		**–**	**–**	**717**	**717**
Performance-based employee share scheme		**–**	**10**	**–**	**10**
Issuance of shares under the performance-based employee share scheme		**1**	**(1)**	**–**	**–**
Transaction with owners:					
– dividends paid by way of cash	17	**–**	**–**	**(680)**	**(680)**
At 30 June 2020		**9,300**	**15**	**670**	**9,985**
2019					
At 1 July 2018		9,299	–	486	9,785
Profit for the financial year		–	–	691	691
Performance-based employee share scheme		–	6	–	6
Transaction with owners:					
– dividends paid by way of cash	17	–	–	(544)	(544)
At 30 June 2019		9,299	6	633	9,938

The notes on pages 175 to 291 form an integral part of these financial statements.

Statements of Cash Flows

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

	Group		Company	
	2020	**2019**	**2020**	**2019**
Cash flow from operating activities				
Profit for the financial year	**873**	1,010	**717**	691
Adjustments for:				
– dividend from subsidiaries	**–**	–	**(766)**	(742)
– dividend income from financial assets	**(120)**	(135)	**–**	–
– share of results of joint ventures and associates	**106**	159	**–**	–
– finance income	**(51)**	(32)	**–**[1]	(1)
– finance costs	**183**	124	**–**[1]	–
– taxation	**402**	281	**–**[1]	6
– gain on disposals and compensation (net)	**(43)**	(122)	**–**	–
– impairment losses/(reversal of impairment losses) on receivables and loans to joint venture (net)	**72**	(4)	**–**	–
– impairment losses on non-financial assets (net)	**20**	1	**–**	–
– depreciation and amortisation	**1,053**	598	**–**	–
– inventory writedown and provision (net)	**242**	225	**–**	–
– fair value loss on financial assets at fair value through profit or loss	**72**	47	**–**	–
– other non-cash items	**21**	26	**–**	–
	2,830	2,178	**(49)**	(46)
Changes in working capital:				
– inventories	**947**	(1,085)	**–**	–
– rental assets	**(677)**	(710)	**–**	–
– receivables and other assets	**465**	459	**1**	2
– payables and other liabilities	**(524)**	652	**–**	(3)
Cash generated from/(used in) operations	**3,041**	1,494	**(48)**	(47)
Tax (paid)/refunded	**(269)**	(289)	**1**	(6)
Dividends received from:				
– subsidiaries	**–**	–	**828**	592
– joint ventures and associates	**120**	12	**–**	–
– financial assets	**120**	135	**–**	–
Net cash flow from operating activities	**3,012**	1,352	**781**	539

[1] Less than RM1 million

Statements of Cash Flows

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

		Group		Company	
	Note	2020	2019	2020	2019
Cash flow from investing activities					
Finance income received		**36**	25	**–**	–
Proceeds from sale of:					
– property, plant and equipment		**62**	42	**–**	–
– other non-financial assets		**23**	32	**–**	–
Net cash inflow from disposal of subsidiaries		**1**	278	**–**	–
Purchase of:					
– property, plant and equipment	19(d)	**(526)**	(360)	**–**	–
– other non financial assets		**(30)**	(17)	**–**	–
Additions to financial assets at fair value through profit or loss		**(8)**	(17)	**–**	–
Subscription of shares in subsidiaries		**–**	–	**–**	(300)
Acquisition of subsidiaries and businesses	45	**(990)**	(182)	**–**	–
Subscription of shares in joint ventures		**(2)**	(12)	**–**	–
(Advances to)/settlement by subsidiaries (net)		**–**	–	**(126)**	290
Repayment of loans by joint ventures		**3**	9	**–**	–
Loans to joint ventures		**(20)**	–	**–**	–
Capital repayment by an associate		**24**	–	**–**	–
Net cash flow used in investing activities		**(1,427)**	(202)	**(126)**	(10)

	Note	Group 2020	Group 2019	Company 2020	Company 2019
Cash flow from financing activities					
Proceeds from shares issued to non-controlling interest		**–**	2	**–**	–
Proceeds from performance-based employee share scheme		**–**	–	**5**	2
Purchase of additional interest in subsidiaries		**(1)**	(44)	**–**	–
Capital repayment by a subsidiary		**(8)**	–	**–**	–
Finance costs paid		**(116)**	(143)	**–**	–
Long term borrowings raised		**19**	–	**–**	–
Long term borrowings repaid		**(72)**	(288)	**–**	–
Short term loans raised		**887**	–	**–**	–
Short term loans repaid		**(206)**	–	**–**	–
Short term Islamic financing and other short term borrowings repaid (net)		**(943)**	(97)	**–**	–
Repayment of lease liabilities		**(447)**	–	**–**	–
Dividends paid to shareholders		**(680)**	(544)	**(680)**	(544)
Dividends paid to non-controlling interests		**(27)**	(49)	**–**	–
Net cash used in financing activities		**(1,594)**	(1,163)	**(675)**	(542)
Net decrease in cash and cash equivalents		**(9)**	(13)	**(20)**	(13)
Foreign exchange differences		**30**	13	**–**	–
Cash and cash equivalents at beginning of the financial year		**1,629**	1,629	**150**	163
Cash and cash equivalents at end of the financial year [note (a)]		**1,650**	1,629	**130**	150

a. Cash and cash equivalents at end of the financial year:

	Note	Group 2020	Group 2019	Company 2020	Company 2019
Bank balances, deposits and cash	34	**1,694**	1,723	**130**	150
Bank overdrafts	40	**(44)**	(94)	**–**	–
Cash and cash equivalents		**1,650**	1,629	**130**	150

Statements of Cash Flows

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

b. Reconciliation of liabilities arising from financing activities of the Group

	2020		2019
	Borrowings	Lease liabilities	Borrowings
At 1 July	**2,575**	**–**	2,889
Adoption of MFRS 16 [Note 51]	**(3)**	**1,776**	–
Long term borrowings raised	**19**	**–**	–
Long term borrowings repaid	**(72)**	**–**	(288)
Short term loans raised	**887**	**–**	–
Short term loans repaid	**(206)**	**–**	–
Short term Islamic financing and other short term borrowings repaid (net)	**(943)**	**–**	(97)
Repayment of lease liabilities	**–**	**(447)**	–
Net overdraft repayment disclosed as cash and cash equivalents	**(65)**	**–**	51
Acquisition of subsidiaries and businesses	**18**	**160**	–
Addition and termination of leases	**–**	**216**	–
Finance costs [Note 15]	**100**	**72**	113
Finance costs paid	**(97)**	**–**	(110)
Exchange differences	**18**	**37**	17
At 30 June	**2,231**	**1,814**	2,575

Breakdown of finance costs paid:

	2020	2019
Borrowings	**97**	110
Payables and others	**19**	31
Cross currency swap	**–**	2
	116	143

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

1 General Information

The Company is principally an investment holding company. There has been no significant change in the principal activity of the Company during the financial year.

The Group's subsidiaries, joint ventures and associates are primarily involved in the trading (industrial and motors), logistics and healthcare businesses. The principal activities and details of the subsidiaries, joint ventures and associates are disclosed in Note 54.

2 Basis of Preparation

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

The financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies in Note 3.

The preparation of financial statements in conformity with MFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and to the Company's financial statements are disclosed in Note 4.

During the financial year, the Group has considered the new accounting pronouncements in the preparation of the financial statements.

a. Standards and amendments to published standards that are applicable to the Group and the Company

The Group and the Company have applied the following new standards, amendments to published standards and IC interpretations for the first time for the financial year beginning 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations'
  - Amendments to MFRS 11 'Joint Arrangements'
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowing Costs'
- Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'

The Group has adopted MFRS 16 for the first time in the financial statements for the financial year ended 30 June 2020, which resulted in changes in accounting policies. The Group has applied MFRS 16 with the date of initial application of 1 July 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of statement of financial position as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

2 Basis of Preparation (continued)

a. Standards and amendments to published standards that are applicable to the Group and the Company (continued)

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application. The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

The practical expedients elected and the detailed impact of change in accounting policies are set out in Note 51. The details of the accounting policies on leases are disclosed separately in Note 3(d).

Other than MFRS 16, the adoption of other amendments to published standards and interpretation to existing standards listed above did not have any material impact in the current period or any prior period and is not likely to materially affect future periods.

b. Amendments to published standards that has been early adopted by the Group

The Group has early adopted Amendments to MFRS 16 on COVID-19 related rent concessions. As a practical expedient, the Group as a lessee has elected not to assess whether a rent concession that meets conditions as set out in MFRS 16 is a lease modification. As such, any change in lease payments resulting from the rent concession shall be accounted as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs and is recognised directly to profit or loss. The adoption of this amendment had no material impact in the current period.

c. Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

i. Amendments to published standards and interpretations that are effective for the financial year beginning on or after 1 July 2020, where their adoption are not expected to result in any significant changes to the Group's and Company's results or financial position, are as follows:

<u>Effective for annual periods beginning on or after 1 January 2020</u>

- Conceptual Framework for Financial Reporting: The Reporting Entity and corresponding amendments to references in the relevant standards
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

<u>Effective for annual periods beginning on or after 1 January 2023</u>

MFRS 17 – Insurance Contracts and amendments to MFRS 17

ii. Amendments to published standards and interpretations that are effective for the financial year beginning on or after 1 July 2020, where the Group and Company are still assessing their impact to the Group's and Company's financial statements in the year of initial application:

<u>Effective for annual periods beginning on or after 1 January 2022</u>

- Annual improvements to MFRS standards 2018 – 2020:
  - Amendments to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'
- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Amendments to MFRS 137 'Onerous contracts – cost of fulfilling a contract'

<u>Effective for annual periods beginning on or after 1 January 2023</u>

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current'

2 Basis of Preparation (continued)

d. The effective date for the following amendment has been deferred to a date to be determined by Malaysian Accounting Standards Board

Amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'.

3 Significant Accounting Policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements, and to all the financial years presented, unless otherwise stated.

a. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries made up to the end of the financial year and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

i. Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group has power over the entity, has exposure to or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated using the acquisition method except for those subsidiaries acquired under common control. Under the acquisition method, subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date when control ceases. The consideration is measured at the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange.

Contingent consideration is recorded at fair value as a component of the purchase consideration with subsequent adjustment resulting from events after the acquisition date taken to profit or loss. Acquisition related costs are recognised as expenses when incurred.

Existing equity interests in the acquiree are re-measured to fair value at the date of business combination with any resulting gain or loss taken to the profit or loss.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at their fair values, at the date of acquisition. The excess of the consideration and the fair value of previously held equity interests over the Group's share of the fair value of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. Any gain from bargain purchase is recognised directly in profit or loss.

Intercompany transactions and balances are eliminated on consolidation, but unrealised losses arising therefrom are eliminated only to the extent of the cost of the asset that can be recovered, and the balance is recognised in the profit or loss as reduction in net realisable value or as impairment loss.

Non-controlling interests in the results and net assets of non-wholly owned subsidiaries are presented separately in the financial statements. Transactions with owners of non-controlling interests without a change in control are treated as equity transactions in the statement of changes in equity.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020
Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

a. Basis of consolidation (continued)

ii. Business combinations under common control

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying amount of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction costs for the combination are recognised in profit or loss.

A similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

iii. Joint ventures

Joint ventures are separate vehicles in which the Group has rights to its net assets and where their strategic, financial and operating decisions require unanimous consent of the Group and one or more parties sharing the control.

Joint ventures are accounted using the equity method. Equity method is a method of accounting whereby the investment is recorded at cost inclusive of goodwill and adjusted thereafter for the Group's share of the post-acquisition results and other changes in the net assets of the joint ventures based on their latest audited financial statements or management accounts. Where necessary, adjustments are made to the financial statements of joint ventures used by the Group in applying the equity method to ensure consistency of accounting policies with those of the Group.

After application of the equity method, the carrying amount of the joint ventures will be assessed for impairment. When the Group's share of losses in joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations in respect of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the assets transferred is recognised in profit or loss.

When joint control ceases, the disposal proceeds and the fair value of any retained investment are compared to the carrying amount of the joint venture. The difference together with the cumulative exchange reserve that relate to the joint venture is recognised as gain or loss on disposal. In the case of partial disposal without losing joint control, the difference between the proceeds and the carrying amount disposed, and the proportionate exchange reserve is recognised as gain or loss on disposal.

3 Significant Accounting Policies (continued)

a. Basis of consolidation (continued)

iv. Associates

Associates are entities in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions, but not control over those policies.

Investments in associates are accounted for using the equity method, similar to Note 3(a)(iii) above.

b. Foreign currencies

i. Presentation and functional currencies

Ringgit Malaysia is the presentation currency of the Group and of the Company. Ringgit Malaysia is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates. The Group's foreign operations have different functional currencies.

ii. Transactions and balances

Foreign currency transactions and monetary items are translated into the functional currency using the exchange rates prevailing at the transaction dates and at the end of the reporting period, respectively. Foreign exchange differences arising therefrom and on settlement are recognised in profit or loss.

Foreign exchange differences arising from the translation of a monetary item designated as a hedge of net investment in a foreign operation are recognised in other comprehensive income in the consolidated financial statements until the net investment is disposed.

iii. Translation of foreign currency financial statements

For consolidation purposes, the foreign operations' results are translated into the Group's presentation currency at average exchange rates for the financial year whilst the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the end of the reporting period. The resulting translation differences are recognised in other comprehensive income and accumulated in exchange reserve.

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future, are treated as part of the net investment in the subsidiary. Translation differences arising therefrom are recognised in other comprehensive income and reclassified from equity to profit or loss upon repayment or disposal of the relevant entity.

Exchange reserve in respect of a foreign operation is recognised in profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interest. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

c. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of an asset.

The carrying amount of the replaced part is derecognised and all repairs and maintenance costs are charged to the profit or loss.

Freehold land is not depreciated as it has indefinite life. Other property, plant and equipment are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives.

The principal annual depreciation rates are as follows:

Buildings	2% to 20%
Plant and machinery	4% to 20%
Rental assets	10% to 33.3%
Vehicles, equipment and fixtures	5% to 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually.

Rental assets will be transferred to inventories at their carrying amounts when they cease to be rented and are held for sale.

Accounting policies applied from 1 July 2019

From 1 July 2019, leasehold land are presented as a separate line item in right-of-use assets. See accounting policy Note 3(d) on right-of-use assets for these assets.

Accounting policies applied until 30 June 2019

Leasehold land is depreciated over the lease period of up to 99 years.

d. Leases

Group as a lessee

Accounting policies applied from 1 July 2019

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate the lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

3 Significant Accounting Policies (continued)

d. Leases (continued)

Group as a lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in the lease term results in a remeasurement of lease liabilities. See accounting policy in Note 3(d)(ii) on reassessment of lease liabilities.

i. ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and accumulated impairment loss. In addition, the ROU assets are adjusted for certain remeasurement of lease liabilities. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

The principal annual depreciation rates are as follows:

Leasehold land and sea-use rights	Up to 99 years
Buildings	5% to 50%
Vehicles, equipment, fixtures and rental assets	5% to 50%

ii. Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to purchase an asset of similar value to the ROU in a similar economic environment with a similar term, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

d. Leases (continued)

Group as a lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

ii Lease liabilities (continued)

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss.

i. Reassessment of lease liabilities

The Group is also exposed to potential future increase in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liabilities is remeasured and adjusted against the ROU assets.

ii. Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting policies applied until 30 June 2019

i. Finance leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

ii. Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals on operating leases are charged to the profit or loss on a straight-line basis over the lease term.

Group as a lessor

i. Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease.

ii. Operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

3 Significant Accounting Policies (continued)

e. Prepaid lease rentals

Accounting policies applied from 1 July 2019

From 1 July 2019, prepaid lease rentals are reclassified to right-of-use assets. See accounting policy Note 3(d) on right-of-use assets for these assets.

Accounting policies applied until 30 June 2019

Prepaid lease rentals represent payment for rights to use land or sea over a predetermined period that is accounted for as an operating lease and is stated at cost less amount amortised and accumulated impairment losses.

The prepaid lease rentals are amortised on a straight-line basis over the lease period of up to 51 years.

f. Investment properties

Investment properties are land and buildings held for rental income and/or capital appreciation which are not significantly occupied or intended to be occupied for use by, or in the operations of the Group.

Right-of-use assets that meet the definition of investment property in accordance with MFRS 140 are presented in the statement of financial position as investment property. Subsequent measurement of the right-of-use asset is consistent with those investment properties owned by the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land and buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives.

The principal annual depreciation rates are as follows:

Leasehold land	over the lease period of 62 years
Buildings	2% to 5%, or over the lease term if shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, annually.

g. Investments in subsidiaries

Investments in subsidiaries and contribution to subsidiaries are recorded at costs less accumulated impairment losses, if any, in the Company's financial statements.

Contributions to subsidiaries are amounts which the Company does not expect repayment in the foreseeable future and are considered as part of the Company's investment in the subsidiaries.

h. Intangible assets

i. Goodwill

Goodwill represents the excess of the consideration and the fair value of previously held interests over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill on acquisition of joint ventures and associates is included as part of the cost of investments in joint ventures and associates. Such goodwill is tested for impairment as part of the overall net investment in each joint venture and associate.

ii. Distribution and dealership rights

Distribution and dealership rights with no predetermined service period are stated at cost less accumulated impairment losses, if any, and are not amortised.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

h. Intangible assets (continued)

iii. Other intangible assets

Other intangible assets include computer software, trademarks, customer relationships and development costs. Research costs are charged to the profit or loss in the financial year in which the expenditure is incurred whilst development costs which fulfill commercial and technical feasibility criteria are capitalised at cost.

These intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their estimated useful lives and commences from the date of commercial production of the product to which the development costs relate or when the intangible assets are ready for use.

The annual amortisation rates are as follows:

Computer software	10% to 33.3%
Trademarks	5% to 20%
Customer relationships	10%
Development costs	over the period of the expected benefit, not exceeding a period of 5 years

i. Assets held for sale

Non-current assets or groups of assets are classified as "held for sale" if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Similarly, liabilities directly associated with the disposal groups are also presented separately from other liabilities in the statement of financial position.

Depreciation ceases when an asset is classified as an asset held for sale. Assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.

j. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined principally by the following methods:

Equipment and motor vehicles	Specific identification basis
Spare parts and accessories	Weighted average basis

The cost of raw materials, consumable stores, replacement parts and trading inventories represents cost of purchase plus incidental costs, and in the case of other inventories, includes cost of materials, direct labour, other direct costs and related production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less cost to completion and selling expenses.

Demonstration vehicles are classified as inventories as they are readily available for sale and are generally sold within a year.

3 Significant Accounting Policies (continued)

k. Financial assets

The Group classifies its financial assets in the following measurement categories:

i. Financial assets at amortised cost – Debt instruments

The Group classifies its financial assets at amortised cost when the asset is held within a business model with the objective to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets of the Group which fall under this category are trade and other receivables, amounts due from subsidiaries, bank balances, deposits and cash.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with the related foreign exchange gains and losses. Impairment losses are presented as a separate line item in the notes to the statement of profit or loss.

ii. Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. Derivatives, including separated embedded derivatives, are also measured at FVTPL unless they are designated as effective hedging instruments. The accounting policy for derivatives designated as a hedge is disclosed in Note 3(l).

At initial recognition, the Group measures this financial asset at its fair value. Transaction costs attributable to financial assets carried at FVTPL are expensed in profit or loss. Net changes in the fair value of financial assets at FVTPL are subsequently recognised in other gains and losses in profit or loss. Purchases and sales of financial assets are recognised at trade date, the date at which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified as current assets for those having maturity dates of not more than 12 months after the end of the reporting period, and the balance is classified as non-current. See Note 3(n)(iii) on impairment of financial assets.

l. Derivatives and hedging activities

Derivatives are measured at fair value. A derivative that is neither designated nor an effective hedging instrument is categorised under fair value through profit or loss and changes in its fair value are recognised in profit or loss. In the case of a derivative that qualifies for cash flow hedge and borrowings that are used as hedge instruments against receivables or net investments, the changes in the derivative's fair value and the exchange differences arising from the translation of the borrowings are recognised in other comprehensive income.

The gain or loss is removed from equity and included in profit or loss in the same period or periods during which the hedged item affects profit or loss. In the case of a hedge of a forecast transaction which results in the recognition of a non-financial asset or a non-financial liability, the gain or loss is removed from equity and included in the carrying amount of the asset or liability. The gain or loss is also removed from equity and included in profit or loss when the derivative expires, no longer meets the criteria for hedge accounting, or the forecasted transaction is no longer expected to occur.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are classified as current asset or current liability for those having maturity dates of not more than 12 months after the end of the reporting period, and the balance is classified as non-current.

At the inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transaction.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

m. Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of engineering contracts, contract asset is the excess of cumulative revenue earned over the billings to-date. See note 3(n)(iii) on impairment of contract assets.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of engineering contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

n. Impairment

Goodwill and other intangible assets that have an indefinite useful life or are not yet available for use are tested annually for impairment. Other non-financial assets are assessed for indication of impairment. If an indication exists, an impairment test is performed. In the case of financial assets, investment in subsidiaries and interest in joint ventures and associates, they are assessed for objective evidence of impairment.

This exercise is performed annually or whenever events or circumstances occur indicating that impairment may exist.

The recognition and measurement of impairment are as follows:

i. Non-financial assets

An impairment loss is recognised for the amount by which the carrying amount of the non-financial asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Impairment loss on non-financial assets is charged to profit or loss.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in profit or loss. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

ii. Subsidiaries, joint ventures and associates

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment, including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss and reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

3 Significant Accounting Policies (continued)

n. Impairment (continued)

iii. Impairment of financial assets and contract assets

The Group recognises an allowance for expected credit loss ("ECL") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss is immaterial.

ECLs are measured based on a general 3-stage approach and a simplified approach.

General 3-stage approach for other receivables and amounts due from subsidiaries

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Simplified approach for trade receivables, contract assets and finance lease receivables

For trade receivables, contract assets and finance lease receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment considers available, reasonable and supportable forward-looking information such as:

- internal credit rating/assessment
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor (where available)
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

n. Impairment (continued)

iii. Impairment of financial assets and contract assets (continued)

Significant increase in credit risk (continued)

The Group considers a receivable as credit impaired when one or more events that have a detrimental impact on the estimated cash flow have occurred. These instances include adverse changes in the financial capability of the debtor and default or significant delay in payments. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off to profit or loss when there is no reasonable expectation of recovering the contractual cash flows.

Grouping of instruments for ECL measured on collective basis

Collective assessment

To measure ECL, trade receivables and contract assets are grouped into categories. The categories are differentiated by the different business risks and are subject to different credit assessments. Contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group considers the expected loss rates for trade receivables as a reasonable approximation of the loss rates for contract assets with similar risk characteristics.

Individual assessment

Trade receivables, contract assets, other receivables and amounts due from subsidiaries which are in default or credit-impaired are assessed individually.

o. Share capital

Proceeds from ordinary shares issued are accounted for as share capital in equity. Cost directly attributable to the issuance of new shares are deducted from equity.

Dividends to owners of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

p. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, where the outflow of resources is probable and can be reliably estimated. Provisions are measured at the present value of the obligation. The increase in the provision due to the passage of time is recognised as finance cost.

q. Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants are carried in the statement of financial position and allocated to profit or loss over the useful lives of the related assets or over the period of the operating expenditure to which the grants are intended to compensate. Grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

3 Significant Accounting Policies (continued)

r. Employee costs

i. Employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the services are rendered by employees.

ii. Defined contribution pension plans

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has various defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. The Group's contributions to defined contribution pension plans are charged to profit or loss in the financial year in which they relate to.

iii. Defined benefit pension plans

Defined benefit pension plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group's defined benefit pension plans are determined based on a periodic actuarial valuation by external consultants where the amount of the benefits that eligible employees have earned in return for their services in the current and prior years are estimated.

The liabilities in respect of the defined benefit pension plans are the present values of the defined benefit obligations at the end of the reporting period, adjusted for actuarial gains and losses and past service costs, and reduced by the fair value of the plan assets. The defined benefit obligations, calculated using the Projected Unit Credit Method, are determined by independent actuaries, considering the estimated future cash outflows.

Actuarial gains or losses arising from market adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

iv. Termination benefits

Termination benefits are payable whenever an employee's employment is terminated in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of a proposal to encourage voluntary redundancy.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

r. Employee costs (continued)

v. Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the Group's employees. Employee services received in exchange for the grant of the Company's shares are recognised as an expense in the profit or loss over the vesting period of the grant, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

Non-market vesting conditions are included in the assumptions to arrive at the number of shares that are expected to vest. At the end of the reporting period, the Group and the Company revise their estimates of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to equity.

The fair value of shares granted to employees of subsidiaries is recharged by the Company to the relevant subsidiaries.

s. Financial liabilities

The Group's financial liabilities are classified into the following categories and the accounting policies for each of these categories are as follows:

i. Financial liabilities at fair value through profit or loss

Derivatives not designated as hedges are classified as fair value through profit or loss. These financial liabilities are measured at fair value. Any gain or loss arising from changes in fair value and transaction costs is recognised in profit or loss.

ii. Financial liabilities at amortised cost

Payables, amounts due to subsidiaries and borrowings are recognised initially at fair value plus transaction costs and thereafter, at amortised cost using the effective interest method. Amortisation is charged to profit or loss.

iii. Derivatives used for hedging activities

The accounting policy for derivatives used for hedging activities is disclosed in Note 3(l).

Financial liabilities are classified as current liabilities for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

t. Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks, net of bank overdrafts.

3 Significant Accounting Policies (continued)

u. Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Performance obligations by segment are as follows:

i. Industrial

Industrial segment revenue consists of sale and installation of equipment, sale of parts, provision of after-sales services and engineering services.

(a) Sale and installation of equipment, parts and provision of after-sales maintenance

Revenue from sale of equipment and after-sales maintenance are recognised respectively in the period in which the customer accepts the delivery of the goods and services rendered.

Contracts that bundle the sale of equipment, after-sales maintenance, provision of parts credit and extended warranty are recognised as four distinct performance obligations for revenue recognition purposes. Parts credit represents prepaid amounts for equipment parts which customers will redeem in the future. Credit is given together with the sale of machine based on negotiated terms with the customer. Revenue from parts credit is recognised upon utilisation of credit for parts exchange.

Contracts that bundle the sale and installation of generator sets are recognised as a single performance obligation as the installation includes a significant integration service. Revenue is recognised progressively based on the percentage of completion determined by reference to the completion of the physical proportion of contract work to-date.

There is no significant financing component in the revenue arising from sale and installation of equipment, parts and provision of after-sales maintenance as almost all sales are made on the normal credit terms not exceeding 12 months.

(b) Extended warranty programme

The Group operates an extended warranty programme where customers are given additional 12-month warranty in addition to the standard warranty. Revenue for the extended warranty is recognised in the period in which the warranty services are rendered. No element of financing is deemed present as the sales are made on normal credit terms. Obligations to repair or replace faulty products under standard warranty terms is recognised as a provision.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

u. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

i. Industrial (continued)

(c) Construction of equipment

Contracts for construction of equipment comprise multiple deliverables which include a significant integration service and are therefore recognised as a single performance obligation. Revenue is recognised progressively based on the percentage of completion determined by reference to the completion of the physical proportion of contract work to-date.

(d) Sale and leaseback arrangements

Accounting policy applied from 1 July 2019

Sales of equipment arising from sale and leaseback arrangements are recognised when the Group transfers control of the equipment to the customer, being when the customer accepts delivery of the equipment. If it is clear that the sale and leaseback transaction is established at fair value, the Group recognises immediately any profit or loss relating to the rights transferred to buyer-lessor and ROU assets arising from the leaseback at the proportion of the previous carrying amount of the assets retained. If the sale price is below fair value, the Group recognises immediately any profit or loss and a prepayment of the lease payments. If the sale price is above fair value, the Group accounts it as additional financing by the buyer-lessor.

Accounting policy applied until 30 June 2019

Sales of equipment arising from sale and operating leaseback arrangements are recognised when the Group transfers control of the equipment to the customer, being when the customer accepts delivery of the equipment. If it is clear that the sale and operating leaseback transaction is established at fair value, the Group recognises any profit or loss immediately.

If the sale price is below fair value, the Group recognises immediately any profit or loss except when the loss is compensated for by future lease payments at below market price, in which case the Group defers and amortises the loss in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the Group defers the excess over fair value and amortises the excess over the period for which the asset is expected to be used.

(e) Engineering services

Engineering contracts involving engineering services comprise multiple deliverables which are highly integrated, and are therefore recognised as a single performance obligation. Revenue is recognised progressively based on the percentage of completion determined by reference to the completion of the physical proportion of contract work to-date.

3 Significant Accounting Policies (continued)

u. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

ii. Motors

The Group is the authorised distributor of vehicles and parts and also operates a network of dealerships selling vehicles and parts and offering after-sales services. Motors segment revenue consists of sales of vehicles and parts, after-sales services, assembly of vehicles and handling and commission income.

(a) Sale of vehicles and parts

Revenue from sale of vehicles and parts is recognised when the Group sells the vehicle to customers and control of the vehicle and parts has transferred, being when the vehicles and parts are delivered to the customer. The retail sale of parts normally occurs during performance of after-sales services. Therefore, revenue from sale of parts is reported with the performance of after-sales services.

The vehicles and parts are often sold with volume based discounts and incentives based on aggregate sales over an agreed period. Accumulated experience is used to estimate and provide for the discounts and incentives, using expected value or most likely methods depending on the type of discounts and incentives. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for the expected discounts and incentives payable to customers in relation to sales made.

Consistent with market practice, the Group collects deposits from customers for the sale of vehicles. A contract liability is recognised for the customer deposits as the Group has an obligation to transfer vehicle to the customer in respect of deposits received. Customer deposits would be recognised as revenue upon sale of the vehicle to the customer.

No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice. The Group's obligation to provide warranty for the vehicles and parts under the standard warranty terms is recognised as a provision (see Note 44).

(b) After-sales services

The Group provides after-sales services or routine vehicle maintenance services within and/or outside of the warranty period in relation to the vehicle brands that the Group sells. The performance of maintenance services is often accompanied with the sale of parts. Revenue from after-sales services is recognised over the period of performance of services to customers.

The sale of vehicle to the customer may be bundled together with extended warranties and/or free services. The extended warranty provides assurance to the customer that the vehicle parts comply with agreed-upon specifications beyond the general standard warranty period. The extended warranties and free services are separate performance obligations and the transaction price is allocated to the service obligations based on its relative standalone selling prices. The extended warranties and free services are deferred and recognised over the period covered by the extended warranties and when the free services are performed respectively.

There is no significant financing component in the sale of extended warranties and/or free services as the sales are made on normal credit terms not exceeding 12 months. Where consideration is collected from customers in advance of services being performed, a contract liability is recognised. The contract liability would be recognised as revenue when the related services are rendered.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

u. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

ii. Motors (continued)

(c) Assembly of vehicles

The Group manufactures and assembles light commercial and passenger vehicles, and are contract assemblers of motor vehicles. Revenue arising from the assembly of vehicles is either recognised upon completion of the assembly service or over the period when assembly services are rendered based on the contractual terms with the customers.

Revenue recognised upon completion of assembly service

Revenue is recognised for certain assembly customers when control of vehicles has transferred, being when the vehicles are delivered to the customer, the customer has full discretion over the channel and price to sell the vehicle and there is no unfulfilled obligation that could affect the customers' acceptance of the vehicles. Delivery occurs when the vehicles have been accepted by the customers upon completion of the assembly service.

Revenue from these services is recognised based on the fixed price specified in the contract and the variable expenses recoverable from the customers, based on the aggregate service provided over an agreed period. Accumulated experience is used to estimate and provide for the variable expenses recoverable, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. There is no significant financing component in the revenue arising from assembly of vehicles as the sales are made on the normal credit terms not exceeding 12 months.

Revenue recognised over the assembly period

Revenue is recognised over the assembly period for certain assembly customers if the vehicles being assembled do not have any alternative use and when the Group is able to enforce payment for performance completed to date during the assembly period.

Revenue is recognised based on the actual costs incurred at the end of the reporting period plus a proportion of the expected profit margin with the customer. This method represents a faithful depiction of the service as the actual costs incurred represents the percentage of service rendered.

Estimates of revenues or expected profit margin are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. The Group's obligation to provide warranty for the vehicles under the standard warranty terms is recognised as a provision.

(d) Handling and commission income

Revenue arising from rendering services, handling income and commission income is recognised when the relevant services are completed.

3 Significant Accounting Policies (continued)

u. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

iii. Logistics

(a) Revenue from terminal handling and related services

Revenue from providing services is recognised in the period in which the services are rendered. The price of handling contracts is usually defined as fixed charge rate per tonne or container box, hence revenue is recognised based on the actual tonnage or number of container boxes handled multiplied by the contracted charge rates. Some handling contracts include multiple deliverables, such as the cargo storage services. Generally, the storage service is charged by fixed price per day and has no relationship with the handling charges. It is therefore accounted for as a separate performance obligation and revenue is recognised based on the unit price multiplied by days of storage.

iv. Other revenue

Revenue from other sources are recognised as follows:

(a) dividend income is recognised when the right to receive payment is established; and
(b) rental income is generally recognised on a straight-line basis over the tenure of the lease.

v. Finance income

Finance income is recognised on an accrual basis using the effective interest method.

Finance income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments.

Finance income on financial assets at amortised cost is calculated using the effective interest method and is recognised in the statements of profit or loss.

Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

w. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of those assets until the assets are substantially ready for their intended use or sale.

x. Taxation

Taxation comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

The current income tax charge is the expected income taxes payable in respect of the taxable profit for the financial year and is measured using the applicable tax rates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

3 Significant Accounting Policies (continued)

x. Taxation (continued)

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, including those arising from business combinations. Deferred tax is not recognised on goodwill and those arising from initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

y. Contingent liabilities

The Group does not recognise contingent liabilities but discloses their existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose crystallisation will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that is not recognised because it cannot be measured reliably.

z. Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to management for the allocation of resources and assessment of its performance.

Segment revenue, profit, assets and liabilities are those reported by the segment and also include consolidation adjustments directly attributable to the segment. Inter-segment sales and purchases are generally based on similar terms as those available to external parties.

aa. Fair value estimation

Fair values shown in the financial statements are categorised into three different levels to increase consistency and comparability in fair value measurements. The levels of hierarchy are based on the input used to measure the fair value of an asset or a liability. The hierarchy based on highest to the lowest priority is as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities
Level 2 – valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly
Level 3 – valuation inputs that are not based on observable market data

4 Critical Accounting Estimates and Judgement in Applying Accounting Policies

The preparation of financial statements in compliance with MFRS requires the use of certain critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's accounting policies. Estimates and assumptions are based on the Directors' best knowledge of current events. Such estimates and judgement could change from period to period and have a material impact on the results, financial position, cash flows and other disclosures.

4 Critical Accounting Estimates and Judgement in Applying Accounting Policies (continued)

a. Impairment of non-financial assets

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

The Group assesses whether there is any indication that non-financial assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment. The key assumptions used to determine the recoverable amount of intangible assets are set out in Note 23 to the financial statements.

During the financial year, impairment of non-financial assets totalling RM52 million (2019: RM3 million) was charged and RM32 million (2019: RM2 million) was reversed to profit or loss, as disclosed in Note 11.

b. Taxation

The Group has recognised certain tax recoverable for which the Group believes that there is a reasonable basis for recognition. Where the final tax outcome of this matter is different from the amount that was initially recorded, such difference may cause a material adjustment to the carrying amount of the tax recoverable balance recorded in the period in which such determination is made. As at 30 June 2020, the tax recoverable of the Group in relation to withholding taxes recoverable from the Indian tax authorities was RM46 million (2019: RM65 million). The realisation of this tax recoverable is dependent on the decision of the Indian tax authorities which may take a significant amount of time before the Group fully receives the tax refunds.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits can be utilised. This involves judgement regarding future taxable profits of a particular entity in which the deferred tax asset has been recognised.

c. Impairment of investments in associates and joint ventures (including share of impairment of non-financial assets of associates and joint ventures)

The Group assesses the recoverability of its investments in associates and joint ventures for indication of impairment at the end of each reporting period.

During the financial year, the Group has computed the recoverable amount of its investment in Eastern & Oriental Berhad and has recorded an impairment charge of RM49 million (2019: RM118 million). The assessment of the recoverable amount is set out in Note 13(a) to the financial statements.

During the financial year, the Group assessed the recoverability of two joint ventures, Weifang Port Services Limited ("WPS") and Weifang Sime Darby Liquid Terminal Limited ("WSDLT"). During the financial year, the Group fully impaired its investment in WPS of RM74 million and receivables from WPS of RM24 million. The Group also recognised an impairment loss of RM22 million on its investment in WSDLT. The key assumptions used in the assessment are set out in Note 12(a) to the financial statements.

d. Recognition of intangible assets arising from acquisitions

During the financial year, the Group acquired the Gough Group Limited ("Gough group") and Sydney dealerships and purchase price allocations ("PPA") were undertaken. The fair value of net assets acquired of the Gough group was RM574 million (including RM17 million attributed to fair value adjustments). The fair value of net assets acquired for the Sydney dealerships was RM425 million, including RM57 million for dealership rights (part of intangible assets) while RM15 million was recognised as goodwill. Details of the acquisitions are set out in Note 45.

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4 Critical Accounting Estimates and Judgement in Applying Accounting Policies (continued)

e. Fair valuation of Financial Assets at FVTPL

The fair valuation of Financial Assets at FVTPL under Level 3 fair valuation methods require significant estimates and judgements. During the financial year, the Group fully impaired its shareholder's loan to Mine Energy Solutions Pty Limited ("MES") loss of RM72 million. The key assumptions used in the fair valuation are set out in Note 26 to the financial statements.

f. Extension options for leases

In determining the lease term of a lease, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended. The assessment is reviewed if a significant event or a significant change in circumstances occur which affects this assessment and that is within the control of the lessee. Details of such extension option are disclosed on Note 41.

5 Financial Risk and Capital Management Policies

a. Financial Risk Management

The Group's operations expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity and cash flow risk. The Group's overall financial risk management policies seek to manage and minimise the potential adverse effects of these risks on the financial performance of the Group.

The Group's exposure to these financial risks are managed through risk reviews, internal control systems, insurance/takaful programmes and adherence to Group Policies and Authorities which are implemented on a group-wide basis. The Board regularly reviews these risks and approves the policies covering the management of these risks.

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge the Group's exposure to financial risk.

Whilst all derivatives entered into provide economic hedges to the Group, hedge accounting is not always applied. Where there are open positions, these are managed in accordance with the Group's policies. The notional amounts and fair values of derivative financial instruments as at 30 June are disclosed in Note 29.

i. Foreign exchange risk

The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating primarily from financial assets or liabilities denominated in currencies which are not in the functional currency of the respective subsidiaries and from net assets in overseas subsidiaries where the functional currencies are not in Ringgit Malaysia.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollar, Chinese Renminbi, European Union Euro and Australian Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and investments in foreign operations.

The Group applies natural hedging, to the extent possible, by matching foreign currency assets or income against foreign currency liabilities or costs. Net foreign currency exposures and forecasted foreign currency cash flows are hedged via forward foreign exchange contracts.

Details of the Group's foreign currency exposure and the currency profile of monetary financial assets and financial liabilities are disclosed in Note 49(a).

5 Financial Risk and Capital Management Policies (continued)

a. Financial Risk Management (continued)

ii. Interest rate risk

The Group's interest rate risk arises from its borrowings. Changes in market interest rates will be re-priced into the floating rate borrowings. The Group manages its interest rate risk on its long-term borrowings by targeting a mix of fixed and floating rate debt by using derivatives such as interest rate swaps. There are no outstanding interest rate swaps as at 30 June 2020.

As at 30 June 2020, the Group's percentage of fixed rate borrowings to the total borrowings was 1.8% (2019: 1.3%). The relatively low percentage of fixed rate borrowings is because most of the Group's borrowings are for short term working capital funding or pending refinancing to long term loans. Details of the percentages of fixed rate borrowings over total borrowings are disclosed in Note 49(b).

iii. Credit risk

Credit risk is the risk of a financial loss to the Group due to counterparties defaulting on their commitments.

Credit risk arises on sales made on credit terms, derivatives with positive fair value, deposits with banks, guarantees and performance guarantees given on behalf of others and risk sharing arrangements.

The Group seeks to control credit risk by dealing with counterparties with appropriate credit histories and deposit with banks and financial institutions with good credit ratings. Credit risk is also managed through credit assessment and approval, credit limit and monitoring procedures. Where appropriate, guarantees or securities are obtained to limit credit risk.

The credit risks concentration profile of the Group's net trade receivables analysed by country where the Group operates and by reportable segment is as follows:

	Industrial	Motors	Logistics	Others	Total
2020					
Malaysia	**170**	**368**	**–**	**70**	**608**
China[1]	**409**	**134**	**22**	**1**	**566**
Other countries in Asia	**76**	**90**	**–**	**4**	**170**
Australasia[2]	**825**	**286**	**–**	**–**	**1,111**
	1,480	**878**	**22**	**75**	**2,455**
2019					
Malaysia	227	345	–	32	604
China[1]	417	147	39	2	605
Other countries in Asia	116	267	–	1	384
Australasia[2]	872	227	–	–	1,099
	1,632	986	39	35	2,692

The Company has no significant concentration of credit risks except for loans to its subsidiaries where risk of default has been assessed to be low.

1 China consists of China, Hong Kong, Macau and Taiwan.

2 Australasia consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands.

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5 Financial Risk and Capital Management Policies

a. Financial Risk Management (continued)

iii. Credit risk (continued)

A summary of the assumptions underpinning the Group's expected credit loss ("ECL") is as follows:

Trade receivables using the simplified approach

The ECL for trade receivables is generally calculated based on the net flow rate method and is calculated at the operating unit level. The factors considered in arriving at the calculation include:

- Appropriately grouping trade receivables if historical (or forecast) credit loss experience shows significantly different loss patterns for different customer segments
- Adjusting historical credit loss experience to incorporate relevant, current and more forward-looking information that is reasonable and supportable, and available without undue cost or effort
- Determining different loss rates for the different past due brackets of trade receivables.

In arriving at the net flow rate model, the operating units have used debtor past due information over a 12-36 month period. No significant changes to estimation techniques or assumptions were made during the reporting period.

The gross carrying amount of trade receivables also represents the maximum exposure to credit risk on these assets. The expected credit loss rate is the weighted average rate applied for the respective groups of trade receivables. Impairment for specific debtors in default or credit impaired is assessed individually, where applicable.

	30 June 2020			
	Gross trade receivables	Expected credit loss rate (%)	Impairment	Net carrying amount
Industrial Division				
Current	1,042	0.3	(3)	1,039
Past due by				
– 1 to 30 days	185	3.3	(6)	179
– 31 to 60 days	59	6.6	(4)	55
– 61 to 90 days	87	7.1	(6)	81
– 91 to 180 days	123	15.9	(20)	103
– more than 181 days	74	68.8	(51)	23
Individually assessed	11	99.5	(11)	–
Total	1,581		(101)	1,480
Motors Division				
Current	458	–	–	458
Past due by				
– 1 to 30 days	289	0.4	(1)	288
– 31 to 60 days	94	1.5	(1)	93
– 61 to 90 days	18	2.8	(1)	17
– 91 to 180 days	12	4.0	(1)	11
– more than 181 days	25	58.7	(14)	11
Individually assessed	1	70.6	(1)	–
Total	897		(19)	878

5 Financial Risk and Capital Management Policies (continued)

a. Financial Risk Management (continued)

iii. Credit risk (continued)

Trade receivables using the simplified approach (continued)

	30 June 2019			
	Gross trade receivables	Expected credit loss rate (%)	Impairment	Net carrying amount
Industrial Division				
Current	1,232	0.1	(1)	1,231
Past due by				
– 1 to 30 days	204	5.4	(11)	193
– 31 to 60 days	108	5.9	(6)	102
– 61 to 90 days	40	8.7	(3)	37
– 91 to 180 days	64	16.3	(11)	53
– more than 181 days	42	74.9	(31)	11
Individually assessed	22	74.5	(17)	5
Total	1,712		(80)	1,632
Motors Division				
Current	567	–	–	567
Past due by				
– 1 to 30 days	291	0.5	(2)	289
– 31 to 60 days	41	–	–	41
– 61 to 90 days	74	–	–	74
– 91 to 180 days	8	–	–	8
– more than 181 days	10	33.3	(3)	7
Total	991		(5)	986

The remaining net trade receivables of RM97 million (2019: RM74 million) relates to the Logistics and Other businesses and the total impairment for these receivables is RM1 million (2019: RM1 million).

The impairment of finance lease receivables has been assessed to be immaterial as at 30 June 2020 and 30 June 2019.

The impairment of contract assets of the Industrial Division (carrying value of RM54 million (2019: RM46 million)) has been assessed to be immaterial.

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5 Financial Risk and Capital Management Policies (continued)

a. Financial Risk Management (continued)

iii. Credit risk (continued)

The ECL for other receivables and amounts due from subsidiaries, joint ventures and associates is calculated based on the 3-stage approach.

Category	Definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.	Lifetime ECL
Non-performing	There is evidence indicating the asset is credit-impaired.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of the debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.	Asset is written off

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL, by considering the likelihood that the debtor would not be able to repay during the contractual period, the percentage of contractual cash flows that will not be collected if default happens and the outstanding amount that is exposed to default risk.

The main categories of other receivables of the Group are as follows:

- Amounts due from joint ventures and associates – this includes loans and interest receivable from joint ventures (see also Note 30). The amount due from a joint venture, Weifang Port Services, of RM24 million has been fully impaired as it categorised as non performing. The remaining balances due from joint ventures and associates were largely categorised as performing taking into consideration the credit risks of the joint ventures and associates.
- Rebates from principals – these are amounts receivable based on rates or amounts agreed by the principals. These amounts are mostly categorised as performing as they are assessed to have low credit risk except for certain instances where there are disagreements. Impairment losses are made for these balances, with RM3 million provided in the current financial year (2019 : RM1 million).
- Assembly purchases and expenses recoverable – these are goods purchased or expenses incurred in relation to the assembly business that can be recovered from a principal. These amounts are categorised as performing as they are assessed to have low credit risk. The impairment loss is considered immaterial.
- Warranty and parts claims and amounts due from principal are transactions involving principals. They are categorised as performing as they are assessed to have low credit risk. The impairment loss is considered immaterial.
- Infrastructure project cost recoverable relates to built and transfer projects relating to the Logistics division and have been settled.
- Deposits consist mainly of rental, utilities and tender deposits as well as deposits with authorities and principals. These amounts are mostly categorised as performing as they are assessed to have low credit risk. The impairment loss is considered immaterial.

5 Financial Risk and Capital Management Policies (continued)

a. Financial Risk Management (continued)

iii. Credit risk (continued)

An impairment of RM77 million (2019: RM77 million) has been provided for other receivables, including an impairment of RM65.5 million (2019: RM65.5 milllion) for advances for a groundwater development project that was fully impaired in the financial year ended 30 June 2011. Management has assessed and determined that the majority of the other receivables were fully recoverable and adequate loss allowance has been recognised.

Company

The Company provides unsecured advances to its subsidiary, Sime Darby Holdings Berhad ("SDHB"). The outstanding balance as at 30 June 2020 was RM872 million (2019: RM5,743 million). The reduction in the balance was mainly due to capitalisation of RM4,997 million during the financial year (Note 25). No impairment was provided for this balance as SDHB is in a net asset position and can settle the outstanding balance by transferring its cash and other assets to the Company.

The other amounts due from subsidiaries are primarily dividends and PBESS charges receivable. Management is of the view that the impairment loss is considered immaterial based on the financial position and performance of these subsidiaries.

Reconciliation of impairment for trade and other receivables of the Group is as follows:

	2020				
	Trade receivables	Amounts due from joint ventures	Rebates from principals	Other receivables	Total
As at 1 July 2019	86	2	1	77	166
Impairment losses	57	24	3	–	84
Reversal of impairment losses	(11)	(2)	–	–	(13)
Write offs	(12)	–	–	–	(12)
Exchange differences	1	–	(1)	–	–
At 30 June 2020	121	24	3	77	225

Reconciliation of impairment of loans to joint venture:

As at 1 July 2019	–
Impairment losses	1
At 30 June 2020	1

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5 Financial Risk and Capital Management Policies (continued)

a. Financial Risk Management (continued)

iii. Credit risk (continued)

Reconciliation of impairment for trade and other receivables of the Group is as follows: (continued)

	2019				
	Trade receivables	Amounts due from joint ventures	Rebates from principals	Other receivables	Total
As at 30 June 2018 calculated under MFRS 139	75	–	1	75	151
Adoption of MFRS 9	27	2	–	–	29
As at 1 July 2019 calculated under MFRS 9	102	2	1	75	180
Impairment losses	1	–	–	3	4
Reversal of impairment losses	(7)	–	–	(1)	(8)
Write offs	(10)	–	–	–	(10)
At 30 June 2019	86	2	1	77	166

Details of the credit risk exposure are disclosed in Note 49(c).

During the financial year, the Group reclassified the loans due from Weifang Sime Darby Liquid Terminal Limited of RM89 million from other receivables to net investment in joint ventures following the restructuring of the terms of the loans (Note 12).

The Group also has a risk sharing arrangement with a third party leasing company which is a member of our principal vendor, in connection with the sale of its equipment. Details of the arrangement are disclosed in Note 50(a). An amount of RM37 million (2019: RM19 million) has been provided for based on a percentage of risk sharing ratio over the total outstanding lease portfolio (see Note 44).

iv. Liquidity and cash flow risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations when they fall due.

The Group maintains a prudent borrowing policy which is aimed towards maintaining sufficient cash for all cash flow requirements, managing debt and investment portfolio within the relevant time buckets to maturity, obtaining a diverse range of funding sources, and keeping an adequate amount of credit facilities to provide ample liquidity cushion.

As at 30 June 2020, the Group's total cash and cash equivalents was RM1,650 million (2019: RM1,629 million) which included cash in hand and deposits held at call with banks, net of bank overdrafts. As at 30 June 2020, the Company had total cash and cash equivalents of RM130 million (2019: RM150 million).

The Group believes that its contractual obligations, including those disclosed in commitments and contingencies in Notes 49(d) and 50 respectively, can be met from existing cash and investments, operating cash flows, credit lines available and other financing that the Group reasonably expects to be able to secure should the need arise.

5 Financial Risk and Capital Management Policies (continued)

b. Capital Management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and maximise shareholders' value. The Group is committed towards optimising its capital structure and ensuring competitive cost of capital. Implementation of an optimal capital structure includes balancing between debt and equity by putting in place appropriate dividend and financing policies which influence the level of debt and equity. The appropriate debt level is subject to the composition of the Group's business, business cycle and economic conditions.

i. Gearing ratios

The gearing ratios used to assess the appropriateness of the Group's debt level are set out below. The comparative ratios for the financial year ended 30 June 2019 is without the adjustments relating to operating leases as MFRS 16 had not been adopted.

Ratio 1 is calculated as Total Debt divided by Total Equity.

	2020	2019
Borrowings	**2,231**	2,575
Lease liabilities	**1,814**	–
Total Debt	**4,045**	2,575
Total Equity	**15,413**	15,118
Total Debt/Equity ratio	**0.26**	0.17

Ratio 2 is calculated as Total Debt divided by Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA").

	2020	2019
Total Debt	**4,045**	2,575
Operating profit	**1,513**	1,542
Add: Depreciation and amortisation	**1,053**	598
Add/(less): Other gains and losses	**60**	(55)
Adjusted EBITDA	**2,626**	2,085
Debt/Adjusted EBITDA ratio	**1.54**	1.24

The debt/equity ratio of the Group has increased from 0.17 as at 30 June 2019 to 0.26 as at 30 June 2020, mainly due to the leases capitalised as a result of the adoption of MFRS 16 in the financial year ended 30 June 2020. This gearing level still allows the Group the flexibility of raising borrowings to fund the Group's expansion.

ii. Externally imposed capital requirements

The Group maintains a debt to equity ratio that complies with the applicable debt covenants as at the reporting date.

Notes to the Financial Statements

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6 Revenue

Revenue comprise the following:

	Group		Company	
	2020	2019	2020	2019
Revenue from contracts with customers	36,195	35,436	–	–
Revenue from other sources				
– rental income	739	720	–	–
– dividend income from subsidiaries	–	–	766	742
	36,934	36,156	766	742

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

2020	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	8,104	17,039	–	–	25,143
Sale of parts, assembly charges and provision of after-sales services	6,842	3,275	–	–	10,117
Engineering services	327	–	–	15	342
Port and related charges	–	–	219	–	219
Commission, handling fees and others	–	335	–	39	374
	15,273	20,649	219	54	36,195
Geographical market					
Malaysia	871	3,156	–	45	4,072
China[1]	4,095	10,307	219	2	14,623
Other countries in Asia	704	3,843	–	7	4,554
Australasia[2]	9,603	3,343	–	–	12,946
	15,273	20,649	219	54	36,195
Timing of revenue recognition					
– at a point in time	12,354	17,944	–	25	30,323
– over time	2,919	2,705	219	29	5,872
	15,273	20,649	219	54	36,195

[1] China consists of China, Hong Kong, Macau and Taiwan.

[2] Australasia consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands.

6 REVENUE (CONTINUED)

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

2019	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	7,039	18,106	–	–	25,145
Sale of parts, assembly charges and provision of after-sales services	6,292	2,918	–	–	9,210
Engineering services	304	–	–	26	330
Port and related charges	–	–	264	–	264
Sale of water	–	–	19	–	19
Commission, handling fees and others	–	354	–	114	468
	13,635	21,378	283	140	35,436
Geographical market					
Malaysia	1,060	3,807	–	132	4,999
China[1]	3,662	10,398	283	2	14,345
Other countries in Asia	717	4,452	–	6	5,175
Australasia[2]	8,196	2,721	–	–	10,917
	13,635	21,378	283	140	35,436
Timing of revenue recognition					
– at a point in time	10,618	18,572	–	21	29,211
– over time	3,017	2,806	283	119	6,225
	13,635	21,378	283	140	35,436

[1] China consists of China, Hong Kong, Macau and Taiwan.
[2] Australasia consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands.

Revenue from contracts with customer of the Group includes RM1,871 million (2019: RM1,272 million) that was included in contract liabilities at the beginning of the reporting period.

The Group generates rental revenue mainly from leasing of equipment and motor vehicles. It also receives rental income from the leasing certain properties. The following table sets out the maturity analysis of lease payments of the Group, showing the undiscounted lease payments to be received after the reporting date and includes rental income recognised as other income (Note 10):

	2020	2019
Within 1 year	**399**	295
Between 1-2 years	**198**	176
Between 2-3 years	**123**	136
Between 3-4 years	**67**	89
Between 4-5 years	**20**	53
After 5 years	**68**	48
Total undiscounted lease payments	**875**	797

Included in revenue is RM243 million arising from subleasing of right-of-use assets.

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7 Operating Expenses

	Group		Company	
	2020	2019	2020	2019
Direct costs				
Finished goods, work in progress and other direct overheads	**29,850**	29,205	**–**	–
Inventory writedown and provision (net)	**242**	225	**–**	–
Raw materials and consumables	**293**	282	**–**	–
Engineering contract costs	**122**	114	**–**	–
	30,507	29,826	**–**	–
Director and employee costs				
Salaries, allowances, overtime and bonus	**2,802**	2,902[1]	**–**	–
Defined contribution pension plans	**201**	197	**–**	–
Termination benefits	**11**	19	**–**	–
Performance-based employee share scheme [Note 37]	**9**	6	**–**	–
Training, insurance and other benefits	**577**	505	**–**	–
Directors' remuneration [Note 8]	**9**	10	**4**	4
	3,609	3,639	**4**	4
Depreciation and amortisation				
Amortisation:				
– prepaid lease rentals	**–**	7	**–**	–
– intangible assets	**70**	67	**–**	–
Depreciation:				
– property, plant and equipment	**546**	517	**–**	–
– right-of-use assets	**430**	–	**–**	–
– investment properties	**7**	7	**–**	–
	1,053	598	**–**	–
Receivables and loans to joint venture				
– Impairment of receivables	**84**	4	**–**	–
– Impairment of loans to joint venture	**1**	–	**–**	–
– Reversal of impairment of receivables	**(13)**	(8)	**–**	–
	72	(4)	**–**	–

[1] Includes reclassification of employee benefits of RM665 million which were previously included in direct costs in FY2019.

7 Operating Expenses (continued)

	Group		Company	
	2020	2019	2020	2019
Leases				
Hire of plant and machinery and rental of vehicles from:[2]				
– a subsidiary	**–**	–	**–**	1
– others	**–**	207	**–**	–
Operating lease payments for land and buildings[2]	**–**	264	**–**	–
Short-term leases	**85**	–	**–**	–
Lease of low-value assets	**8**	–	**–**	–
	93	471	**–**	1
General expenses				
Auditors' remuneration [Note 9]	**20**	24	**1**	1
Management fee charged by a subsidiary	**–**	–	**43**	37
Other expenses	**349**	383	**1**	3
	369	407	**45**	41
	35,703	34,937	**49**	46

2 Operating lease rental expenses are recognised as lease liabilities unless they are classified as short-term leases or lease of low-value assets upon the adoption of MFRS 16.

8 Directors' Remuneration

	Group		Company	
	2020	2019	2020	2019
Executive Director				
Emoluments and benefits	**4**	5	**–**	–
Defined contribution pension plans	**–**[1]	1	**–**	–
Performance-based employee share scheme	**1**	–[1]	**–**	–
	5	6	**–**	–
Non-Executive Directors				
Fees and benefits	**4**	4	**4**	4
	9	10	**4**	4

1 Less than RM1 million

Estimated monetary value of benefits-in-kind of the Executive Director amounted to RM0.03 million (2019: RM0.03 million) for the Group. Estimated monetary value of benefits-in-kind of Non-executive Directors amounted to RM0.04 million (2019: RM0.1 million) for the Group and the Company.

During the financial year, the Group sold vehicles to the Directors and their close family members for RM0.06 million (2019: RM2.5 million) at prices not lower than that offered to employees.

Other than as disclosed above, there were no compensation to directors for loss of office, no loans, quasi-loans and other dealings in favour of directors and no material contracts subsisting as at 30 June 2020 or if not then subsisting, entered into since the end of the previous financial year by the Company or its subsidiaries which involved the interests of Directors.

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9 Auditors' Remuneration

	Group		Company	
	2020	2019	2020	2019
Fees for statutory audits				
PricewaterhouseCoopers PLT Malaysia	**3**	3	**1**	1
Member firms of PricewaterhouseCoopers International Limited	**14**	12	**–**	–
	17	15	**1**	1
Fees for assurance related services				
PricewaterhouseCoopers PLT Malaysia	**1**	–[1]	**–[1]**	–[1]
Member firms of PricewaterhouseCoopers International Limited	**–[1]**	–[1]	**–**	–
	1	–[1]	**–[1]**	–[1]
Fees for non-audit services				
PricewaterhouseCoopers PLT Malaysia	**–[1]**	1	**–**	–
Member firms of PricewaterhouseCoopers International Limited	**2**	8	**–**	–
	2	9	**–**	–
	20	24	**1**	1

1 Less than RM1 million

Non-audit services provided by the Company's auditors and its member firms comprise tax related services and other advisory services. Non-audit services can be offered by the external auditors if there are efficiency and value added benefits to the Group, without compromising auditor independence. The reduction in non-audit services in the financial year ended 30 June 2020 was mainly due to non-recurring advisory services engaged in prior year relating to the Group's acquisitions in Australasia and was in compliance with applicable independence policies.

10 Other Operating Income

	Group		Company	
	2020	2019	2020	2019
Dividend income from financial assets	**120**	135	**–**	–
Hire of plant and machinery	**3**	18	**–**	–
Operating lease income[1]	**46**	31	**–**	–
Government grant income[2]	**90**	5	**–**	–
Sales of scrap	**22**	12	**–**	–
Forfeiture of customer deposits	**16**	8	**–**	–
Recoveries and other miscellaneous income	**45**	59	**–[3]**	–[3]
	342	268	**–[3]**	–[3]

1 The operating lease income is primarily from the leasing of properties by operations where their principal activity is not property leasing. The maturity analysis for operating lease income is included in Note 6.

2 The increase during the financial year was mainly due to government wage subsidies in several countries relating to COVID-19.

3 Less than RM1 million

11 Other (Losses) and Gains

	Group	
	2020	**2019**
Net foreign currency exchange gain/(loss):		
– realised foreign exchange gain/(loss) arising from:		
– settlement of intercompany loans	**7**	3
– liquidation of subsidiaries	**–**	(1)
– other foreign exchange loss	**(15)**	(17)
Fair value loss:		
– forward foreign currency exchange contracts	**(3)**	(4)
– financial assets at FVTPL	**(72)**	(47)
Gain on disposal of:		
– property, plant and equipment	**10**	24
– investment properties	**–**	1
– intangible assets	**–**	17
– subsidiaries	**–**	91
– ROU assets	**10**	–
– others	**2**	–
Loss on disposal of:		
– property, plant and equipment	**(11)**	(6)
– subsidiaries	**–**	(5)
Reversal of impairment of:		
– intangible assets	**28**	2
– ROU assets	**4**	–
Impairment of:		
– property, plant and equipment	**(11)**	(3)
– ROU assets	**(41)**	–
Compensation income for fixed assets	**32**	–
	(60)	55

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For the Financial Year Ended 30 June 2020

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12 Joint Ventures – Group

The Group's interest in joint ventures as at 30 June, their respective principal activities and countries of incorporation are disclosed in Note 54.

The Group's interest in joint ventures are as follows:

	2020			2019		
	Material joint ventures	Others	Total	Material joint ventures	Others	Total
Share of results	**(66)**[1]	**4**	**(62)**	(69)	7	(62)
Share of other comprehensive income/(loss)	**1**	**(1)**	**–**	(1)	–	(1)
Share of total comprehensive (loss)/income	**(65)**	**3**	**(62)**	(70)	7	(63)
Unquoted shares, at costs	**988**	**77**	**1,065**	988	84	1,072
Loans to joint venture	**87**	**–**	**87**	–	–	–
Impairment of loans to joint venture	**(1)**	**–**	**(1)**	–	–	–
Share of post-acquisition reserves	**(88)**	**43**	**(45)**	57	33	90
Unrealised profit on transactions with joint ventures	**(11)**	**(6)**	**(17)**	(11)	(6)	(17)
Impairment losses	**(96)**	**–**	**(96)**	–	–	–
	879	**114**	**993**	1,034	111	1,145

[1] Includes impairment losses of RM96 million.

During the financial year, the loans to Weifang Sime Darby Liquid Terminal Co Ltd were reclassified from other receivables to joint ventures as the loans were considered to be part of the net investment in the joint venture following the restructuring of the terms of the loans, where the repayment of the loans are extended. The loans bear fixed interest rates ranging from 6.0% to 6.4% per annum.

a. Material joint ventures

In the opinion of the Directors, the joint ventures that are material to the Group are as follows:

Name of joint venture	Description
Ramsay Sime Darby Health Care Sdn Bhd group ("RSDH")	RSDH was formed following the merger of Sime Darby Healthcare Sdn Bhd and Affinity Health Care Holdings Pty Ltd, a subsidiary of Ramsay Health Care Ltd, to build a quality portfolio of hospitals throughout Asia. The principal activities of RSDH are management of hospitals and provision of related healthcare services.
Weifang Port Service Co., Ltd. ("WPS")	WPS was formed to own and manage certain shared infrastructure for the port operations in Weifang city and to facilitate the future expansion of the sea channel via the development of the shoreline.
Weifang Sime Darby Liquid Terminal Co., Ltd. ("WSDLT")	WSDLT was previously a subsidiary of the Group and became a joint venture of the Group since 23 May 2016. WSDLT provides terminal handling services relating to the liquid cargoes.

12 Joint Ventures – Group (continued)

a. Material joint ventures (continued)

Summarised financial information

The summarised statements of comprehensive income of the material joint ventures are as follows:

	2020			2019		
	RSDH	WPS	WSDLT	RSDH	WPS	WSDLT
Revenue	**951**	**6**	**85**	939	15	87
Depreciation and amortisation	**(96)**	**(18)**	**(25)**	(77)	(25)	(23)
Profit/(loss) before interest and tax	**91**	**(10)**	**35**	129	(326)	25
Interest income	**3**	**–**	**–**	3	–	1
Interest expense	**(4)**	**(23)**	**(28)**	(2)	–	(24)
Profit/(loss) before tax	**90**	**(33)**	**7**	130	(326)	2
Taxation	**(11)**	**–**	**(1)**	(30)	–	–
Profit/(loss) for the financial year	**79**	**(33)**	**6**	100	(326)	2
Non-controlling interests	**(2)**	**–**	**–**	(3)	–	–
Profit/(loss) attributable to joint venturers	**77**	**(33)**	**6**	97	(326)	2
Other comprehensive income/(loss)	**3**	**(5)**	**1**	12	(16)	(1)
Total comprehensive income/(loss)	**80**	**(38)**	**7**	109	(342)	1

	2020				2019			
	RSDH	WPS	WSDLT	Total	RSDH	WPS	WSDLT	Total
Share of results, excluding impairment losses	**39**	**(12)**	**3**	**30**	49	(119)	1	(69)
Impairment	**–**	**(74)**	**(22)**	**(96)**	–	–	–	–
Share of results	**39**	**(86)**	**(19)**	**(66)**	49	(119)	1	(69)
Share of other comprehensive income/(loss)	**1**	**(2)**	**2**[2]	**1**	6	(6)	(1)	(1)
Share of total comprehensive income/(loss)	**40**	**(88)**	**(17)**	**(65)**	55	(125)	–	(70)
Dividend received	**100**[1]	**–**	**–**	**100**	–	–	–	–

1 Another RM75 million is receivable from RSDH. This amount is included under amounts due from joint ventures (Note 30).
2 Includes foreign exchange differences arising from translation of the loans to joint venture.

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For the Financial Year Ended 30 June 2020
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12 Joint Ventures – Group (continued)

a. Material joint ventures (continued)

Summarised financial information (continued)

The summarised statements of financial position of the material joint ventures are as follows:

	2020			2019		
	RSDH	WPS	WSDLT	RSDH	WPS	WSDLT
Non-current assets	**1,258**	**804**	**843**	1,273	828	861
Current assets						
Cash and cash equivalents	**71**	**5**	**38**	155	4	7
Other current assets	**181**	**22**	**42**	173	13	59
	252	**27**	**80**	328	17	66
Non-current liabilities						
Financial liabilities[1]	**(42)**	**–**	**(432)**	(29)	–	(439)
Other non-current liabilities	**(101)**	**–**	**–**	(92)	–	(1)
	(143)	**–**	**(432)**	(121)	–	(440)
Current liabilities						
Financial liabilities[1]	**–**	**(68)**	**(88)**	–	(66)	(38)
Other current liabilities	**(311)**	**(560)**[2]	**(72)**	(161)	(538)	(125)
	(311)	**(628)**	**(160)**	(161)	(604)	(163)
Non-controlling interests	**(22)**	**–**	**–**	(15)	–	–
Net assets	**1,034**	**203**	**331**	1,304	241	324

1 Financial liabilities consist of borrowings and shareholders' loan.
2 Includes RMB741 million owed to CCCC Tianjin Dredging Co Ltd and accruals for associated costs relating to the material litigation (refer to Note 52).

The summarised statements of financial position reflect the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures, fair value adjustments at date of acquisition and unrealised profit adjustments.

12 Joint Ventures – Group (continued)

a. Material joint ventures (continued)

Reconciliation

Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interest in the material joint ventures are as follows:

	2020				2019			
	RSDH	WPS	WSDLT	Total	RSDH	WPS	WSDLT	Total
Net assets								
At 1 July	**1,304**	**241**	**324**		1,197	583	300	
Total comprehensive income/(loss)	**80**	**(38)**	**7**		109	(342)	1	
Dividend paid	**(200)**	**–**	**–**		–	–	–	
Dividend payable	**(150)**	**–**	**–**		–	–	–	
Adoption of MFRS 9	**–**	**–**	**–**		(2)	–	–	
Share issue	**–**	**–**	**–**		–	–	23	
At 30 June	**1,034**	**203**	**331**		1,304	241	324	
Group's interest (%)	**50.0**	**36.6**	**50.0**		50.0	36.6	50.0	
Interest in joint ventures	**517**	**74**	**166**	**757**	652	88	162	902
Loans to joint venture	**–**	**–**	**86**	**86**	–	–	–	–
Goodwill	**132**[1]	**–**	**–**	**132**	132[1]	–	–	132
Impairment	**–**	**(74)**	**(22)**	**(96)**	–	–	–	–
Carrying amount at end of the financial year	**649**	**–**	**230**	**879**	784	88	162	1,034

[1] Goodwill relates to the Group's retained interest in RSDH following the disposal of the Group's healthcare business in June 2013.

During the financial year ended 30 June 2020, the Group undertook impairment assessments on WPS and WSDLT, both in the Logistics segment.

For WPS, the Group assessed that WPS will not have excess cash inflows from the potential disposal of sea-use-rights after the eventual settlement of an outstanding legal claim by its vendor. In addition, the channel operation business will be impacted by the local operating conditions resulting in the inability to be profitable. As such, the Group's investment in WPS was written down to nil and impairment of RM74 million was recognised. In addition, the receivables from WPS was also fully impaired and an impairment of RM24 million was recognised. There will not be any further financial exposure to the Group pursuant to the full impairment as the liability of the Group is only limited to the capital contributed.

In view of the net current liability position of WSDLT as at 30 June 2020, management has performed an impairment assessment on the recoverability of the investment in WSDLT. The impairment assessment was based on the fair value less costs to sell ("FVLCS") model using the discounted cash flow projections that were incorporated into the Group Budget that was approved by the Board.

The key assumptions in the FVLCS calculation are:

- Projection period of 8 years;
- Post-tax discount rate of 12.1%;
- Average annual revenue growth of 6% for the first 8 years and 3% annually until 2062, (being the end of the useful life of the key non-current assets); and
- Average annual port operating and overhead costs growth rate of 8% for the first 8 years and 3% annually until 2062.

If the discount rate were to increase by 0.5 percentage point, the additional impairment is approximately RM16 million. If the revenue growth rate is reduced by 1 percentage point, the additional impairment is approximately RM17 million.

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For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

12 Joint Ventures – Group (continued)

b. Commitments and contingent liabilities

Please refer to Note 52 for a litigation involving WPS.

Other than the above, there are no commitments nor contingent liabilities relating to the Group's interest in the joint ventures.

13 Associates – Group

The Group's interest in the associates as at 30 June, their respective principal activities and countries of incorporation are disclosed in Note 54.

The Group's interest in associates are as follows:

	2020			2019		
	Material associate	Others	Total	Material associate	Others	Total
Share of results	**(58)**	**14**	**(44)**	(117)	20	(97)
Share of other comprehensive income	**–**[1]	**5**	**5**	–[1]	5	5
Share of total comprehensive (loss)/income	**(58)**	**19**	**(39)**	(117)	25	(92)
Quoted shares in Malaysia, at costs	**292**	**–**	**292**	292	–	292
Unquoted shares, at costs	**–**	**166**	**166**	–	262	262
Share of post-acquisition reserves	**47**	**127**	**174**	60	55	115
Unrealised profit on transactions with associates	**(8)**	**(2)**	**(10)**	(8)	(2)	(10)
Impairment losses	**(270)**	**(1)**	**(271)**	(221)	(5)	(226)
	61	**290**	**351**	123	310	433

[1] Less than RM1 million

13 Associates – Group (continued)

a. Material associate

In the opinion of the Directors, the associate that is material to the Group is as follows:

Name of associate	Description
Eastern & Oriental Berhad group ("E&O")	E&O is listed on the Main Market of Bursa Malaysia Securities Berhad with presence in the property development and hospitality sectors, primarily in Greater Kuala Lumpur, Penang and Johor.

Summarised financial information

The summarised statement of comprehensive income and dividends received from the material associate are as follows:

	2020 E&O	2019 E&O
Revenue	**487**	886
Depreciation and amortisation	**(23)**	(15)
Profit before interest and tax	**2**	300
Interest income	**25**	25
Interest expense	**(62)**	(77)
(Loss)/profit before tax	**(35)**	248
Taxation	**(37)**	(86)
(Loss)/profit for the financial year	**(72)**	162
Non-controlling interests	**(4)**	(14)
(Loss)/profit attributable to owners of the associate	**(76)**	148
Other comprehensive loss	**(1)**	–
Total comprehensive (loss)/income	**(77)**	148
Share of results		
– current year	**(9)**	17
– dilution	**–**	(16)
Impairment	**(49)**	(118)
Share of total comprehensive loss	**(58)**	(117)
Dividends received	**4**	–[1]

[1] Distribution of treasury shares as stock dividend.

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For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

13 Associates – Group (continued)

a. Material associate (continued)

Summarised financial information (continued)

The summarised statement of financial position of the material associate is as follows:

	2020 E&O	2019 E&O
Non-current assets	**3,576**	3,430
Current assets		
Cash and cash equivalents	**296**	855
Other current assets	**758**	1,033
	1,054	1,888
Non-current liabilities		
Financial liabilities[1]	**(743)**	(908)
Other non-current liabilities	**(117)**	(57)
	(860)	(965)
Current liabilities		
Financial liabilities[1]	**(302)**	(505)
Other current liabilities	**(412)**	(675)
	(714)	(1,180)
Non-controlling interests	**(45)**	(42)
Net assets	**3,011**	3,131

1 Financial liabilities consist of borrowings.

13 Associates – Group (continued)

a. Material associate (continued)

Summarised financial information (continued)

The summarised statement of financial position reflects the amounts presented in the financial statement of the associate adjusted for differences in accounting policies between the Group and the associate, fair value adjustments at the acquisition date and unrealised profit adjustments.

The most recent available financial statement of the associate is used in applying equity method of accounting with appropriate adjustments made for significant transactions occurring between that date and 30 June.

Reconciliation

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the material associate is as follows:

	2020 E&O	2019 E&O
Net assets		
At 1 July	**3,131**	2,881
Total comprehensive income	**(77)**	148
Dividend paid	**(43)**	–[1]
Other reserve adjustments	**–**	(26)
Share issue	**–**	128
At 30 June	**3,011**	3,131
Group's interest (%)	**10.9**	10.9
Interest in associates	**328**	341
Goodwill	**3**	3
Impairment losses	**(270)**	(221)
Carrying amount at end of the financial year	**61**	123

[1] Distribution of 25.9 million treasury shares as stock dividend at a rate of one treasury share for every 50 ordinary shares held.

The continued decline in share price of E&O has triggered an impairment assessment of the investment in E&O. The recoverable amount of the Group's investment in E&O, which is included in Others segment, is determined based on the higher of the value-in-use and its fair value less costs to sell. During the current financial year, the value-in-use calculation was computed using the dividend discount model on the assumption that the dividend per share will remain at the same quantum as the average dividend declared by E&O for the past 5 years from 2016 to 2020. The fair value less costs to sell was determined using the market price of the E&O shares as listed on Bursa Malaysia Securities Berhad website on 30 June 2020. As a result, the Group recognised an impairment charge of RM49 million (2019: RM118 million) to write down the investment in E&O to its fair value less costs to sell.

b. Commitments and contingent liabilities

There are no commitments nor contingent liabilities relating to the Group's interest in the associates.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

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14 Finance Income

	Group		Company	
	2020	**2019**	**2020**	**2019**
Interest income from:				
– subsidiaries	**–**	–	**–**	1
– banks and other financial institutions	**14**	14	**–**[1]	–
– joint ventures	**8**	7	**–**	–
– other interest income	**9**	1	**–**	–
Islamic profit distribution	**9**	9	**–**	–
	40	31	**–**	1
Accretion of discount on receivables	**11**	1	**–**	–
	51	32	**–**[1]	1

[1] Less than RM1 million

15 Finance Costs

	Group	
	2020	**2019**
Interest expense payable to banks and other financial institutions	**78**	84
Islamic financing distribution payment	**22**	29
Interest on borrowings	**100**	113
Cross currency swap interest	**–**	2
Interest expense on leases	**72**	–[1]
Interest on payables and others	**23**	33
Total finance costs	**195**	148
Interest capitalised in:		
– property, plant and equipment	**(12)**	(24)
Net finance costs	**183**	124

[1] Less than RM1 million

The Company's finance costs in the current financial year arose from leases and the amount is less than RM1 million.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised during the financial year was 3.34% (2019: 4.25%).

16 Taxation

	Group		Company	
	2020	2019	2020	2019
Income tax:				
In respect of current year				
– Malaysian income tax	**33**	43	**–[1]**	–
– foreign income tax	**409**	249	**–**	–
In respect of prior years				
– Malaysian income tax	**(5)**	19	**–**	6
– foreign income tax	**8**	3	**–**	–
Total income tax	**445**	314	**–[1]**	6
Deferred tax:				
– origination and reversal of temporary differences	**(3)**	114	**–**	–
– effects of recognition of previously unrecognised temporary differences and temporary differences not recognised	**(40)**	(18)	**–**	–
– effects of change in real property gain tax (”RPGT“) rates	**–**	(129)	**–**	–
Total deferred tax	**(43)**	(33)	**–**	–
Total tax expense	**402**	281	**–[1]**	6

[1] Less than RM1 million

Tax reconciliation

Reconciliation from tax at applicable tax rate to tax expense is as follows:

	Group		Company	
	2020	2019	2020	2019
Profit before tax	**1,275**	1,291	**717**	697
Less: Share of results of joint ventures	**62**	62	**–**	–
Share of results of associates	**44**	97	**–**	–
	1,381	1,450	**717**	697
Applicable tax	**365**	361	**172**	167
Withholding tax on foreign income	**28**	26	**–**	–
Effects of tax incentives and non-taxable income:				
– non-taxable dividends	**(29)**	(32)	**(184)**	(178)
– tax incentives and other income	**(14)**	(21)	**–**	–
Effects of non-deductible expenses	**89**	80	**12**	11
Effects of capital gains tax	**–**	(8)	**–**	–
Effects of change in RPGT rates	**–**	(129)	**–**	–
Effects of deferred tax assets not recognised and previously unrecognised deferred taxes	**(40)**	(18)	**–**	–
Under provision in prior years	**3**	22	**–**	6
Tax expense for the financial year	**402**	281	**–[1]**	6
Applicable tax rate (%)	**26.4**	24.9	**24.0**	24.0
Effective tax rate (%)	**29.1**	19.4	**–**	0.9

[1] Less than RM1 million

The Group's higher effective tax rate of 29.1% for the financial year ended 30 June 2020 was mainly due to non-deductible expenses in certain subsidiaries and withholding taxes.

The Group's lower effective tax rate of 19.4% for the financial year ended 30 June 2019 was mainly due to the effects of change in RPGT rates in Malaysia.

Notes to the Financial Statements

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17 Dividends paid in cash

	Group/Company	
	2020	2019
Second interim dividend of 7.0 sen per share for the financial year ended 30 June 2019, paid on 31 October 2019	**476**	–
Special interim dividend of 1.0 sen per share for the financial year ended 30 June 2019, paid on 31 October 2019	**68**	–
Second interim dividend of 4.0 sen per share for the financial year ended 30 June 2018, paid on 31 October 2018	**–**	272
Special interim dividend of 2.0 sen per share for the financial year ended 30 June 2018, paid on 31 October 2018	**–**	136
First interim dividend of 2.0 sen per share for the financial year ended 30 June 2020, paid on 12 May 2020 (2019 : 2.0 sen per share, paid on 8 May 2019)	**136**	136
	680	544

The Board of Directors has declared a second interim dividend of 7.0 sen per ordinary share (amounting to RM476 million) and a special dividend of 1.0 sen per ordinary share (amounting to RM68 million) in respect of the financial year ended 30 June 2020. The dividends will be paid on 30 October 2020.

18 Other Comprehensive Income/(Loss) – Group

Other comprehensive income/(loss) and the tax effects are analysed as follows:

	Attributable to owners of the Company							
2020	Hedging reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total	Tax effects	Net of tax
Currency translation differences	**–**	**132**	**–**	**132**	**1**	**133**	**–**	**133**
Net change in fair value of cash flow hedges	**19**	**–**	**–**	**19**	**–**	**19**	**(5)**	**14**
Share of other comprehensive income of joint ventures and associates	**1**	**3**	**–**	**4**	**–**	**4**	**–**	**4**
Reclassified to profit or loss:								
– currency translation differences on repayment of net investments and disposal/ liquidation of subsidiaries	**–**	**(7)**	**–**	**(7)**	**–**	**(7)**	**–**	**(7)**
– changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
– changes in fair value of cash flow hedges to inventories	**(7)**	**–**	**–**	**(7)**	**–**	**(7)**	**2**	**(5)**
Actuarial loss on defined benefit pension plans	**–**	**–**	**(4)**	**(4)**	**–**	**(4)**	**–**	**(4)**
Share of actuarial gain on defined benefit pension plans of a joint venture	**–**	**–**	**1**	**1**	**–**	**1**	**–**	**1**
Other comprehensive income/(loss) before tax	**12**	**128**	**(3)**	**137**	**1**	**138**	**(3)**	**135**
Taxation	**(3)**	**–**	**–**	**(3)**	**–**	**(3)**		
Total other comprehensive income/(loss) after tax	**9**	**128**	**(3)**	**134**	**1**	**135**		

18 Other Comprehensive Income/(Loss) – Group (continued)

Other comprehensive income/(loss) and the tax effects are analysed as follows: (continued)

2019	Attributable to owners of the Company Hedging reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total	Tax effects	Net of tax
Currency translation differences	–	(58)	–	(58)	(1)	(59)	–	(59)
Net change in fair value of cash flow hedges	(4)	–	–	(4)	–	(4)	2	(2)
Share of other comprehensive income of joint ventures and associates	–	2	–	2	–	2	–	2
Reclassified to profit or loss:								
– currency translation differences on repayment of net investments and disposal/ liquidation of subsidiaries	–	2	–	2	–	2	–	2
– changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses	12	–	–	12	–	12	(1)	11
– changes in fair value of cash flow hedges to inventories	3	–	–	3	–	3	(1)	2
Share of actuarial gain on defined benefit pension plans of a joint venture	–	–	2	2	–	2	–	2
Other comprehensive income/(loss) before tax	11	(54)	2	(41)	(1)	(42)	–	(42)
Taxation	–	–	–	–	–	–		
Total other comprehensive income/(loss) after tax	11	(54)	2	(41)	(1)	(42)		

Notes to the Financial Statements

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19 Property, Plant and Equipment – Group

2020	Freehold land	Leasehold land	Buildings	Plant and machinery	Rental assets	Vehicles, equipment and fixtures	Capital work in progress	Total
At 1 July 2019 before restatement	399	398	2,472	363	1,003	471	621	5,727
Adoption of MFRS 16 [Note 51]	–	(398)	–	–	–	–	–	(398)
At 1 July 2019 after restatement	399	–	2,472	363	1,003	471	621	5,329
Acquisition of subsidiaries and businesses	18	–	281	28	97	16	1	441
Additions	–	–	30	65	677	229	206	1,207
Disposals	–	–	(11)	(5)	–	(19)	(10)	(45)
Impairment losses	–	–	(8)	–	(3)	–	–	(11)
Reclassification	68	–	473	16	62	47	(666)	–
Depreciation	–	–	(96)	(75)	(248)	(127)	–	(546)
Exchange differences	4	–	33	2	14	6	(1)	58
Transferred to:								
– inventories	–	–	–	–	(397)	–	–	(397)
– finance lease receivables[1]	–	–	–	(16)	–	–	(9)	(25)
– assets held for sale	–	–	(1)	–	–	–	–	(1)
At 30 June 2020	489	–	3,173	378	1,205	623	142	6,010
Cost	489	–	4,266	1,073	1,668	1,568	142	9,206
Accumulated depreciation	–	–	(1,047)	(687)	(459)	(941)	–	(3,134)
Accumulated impairment losses	–	–	(46)	(8)	(4)	(4)	–	(62)
Carrying amount at end of the financial year	489	–	3,173	378	1,205	623	142	6,010

[1] Reclassified to finance lease receivables following the execution of an agreement with a customer in May 2019.

19 Property, Plant and Equipment – Group (continued)

2019	Freehold land	Leasehold land	Buildings	Plant and machinery	Rental assets	Vehicles, equipment and fixtures	Capital work in progress	Total
At 1 July 2018	400	395	2,521	431	1,015	435	576	5,773
Acquisition of subsidiaries	–	–	19	22	–	1	–	42
Disposal of subsidiaries	–	–	–	–	–	(6)	–	(6)
Additions	1	1	44	31	710	130	163	1,080
Disposals	–	(1)	(4)	(5)	(1)	(10)	(1)	(22)
Impairment losses	–	–	–	(1)	(2)	–	–	(3)
Reclassification	–	–	37	28	4	41	(110)	–
Depreciation	–	(7)	(95)	(77)	(218)	(120)	–	(517)
Exchange differences	(1)	10	(24)	(4)	–	1	(1)	(19)
Transferred to:								
– inventories	–	–	–	–	(505)	–	–	(505)
– finance lease receivables[1]	–	–	(25)	(62)	–	(1)	(6)	(94)
– assets held for sale	(1)	–	(1)	–	–	–	–	(2)
At 30 June 2019	399	398	2,472	363	1,003	471	621	5,727
Cost	399	470	3,458	1,041	1,435	1,403	621	8,827
Accumulated depreciation	–	(68)	(944)	(666)	(432)	(928)	–	(3,038)
Accumulated impairment losses	–	(4)	(42)	(12)	–	(4)	–	(62)
Carrying amount at end of the financial year	399	398	2,472	363	1,003	471	621	5,727

[1] Reclassified to finance lease receivables following the execution of an agreement with a customer in May 2019.

At 1 July 2018	Freehold land	Leasehold land	Buildings	Plant and machinery	Rental assets	Vehicles, equipment and fixtures	Capital work in progress	Total
Cost	400	459	3,411	1,061	1,425	1,366	576	8,698
Accumulated depreciation	–	(60)	(850)	(621)	(410)	(925)	–	(2,866)
Accumulated impairment losses	–	(4)	(40)	(9)	–	(6)	–	(59)
Carrying amount at end of the financial year	400	395	2,521	431	1,015	435	576	5,773

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19 Property, Plant and Equipment – Group (continued)

a. Capital work in progress

Included in additions to the capital work in progress is interest expense capitalised of RM12 million (2019: RM24 million).

b. Assets pledged as security

Property, plant and equipment with a total carrying amount of RM69 million (2019: RM72 million) were pledged as security for borrowings (see Note 40).

c. Impairment losses

During the financial year, certain subsidiaries carried out a review of the recoverable amount of its property, plant and equipment. The review led to the recognition of an impairment of RM11 million (2019: RM3 million). The impairment recognised includes RM8 million relating to Jining Sime Darby Longgong Port Limited in the Logistics segment. The impairment assessment was undertaken as a result of the deterioration in its financial performance and net current liabilities position.

d. Reconciliation to the statement of cash flows

Reconciliation to the cash flow for purchase of property, plant and equipment is as follows:

	2020	2019
Additions for the financial year	**1,207**	1,080
Add/(less):		
Net changes in payables for purchase of property, plant and equipment	**8**	14
Additions to rental assets, included as changes in working capital in the statements of cash flows	**(677)**	(710)
Interest expense capitalised in capital work in progress	**(12)**	(24)
Total cash payments during the financial year	**526**	360

20 Right-of-use assets

2020 - Group	Leasehold land and sea-use rights	Buildings	Vehicles, equipment and fixtures	Rental assets	Total
Adoption of MFRS 16 [Note 51]	873	1,001	105	471	2,450
At 1 July 2019 after restatement	873	1,001	105	471	2,450
Acquisition of subsidiaries and businesses	–	137	22	–	159
Additions	36	132	41	24	233
Disposals	(12)	–	–	–	(12)
Terminations	–	(7)	–	–	(7)
Sublease arrangement	–	–	–	(6)	(6)
Impairment losses (net)[1]	(37)	–	–	–	(37)
Depreciation	(40)	(179)	(47)	(164)	(430)
Exchange differences	16	16	5	8	45
At 30 June 2020	836	1,100	126	333	2,395
Cost	1,099	1,285	174	481	3,039
Accumulated depreciation	(222)	(185)	(48)	(148)	(603)
Accumulated impairment losses	(41)	–	–	–	(41)
Carrying amount at end of the financial year	836	1,100	126	333	2,395

[1] Includes an impairment of RM41 million relating to a potential compulsory land acquisition at below carrying value in the Motors segment. The impairment assessment was based on the FVLCS model taking into account the compensation received by the government for the compulsory land acquisition. The fair value is categorised as Level 2 in the fair value hierarchy as the FVLCS was determined based on an observable input. The amount also includes a reversal of impairment of RM4 million relating to the impairment assessment of the Industrial segment's Papua New Guinea intangible assets (Note 23).

The Company's ROU assets comprise of vehicles leased from a subsidiary. The carrying value of these assets is less than RM1 million as at 30 June 2020.

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21 Prepaid Lease Rentals – Group

The prepaid lease rentals are payments for rights in respect of the following:

	Land-use rights	Sea-use rights	Total
2020			
At 1 July 2019 before restatement	**184**	**108**	**292**
Adoption of MFRS 16 [Note 51]	**(184)**	**(108)**	**(292)**
At 1 July 2019 after restatement / At 30 June 2020	**–**	**–**	**–**
2019			
At 1 July 2018	184	116	300
Additions	6	–	6
Disposals	–	(4)	(4)
Amortisation	(4)	(3)	(7)
Exchange differences	(2)	(1)	(3)
At 30 June 2019	184	108	292
Cost	253	123	376
Accumulated amortisation	(69)	(15)	(84)
Carrying amount at end of the financial year	184	108	292
At 1 July 2018			
Cost	244	135	379
Accumulated amortisation	(58)	(19)	(77)
Accumulated impairment losses	(2)	–	(2)
Carrying amount at end of the financial year	184	116	300

22 Investment Properties – Group

	Freehold land	Leasehold land	Buildings	Capital work in progress	Total
2020					
At 1 July 2019	**45**	**28**	**213**	**–**	**286**
Additions	**–**	**–**	**17**	**–**	**17**
Depreciation	**–**	**(1)**	**(6)**	**–**	**(7)**
Exchange differences	**–**	**–**	**–[1]**	**–**	**–[1]**
At 30 June 2020	**45**	**27**	**224**	**–**	**296**
Cost	**45**	**38**	**270**	**–**	**353**
Accumulated depreciation	**–**	**(11)**	**(45)**	**–**	**(56)**
Accumulated impairment losses	**–**	**–**	**(1)**	**–**	**(1)**
Carrying amount at end of the financial year	**45**	**27**	**224**	**–**	**296**
2019					
At 1 July 2018	3	29	99	158	289
Additions	6	–	–	–	6
Disposals	–	–	(2)	–	(2)
Reclassification	36	–	122	(158)	–
Depreciation	–	(1)	(6)	–	(7)
Exchange differences	–	–	–[1]	–	–[1]
At 30 June 2019	45	28	213	–	286
Cost	45	38	256	–	339
Accumulated depreciation	–	(10)	(39)	–	(49)
Accumulated impairment losses	–	–	(4)	–	(4)
Carrying amount at end of the financial year	45	28	213	–	286
At 1 July 2018					
Cost	3	38	137	158	336
Accumulated depreciation	–	(9)	(34)	–	(43)
Accumulated impairment losses	–	–	(4)	–	(4)
Carrying amount at end of the financial year	3	29	99	158	289

[1] Less than RM1 million

The fair value of investment properties as at 30 June 2020 was RM2,970 million (2019: RM2,955 million). The fair value was arrived at after taking into consideration the valuation performed by external professional firms of surveyors and valuers. The fair value is categorised as Level 2 in the fair value hierarchy as the valuation, which was performed using comparable and investment basis, was based on observable valuation inputs.

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22 Investment Properties – Group (continued)

Rental income generated from and direct operating expenses incurred on income generating investment properties are as follows:

	2020	2019
Rental income	**15**	15
Direct operating expenses	**(4)**	(2)

23 Intangible Assets – Group

	Acquired						
	Goodwill	Distribution/ dealership rights	Computer software	Trademarks and others	Total	Internally generated assets[1]	Total intangible assets
2020							
At 1 July 2019	**225**	**769**	**13**	**54**	**1,061**	**423**	**1,484**
Acquisition of subsidiaries and businesses	**23**	**57**	**43**	**–**	**123**	**–**	**123**
Additions	**–**	**–**	**9**	**–**	**9**	**–**	**9**
Reversal of impairment losses	**–**	**28**	**–**	**–**	**28**	**–**	**28**
Amortisation	**–**	**–**	**(11)**	**(6)**	**(17)**	**(53)**	**(70)**
Exchange differences	**4**	**15**	**1**	**(2)**	**18**	**4**	**22**
At 30 June 2020	**252**	**869**	**55**	**46**	**1,222**	**374**	**1,596**
Cost	**416**	**869**	**90**	**62**	**1,437**	**568**	**2,005**
Accumulated amortisation	**–**	**–**	**(35)**	**(15)**	**(50)**	**(194)**	**(244)**
Accumulated impairment losses	**(164)**	**–**	**–**	**(1)**	**(165)**	**–**	**(165)**
Carrying amount at end of the financial year	**252**	**869**	**55**	**46**	**1,222**	**374**	**1,596**
2019							
At 1 July 2018	126	776	13	10	925	490	1,415
Acquisition of subsidiaries	106	12	2	55	175	–	175
Additions	–	–	5	–	5	–	5
Disposals	–	–	(1)	(7)	(8)	–	(8)
Reversal of impairment losses	–	–	–	2	2	–	2
Amortisation	–	–	(6)	(6)	(12)	(55)	(67)
Exchange differences	(7)	(19)	–	–	(26)	(12)	(38)
At 30 June 2019	225	769	13	54	1,061	423	1,484
Cost	387	797	62	64	1,310	563	1,873
Accumulated amortisation	–	–	(49)	(9)	(58)	(140)	(198)
Accumulated impairment losses	(162)	(28)	–	(1)	(191)	–	(191)
Carrying amount at end of the financial year	225	769	13	54	1,061	423	1,484

1 Internally generated assets consist of computer software and development costs.

23 Intangible Assets – Group (continued)

At 1 July 2018	Acquired Goodwill	Acquired Distribution/ dealership rights	Acquired Computer software	Acquired Trademarks and others	Total	Internally generated assets[1]	Total intangible assets
Cost	292	804	77	61	1,234	579	1,813
Accumulated amortisation	–	–	(63)	(36)	(99)	(86)	(185)
Accumulated impairment losses	(166)	(28)	(1)	(15)	(210)	(3)	(213)
Carrying amount at end of the financial year	126	776	13	10	925	490	1,415

[1] Internally generated assets consist of computer software and development costs.

a. Intangible assets under development

No interest expense was capitalised in the financial years ended 30 June 2020 and 30 June 2019.

b. Material intangible assets

In the opinion of the Directors, intangible assets and their carrying amounts which are material to the Group are as follows:

Segment	Investment	Intangible asset	Carrying amount 2020	Carrying amount 2019
Industrial	Heavy equipment business	Goodwill	**40**	38
		Distribution rights	**708**	668
	Chroming business	Goodwill	**101**	99
	New enterprise resource planning system	Computer software	**374**	423
Motors	Australia	Goodwill	**47**	30
		Dealership rights	**150**	89

Goodwill, distribution rights and dealership rights

The goodwill and the distribution rights for the heavy equipment business arose from the acquisition of the Bucyrus distribution business in the Industrial division's dealerships in December 2011.

The chroming business goodwill arose from the acquisition of the Heavy Maintenance group in December 2018.

The goodwill and dealership rights for the Motors segment are in respect of the dealership rights in Brisbane and Sydney, Australia. The increase in the current year was mainly due to the acquisition of the dealerships in Sydney, Australia (Note 45(b)).

Computer software

The internally generated computer software is in relation to the new enterprise resource planning system which was developed for the Industrial division and has been rolled out to all its dealerships in the different regions. The annual amortisation rate is 10%.

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23 Intangible Assets – Group (continued)

c. Intangible assets with indefinite useful lives

Goodwill and distribution/dealership rights are intangible assets with indefinite useful lives. These assets are not amortised as they are not confined to a predetermined service period and they are expected to contribute to net cash inflows indefinitely, but are tested for impairment annually, either individually or at the cash-generating unit ("CGU") level.

The remaining goodwill allocated to other CGUs amounted to RM64 million (2019: RM58 million). Based on impairment assessment performed by management, no impairment was required for the current and previous financial year.

Heavy equipment goodwill and distribution rights

The recoverable amounts of the CGUs were determined based on the CGUs' value-in-use ("VIU") model, determined using the discounted cash flow projections based on the five year budget projections for the heavy equipment business of the Industrial operations in Australasia that were included in the Group Budget approved by the Board. Most of the distribution rights and goodwill have been allocated to Australia. The key assumptions used in the impairment assessment for Australia are as follows:

	2020	2019
Discount rates (%) per annum	**9.0**	9.0
Range of forecast growth rates (%):		
– revenue	**(15) – 4**	(1) – 3
– earnings before interest, tax, depreciation and amortisation ("EBITDA")	**(15) – 9**	2 – 14
– terminal	**2.5**	2.5

Based on management's assessment, no impairment charge is required on the carrying value of the goodwill and distribution rights for the heavy equipment business of the Industrial operations in Australasia in the current and previous financial years. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the CGUs to materially exceed the recoverable amounts in the current and previous financial years.

During the financial year, management decided to reverse the impairment for distribution rights of RM28 million and right-of-use assets of RM4 million during the financial year due to the reversal of the impairment indicator following the improvement of the mining operations in Papua New Guinea.

23 Intangible Assets – Group (continued)

c. Intangible assets with indefinite useful lives (continued)

Chroming business goodwill

The recoverable amount of the CGU is determined based on the CGU's VIU model, determined using the discounted cash flow projections based on the five year budget projections for the chroming business of the Industrial operations in Australia that were included in the Group Budget approved by the Board. The key assumptions used in the impairment assessment for the chroming business in Australia are as follows:

	2020
Discount rates (%) per annum	**9.0**
Range of forecast growth rates (%):	
– revenue	**0 – 11**
– EBITDA	**0 – 17**
– terminal	**2.5**

Based on management's assessment, no impairment charge is required on the carrying value of the goodwill of the chroming business of the Industrial operations in Australia. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amount of the CGU to materially exceed the recoverable amount.

In 2019, management assessed that no impairment charge was required as there was no indicator of impairment. The purchase price allocation for the acquisition of the Heavy Maintenance group was completed in June 2019.

Australia Motors goodwill and dealership rights – Brisbane operations

The recoverable amounts of the Brisbane operations are determined based on the VIU model, using five year budget projections that were included in the Group Budget approved by the Board. The key assumptions used for the impairment testing are as follows:

	2020	2019
Discount rates (%) per annum	**9.9**	10.5
Range of forecast growth rates (%):		
– revenue	**(13) – 17**	3 – 11
– terminal	**2.0**	2.5

Based on management's assessment, no impairment charge is required on the carrying value of the goodwill and dealership rights of the Brisbane operations in the current and prior financial years. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the CGUs to materially exceed the recoverable amounts in the current and previous financial years.

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23 Intangible Assets – Group (continued)

c. Intangible assets with indefinite useful lives (continued)

Australia Motors goodwill and dealership rights – Sydney operations

The goodwill and dealership rights of the Sydney operations arose from the acquisition of the dealerships in Sydney, Australia during the financial year. The recoverable amounts of the Sydney operations are determined based on the VIU model, using five year budget projections that were included in the Group Budget approved by the Board. The key assumptions used for the impairment testing are as follows:

Discount rates (%) per annum	9.9
Range of forecast growth rates (%):	
– revenue	(15) – 57
– terminal	2.0

A residual value of properties at AUD91 million (approximately RM268 million) in the terminal year calculated at a yield of 6% per annum

Based on management's assessment, no impairment charge is required on the carrying value of the goodwill and dealership rights of the Sydney operations in the current financial year. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the CGUs to materially exceed the recoverable amounts in the current financial year.

d. Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortised over their useful lives. The amortisation charge for the financial year of RM70 million (2019: RM67 million) was recorded in profit or loss.

24 Subsidiaries – Company

The Company's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are disclosed in Note 54.

	2020	2019
Unquoted shares at cost	**8,000**	3,034
Accumulated impairment	**–**	(31)
Contribution to a subsidiary	**887**	887
	8,887	3,890

During the financial year, the Company subscribed to additional shares issued by a subsidiary for RM4,997 million by way of capitalisation of outstanding amount due from the subsidiary. In addition, two subsidiaries were transferred to another subsidiary at their carrying values.

Contribution to a subsidiary refers to amounts for which the Company does not expect repayment in the foreseeable future and is considered as part of the Company's investment in the subsidiary.

25 Amounts Due from Subsidiaries – Company

	2020	2019
Current (non-interest bearing)	**969**	5,897
	969	5,897

The amounts due from subsidiaries are unsecured and mainly consists of advances to Sime Darby Holdings Berhad ("SDHB") and dividends receivable from subsidiaries. During the year, RM4,997 million of the advance to SDHB was capitalised as part of the inter-company balance restructuring. As at 30 June 2020, the remaining advance to SDHB of RM872 million and amounts due from other subsidiaries of RM97 million are classified as current as these amounts are mainly cash sweeping arrangements within the Group and dividend receivable which are expected to be realised in the next financial year.

26 Financial Assets at Fair Value Through Profit or Loss

	Loan to a joint venture	Unquoted shares	Others	Total
2020				
At 1 July 2019	**65**	**21**	**1**	**87**
Additions	**8**	**–**	**–**	**8**
Changes in fair value	**(72)**	**–**	**–**	**(72)**
Exchange differences	**(1)**	**–**	**–**	**(1)**
At 30 June 2020	**–**	**21**	**1**	**22**
2019				
At 1 July 2018 before restatement	–	–	–	–
Adoption of MFRS 9	98	21	1	120
At 1 July 2018 after restatement	98	21	1	120
Additions	17	–	–	17
Changes in fair value	(47)	–	–	(47)
Exchange differences	(3)	–	–	(3)
At 30 June 2019	65	21	1	87

The loan to a joint venture (Mine Energy Solutions Pty Ltd ("MES")) has no fixed and determinable payment terms and bears interest at 15% (2019: 15%) per annum. The fair value of the loan was based on the probability weighted discounted cash flows calculated under several scenarios. A discount rate of 15% (2019: 15%) is used.

During the financial year, the carrying value of the loan was fully impaired due to the increased uncertainties on the eventual commercialisation and the net cash flows derived thereon for the projects in MES. As a result, a fair value loss of RM72 million was recognised in profit or loss during the financial year.

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27 Deferred Tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group	
	2020	2019
Deferred tax assets	**613**	542
Deferred tax liabilities	**(331)**	(289)
	282	253
Deferred taxes expected to be realised within 12 months	**310**	293
Deferred taxes expected to be realised after 12 months	**(28)**	(40)
	282	253
Tax losses for which the tax effects have not been recognised in the financial statements		
– Expiring within 10 years	**1,753**	1,845
– With no expiry period	**379**	278
	2,132	2,123

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the unutilised tax losses in Malaysia will be imposed with a time limit of utilisation of 7 years. Any accumulated tax losses from year of assessment 2018 can be carried forward for another 7 years of assessment.

Deferred tax is not recognised on the unremitted earnings of overseas subsidiaries where the Group is able to control the timing of the remittance and it is probable that there will be no remittance in the foreseeable future. If these earnings were remitted, tax of RM226 million (2019: RM207 million) would be payable.

27 Deferred Tax (continued)

The components and movements of the Group's net deferred taxes are as follows:

2020	Property, plant and equipment and investment properties	Intangible assets	Impairment and provisions	Tax losses and unabsorbed capital allowances	Others	Total
At 1 July 2019	**205**	**(339)**	**261**	**85**	**41**	**253**
(Charged)/credited to profit or loss	**(3)**	**1**	**83**	**(21)**	**(17)**	**43**
Charged to other comprehensive income	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Acquisition of subsidiaries and businesses	**13**	**(22)**	**(2)**	**5**	**(2)**	**(8)**
Exchange differences	**1**	**(5)**	**2**	**–**	**(1)**	**(3)**
At 30 June 2020	**216**	**(365)**	**344**	**69**	**18**	**282**
Deferred tax assets (before offsetting)	**326**	**–**	**344**	**69**	**33**	**772**
Deferred tax liabilities (before offsetting)	**(110)**	**(365)**	**–**	**–**	**(15)**	**(490)**
Net deferred tax assets/(liabilities)	**216**	**(365)**	**344**	**69**	**18**	**282**

	Deferred tax before offsetting	Offsetting	Deferred tax after offsetting
Deferred tax assets	**772**	**(159)**	**613**
Deferred tax liabilities	**(490)**	**159**	**(331)**
Net deferred tax assets	**282**	**–**	**282**

2019	Property, plant and equipment and investment properties	Intangible assets	Impairment and provisions	Tax losses and unabsorbed capital allowances	Others	Total
At 1 July 2018 before restatement	123	(310)	183	220	17	233
Adoption of MFRS 9	–	–	8	–	–	8
At 1 July 2018 after restatement	123	(310)	191	220	17	241
Credited/(charged) to profit or loss	85	(16)	76	(134)	22	33
Acquisition of subsidiaries	(2)	(20)	5	–	–	(17)
Disposal of subsidiaries	–	–	(3)	–	–	(3)
Exchange differences	(1)	7	(8)	(1)	2	(1)
At 30 June 2019	205	(339)	261	85	41	253
Deferred tax assets (before offsetting)	306	1	261	85	59	712
Deferred tax liabilities (before offsetting)	(101)	(340)	–	–	(18)	(459)
Net deferred tax assets/(liabilities)	205	(339)	261	85	41	253

	Deferred tax before offsetting	Offsetting	Deferred tax after offsetting
Deferred tax assets	712	(170)	542
Deferred tax liabilities	(459)	170	(289)
Net deferred tax assets	253	–	253

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28 Tax Recoverable

	Group	
	2020	2019
Non-current	**46**	65
Current	**56**	72
	102	137

The non-current tax recoverable includes additional tax assessments paid and withholding taxes, which would normally take more than a year to resolve with the relevant tax authorities. These taxes are recognised as recoverable as the Group has reasonable grounds to believe that the additional tax assessments were incorrectly issued and the withholding taxes will be refunded once the Group complies with the claim procedure and documentation requirements.

29 Derivative Assets/Liabilities – Group

The Group's derivative assets and liabilities are as follows:

	2020			2019		
	Derivative assets	Derivative liabilities	Net	Derivative assets	Derivative liabilities	Net
Non-current						
Derivatives not designated as hedges:						
– forward foreign exchange contracts [note (a)]	**–**	**–**	**–**	2	–	2
	–	**–**	**–**	2	–	2
Current						
Derivatives not designated as hedges:						
– forward foreign exchange contracts [note (a)]	**–**	**(2)**	**(2)**	2	(16)	(14)
Cash flow hedges:						
– forward foreign exchange contracts [note (a)]	**3**	**(4)**	**(1)**	4	(2)	2
	3	**(6)**	**(3)**	6	(18)	(12)
Total	**3**	**(6)**	**(3)**	8	(18)	(10)

These derivatives are entered into to hedge foreign currency risks as described in Note 5. Whilst all derivatives entered provide economic hedges to the Group, derivatives not designated as hedges are instruments that either do not qualify for the application of hedge accounting or where the certain subsidiaries have chosen not to apply hedge accounting.

29 Derivative Assets/Liabilities – Group (continued)

a. Forward foreign exchange contracts

Forward foreign exchange contracts have been entered into with the following notional amounts and maturities:

	2020 Maturities	2019 Maturities		
	Less than 1 year	Less than 1 year	1 year to 3 years	Total
Forward contracts used to hedge anticipated sales denominated in:				
– United States Dollar	**55**	59	–	59
– other currencies	**21**	28	–	28
	76	87	–	87
Forward contracts used to hedge receivables denominated in:				
– United States Dollar	**54**	5	–	5
– European Union Euro	**4**	15	–	15
– other currencies	**16**	9	–	9
	74	29	–	29
Forward contracts used to hedge intercompany receivables denominated in:				
– Chinese Renminbi	**15**	7	–	7
– Australian Dollar	**59**	–	–	–
– New Zealand Dollar	**27**	–	–	–
	101	7	–	7
Forward contracts used to hedge anticipated purchases denominated in:				
– United States Dollar	**308**	475	–	475
– European Union Euro	**24**	573	90	663
– Australian Dollar	**50**	98	–	98
– other currencies	**45**	80	–	80
	427	1,226	90	1,316

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29 Derivative Assets/Liabilities – Group (continued)

a. Forward foreign exchange contracts (continued)

Forward foreign exchange contracts have been entered into with the following notional amounts and maturities: (continued)

	2020 Maturities	2019 Maturities		
	Less than 1 year	Less than 1 year	1 year to 3 years	Total
Forward contracts used to hedge payables denominated in:				
– United States Dollar	**190**	336	–	336
– European Union Euro	**85**	191	–	191
– other currencies	**18**	28	–	28
	293	555	–	555
Forward contracts used to hedge borrowings denominated in:				
– United States Dollar	**47**	58	–	58
Total notional amount	**1,018**	1,962	90	2,052
Net fair value (liabilities)/assets	**(3)**	(12)	2	(10)

30 Receivables and other assets

	Group 2020	Group 2019	Company 2020	Company 2019
Non-current				
Trade receivables	**3**	25	**–**	–
Amounts due from joint ventures [note (a)]	**56**	125	**–**	–
Finance lease receivables [note (a)]	**82**	81	**–**	–
Other receivables	**18**	7	**–**	–
	159	238	**–**	–
Accumulated impairment losses				
– amounts due from joint ventures	**–**	(1)	**–**	–
Total receivables	**159**	237	**–**	–
Prepayments	**63**	35	**–**	–
Pension assets [note (b)]	**8**	11	**–**	–
Total receivables and other assets	**230**	283	**–**	–
Current				
Trade receivables	**2,573**	2,753	**–**	–
Amounts due from joint ventures	**168**	86	**–**	–
Amounts due from associates	**5**	–	**–**	–
Finance lease receivables	**70**	35	**–**	–
Other receivables:				
– rebates from principals	**385**	390	**–**	–
– assembly purchases and expenses recoverable	**447**	430	**–**	–
– warranty and parts claims	**128**	95	**–**	–
– amount due from principal	**120**	–	**–**	–
– infrastructure costs recoverable	**–**	30	**–**	–
– others	**198**	267	**1**	–
Deposits	**78**	90	**–**	–
	4,172	4,176	**1**	–
Accumulated impairment losses:				
– trade receivables	**(121)**	(86)	**–**	–
– rebates from principals	**(3)**	(1)	**–**	–
– amounts due from joint ventures	**(24)**	(1)	**–**	–
– other receivables	**(77)**	(77)	**–**	–
Total receivables	**3,947**	4,011	**1**	–
Indirect taxes recoverable	**86**	109	**–**	2
Government grant receivable	**9**	–	**–**	–
Total receivables and other assets	**4,042**	4,120	**1**	2
Total non-current and current receivables	**4,106**	4,248	**1**	–

The Group's credit risk management objectives and policies are described in Note 5.

Notes to the Financial Statements

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30 Receivables and Other Assets (continued)

a. Non-current receivables

i. Amounts due from joint ventures

The amounts due from joint ventures represent unsecured long-term loans advanced to Weifang Sime Darby Liquid Terminal Co Ltd ("WSDLT") and Weifang Sime Darby West Port Co Ltd ("WSDWP"). During the financial year, the loans to WSDLT amounting to RMB148 million (approximately RM89 million) were reclassified to net investment in joint ventures following the restructuring of the terms of these loans.

As at 30 June 2020, the loans to WSDLT and WSDWP amounted to approximately RMB33 million and RMB59.5 million (approximately RM20 million and RM36 million) (2019: RMB148 million and RMB59.5 million (approximately RM89 million and RM36 million)) respectively. Long-term loans to joint ventures bear fixed interest rates of 6.0% per annum (2019: 6.0% to 6.4%).

ii. Finance lease receivables

Finance lease receivables are in respect of specific assets acquired for contract assembly projects which the Group leases to a customer of the Group. The finance lease receivables are discounted at the effective discount rates ranging from 1.3% to 10.7% (2019: 4.5% to 8.2%).

Movement in finance lease receivables is as follows:

	2020	2019
At 1 July	**116**	–
Additions	**37**	27
Acquisition of subsidiaries	**2**	–
Lease payments received during the financial year	**(40)**	(6)
Finance income	**11**	1
Transfer from property, plant and equipment	**25**	94
Exchange differences	**1**	–
At 30 June	**152**	116

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2020	2019
Within 1 year	**77**	41
Between 1-2 years	**54**	54
Between 2-3 years	**25**	28
Between 3-4 years	**3**	2
Between 4-5 years	**2**	1
After 5 years	**2**	2
Total undiscounted lease payments	**163**	128
Unearned finance income	**(11)**	(12)
Net investment in the lease	**152**	116

b. Pension assets

Certain subsidiaries in Hong Kong operate funded defined benefit plans. The defined benefit plans are determined based on an annual actuarial valuation as at 30 June by external consultants where the amount of the benefits that eligible employees have earned in return for their services in the current and prior financial years are estimated. The pension assets presented is net of present value of obligations of RM28 million (2019: RM28 million).

31 Inventories – Group

	2020	2019
Raw material and consumables	**27**	46
Work in progress	**384**	377
Trading inventories		
– equipment	**2,815**	2,765
– motor vehicles	**3,152**	3,521
– parts and accessories	**1,948**	1,812
– others	**20**	17
	8,346	8,538

Inventories are written down where the net realisable value is expected to be below the carrying amount. During the financial year, the Group wrote down and provided an amount of RM242 million (2019: RM225 million). The carrying amount of trading inventories stated at net realisable value was RM1,906 million (2019: RM1,095 million).

Inventories with a total carrying amount of RM20 million (2019: Nil) were pledged as security for borrowings (see Note 40).

32 Contract Assets and Liabilities – Group

	2020	2019
Contract assets		
Current		
Engineering contracts [note (a)]	**54**	46
	54	46
Contract liabilities		
Non-current		
Deferred income:		
– maintenance income and extended warranties	**147**	169
	147	169
Current		
Engineering contracts [note (a) and (b)]	**15**	14
Deferred income:		
– maintenance income and extended warranties [note (b)]	**343**	441
Customer deposits [note (c)]	**1,740**	1,503
Incentives payable and others	**30**	33
	2,128	1,991
	2,275	2,160

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32 Contract Assets and Liabilities – Group (continued)

a. Engineering contracts

The engineering contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect the physical completion of the contracts.

b. Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date, are as follows:

	2021	2022	After 2022	Total
Deferred income	346	78	76	500
Engineering contracts	108	14	44	166
	454	92	120	666

c. Customer deposits

Customer deposits relate to deposits made by customers for the purchases of equipment and vehicles which were partially delivered or have yet to be delivered by the Group at the reporting date. The Group applies the practical expedient in MFRS 15 "Revenue from Contracts with Customers" on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the performance obligation is part of a contract that has an original expected duration of less than one year.

Customer deposits increased 16% mainly arising from higher orders placed by customers.

33 Prepayments – Group

	2020	2019
Prepaid inventories	**263**	448
Other prepayments	**160**	115
	423	563

34 Bank Balances, Deposits and Cash

	Group		Company	
	2020	2019	2020	2019
Deposits				
– Islamic	**245**	342	**130**	–
– conventional	**343**	335	**–**	–
	588	677	**130**	–
Cash at bank and in hand	**1,106**	1,046	**–**	150
Total bank balances, deposits and cash	**1,694**	1,723	**130**	150
Effective profit/interest rates per annum on deposits with licensed banks/financial institutions				
	%	%	%	%
– Islamic	**1.95**	3.13	**1.95**	–
– conventional	**1.52**	1.75	**–**	–

35 Assets Held for Sale

Assets held for sale consists primarily of a property in Australia under the Industrial segment and the sale has been completed subsequent to the financial year end.

On 22 April 2020, the Group had entered into conditional agreements with C.P. Retail Development Company Limited ("CP"), Tesco Holdings B.V. ("Tesco BV") and Tesco Plc for the disposal of the Group's entire 30% equity interest in Tesco Stores (Malaysia) Sdn. Bhd. ("Tesco Malaysia"), an associate of the Group, to CP in accordance with the joint venture agreement with Tesco BV dated 28 November 2001 ("Proposed Disposal"). The Proposed Disposal is pursuant to Tesco BV's conditional agreement with CP entered into on 9 March 2020, to dispose of its interest in Tesco Malaysia.

The carrying amount of the investment in Tesco Malaysia is RM nil as at 30 June 2020 (2019: RM nil) and is included under Others in Note 46. The Group expects to record an estimated net gain on disposal of RM270 million from the Proposed Disposal which is expected to be completed within the second half of calendar year 2020.

36 Share Capital

	Group/Company			
	Number of shares (million)		Share capital	
	2020	2019	2020	2019
Issued and fully paid up:				
Ordinary shares with no par value				
At 1 July	**6,801**	6,801	**9,299**	9,299
Issuance of shares under performance-based employee share scheme	**–**[1]	–	**1**	–
At 30 June	**6,801**	6,801	**9,300**	9,299

[1] Less than 1 million

37 Performance-Based Employee Share Scheme

The Company's Performance-Based Employee Share Scheme ("PBESS") is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 8 November 2012 and was effected on 15 January 2013. Under the PBESS, ordinary shares in the Company ("Sime Darby Shares") are granted to eligible employees and executive directors of the Group.

On 15 January 2020, the Company offered the fourth Grant Offer of Sime Darby Shares, comprising Performance Share ("PS") Grant and Restricted Share ("RS") Grant.

The salient features of the PBESS are as follows:

a. Eligible employees are those executives (including executive director) of the Group (other than dormant subsidiaries) who have attained the age of 18 years; entered into a full-time or fixed-term contract of employment with and are on the payroll of a company within the Group; have not served notice of resignation or received notice of termination on the date of the offer; whose service/employment have been confirmed in writing; and have fulfilled other eligibility criteria which have been determined by the Nomination & Remuneration Committee ("NRC") at its sole and absolute discretion from time to time.

b. The total number of Sime Darby Shares to be allocated to an employee shall not be more than 10% of the Sime Darby Shares made available under the PBESS if the employee either singly or collectively through persons connected with the said employee, holds 20% or more of the Company's issued and paid up share capital.

c. The maximum number of Sime Darby Shares to be allotted and issued under the PBESS shall not be more than in aggregate 10% of the issued and paid-up ordinary share capital of the Company at any point in time during the duration of the PBESS.

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

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37 Performance-Based Employee Share Scheme (continued)

d. The PBESS shall be in force for a period of 10 years commencing from the effective date of implementation.

e. The new Sime Darby Shares to be allotted and issued pursuant to the PBESS shall, upon allotment and issuance, rank pari passu in all respects with the then existing issued Sime Darby Shares and shall be entitled to any rights, dividends, allotments and/or distributions attached thereto and/or which may be declared, made or paid to the Company's shareholders, provided that the relevant allotment date of such new shares is before the record date (as defined in the PBESS By-Laws) for any right, allotment or distribution.

f. If the NRC so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of the PBESS, such corresponding alterations (if any) may be made in the number of unvested Sime Darby Shares and/or the method and/or manner in the vesting of the Sime Darby Shares comprised in a grant.

The shares granted will be vested only upon fulfilment of vesting conditions which include achievement of service period and performance targets as follows:

	Grant date: 15 January 2019 (third grant offer), 15 January 2020 (fourth grant offer)	
	Type of grant	
	PS	RS
Vesting conditions	3-year cliff vesting, i.e. over a period of the 3 financial years from 1 July 2018 (third grant offer) or 1 July 2019 (fourth grant offer) Vesting of the shares is subject to meeting certain performance targets. Depending on the employee, the performance targets consist of relative Total Shareholder Returns ("TSR") and/or financial performance targets. Depending on the level of achievement of the performance targets as determined by the NRC, the total amount of shares which will vest may be lower or higher than the total number of shares offered.	Total RS divided into 3 tranches with each tranche vesting at the end of each financial year over 3 financial years from 1 July 2018 (third grant offer) or 1 July 2019 (fourth grant offer)

An eligible employee must remain in employment and shall not have served a notice of resignation or received a notice of termination as at the Vesting Date. The Vesting Date is expected to be in November of the applicable vesting year.

37 Performance-Based Employee Share Scheme (continued)

The movements in the number of Sime Darby Shares granted under the PBESS to the Group's eligible employees are as follows:

Third Grant

	Fair value at grant date (RM)	At 1 July 2019 '000	Reallocated[1] '000	Forfeited '000	Vested '000	At 30 June 2020 '000
Group						
PS – Relative TSR target	2.52	971	–	(172)	–	799
PS – Financial targets	2.11	6,686	–	(635)	–	6,051
RS – Year 1 vesting	2.29	637	(3)	(26)	(608)	–
RS – Year 2 vesting	2.20	637	(3)	(67)	–	567
RS – Year 3 vesting	2.11	636	6	(67)	–	575

	Fair value at grant date (RM)	At 1 July 2018 '000	Granted '000	Forfeited '000	At 30 June 2019 '000
Group					
PS – Relative TSR target	2.52	–	971	–	971
PS – Financial targets	2.11	–	6,835	(149)	6,686
RS – Year 1 vesting	2.29	–	649	(12)	637
RS – Year 2 vesting	2.20	–	649	(12)	637
RS – Year 3 vesting	2.11	–	649	(13)	636

[1] During the financial year, the RS grants for Grant 3 were reallocated so that each of the three tranches do not result in odd lots when the shares are vested

Fourth Grant

	Fair value at grant date (RM)	At 1 July 2019 '000	Granted '000	At 30 June 2020 '000
Group				
PS – Relative TSR target	2.28	–	1,087	1,087
PS – Financial targets	1.95	–	5,403	5,403
RS – Year 1 vesting	2.15	–	537	537
RS – Year 2 vesting	2.05	–	537	537
RS – Year 3 vesting	1.95	–	545	545

There are no eligible employees under the Company for both the third and fourth grants.

The fair value of the Sime Darby Shares granted is determined using the Monte Carlo Simulation model, taking into account the terms and conditions on which the shares were granted.

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37 Performance-Based Employee Share Scheme (continued)

The significant inputs in the model for the third and fourth grants are as follows:

Grant date	Third Grant 15 January 2019		Fourth Grant 15 January 2020	
	PS	RS	PS	RS
Closing market price at grant date (RM)	RM2.36		**RM2.23**	
Expected volatility (%)	30%		**30%**	
Expected dividend yield (%)	3.73%	3.4%-4.0%	**4.70%**	**4.4%-4.9%**
Risk free rate (%)	3.58%	3.56%-3.58%	**3.10%**	**3.02%-3.10%**

The expected dividend yield used was based on future estimates, which may not necessarily be the actual outcome. Volatility is based on average historical volatility over 1 to 3 years on a weekly basis.

38 Reserves

The Group's reserves comprise:

Nature	Description
Capital reserve	Arising from non-distributable reserves
Legal reserve	Arising from statutory requirements of countries where the Group operates. Subsidiaries established in China are required to maintain certain statutory reserves by transferring from their profit after taxation in accordance with the relevant laws and regulations and, if applicable, the articles of association of subsidiaries in China, before any dividend is declared and paid
Hedging reserve	Arising from changes in fair value of hedge instruments under cash flow hedges
Share grant reserve	Arising from the PBESS, as disclosed in Note 37
Available-for-sale reserve	Arising from changes in fair value of available-for-sale investments, prior to the adoption of MFRS 9
Exchange reserve	Arising from exchange differences on retranslation of the net investments in foreign operations

38 Reserves (continued)

Group	Share grant reserve	Capital reserve	Legal reserve	Hedging reserve	Available-for-sale reserve	Exchange reserve	Total
2020							
At 1 July 2019	**6**	**231**	**99**	**(6)**	**–**	**50**	**380**
Other comprehensive income [Note 18]	**–**	**–**	**–**	**9**	**–**	**128**	**137**
Transfer from retained profits	**–**	**2**	**12**	**–**	**–**	**–**	**14**
PBESS expenses	**10**	**–**	**–**	**–**	**–**	**–**	**10**
Issuance of shares under the PBESS	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**
At 30 June 2020	**15**	**233**	**111**	**3**	**–**	**178**	**540**
2019							
At 1 July 2018 as previously stated	–	189	62	(17)	3	104	341
Adoption of MFRS 9	–	–	–	–	(3)	–	(3)
Restated as at 1 July 2018	–	189	62	(17)	–	104	338
Other comprehensive income/(loss) [Note 18]	–	–	–	11	–	(54)	(43)
PBESS expenses	6	–	–	–	–	–	6
Transfer from retained profits	–	42	52	–	–	–	94
Reclassification upon disposal of a subsidiary to retained profits	–	–	(15)	–	–	–	(15)
At 30 June 2019	6	231	99	(6)	–	50	380

Company

The reserves of the Company relates to the share grant reserve as disclosed in the Statement of Changes in Equity.

39 Non-Controlling Interests – Group

The profit, comprehensive income and net assets attributable to owners of non-controlling interests are as follows:

	2020	2019
Profit for the financial year	**53**	62
Other comprehensive income/(loss)	**1**	(1)
Total comprehensive income	**54**	61
Net assets	**416**	405

The Group had no non-controlling interests which were material as at 30 June 2020.

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40 Borrowings

Group	2020 Secured	2020 Unsecured	2020 Total	2019 Secured	2019 Unsecured	2019 Total
Non-current						
Term loans	**32**	**–**	**32**	26	–	26
Islamic financing	**–**	**78**	**78**	–	150	150
Finance leases[1]	**–**	**–**	**–**	2	–	2
	32	**78**	**110**	28	150	178
Current						
Term loans due within one year	**9**	**–**	**9**	4	–	4
Islamic financing due within one year	**–**	**73**	**73**	–	65	65
Short term loans[2]	**–**	**715**	**715**	–	–	–
Bank overdrafts	**–**	**44**	**44**	–	94	94
Short term Islamic financing	**–**	**204**	**204**	–	595	595
Revolving credits, trade facilities and other short-term borrowings	**–**	**1,076**	**1,076**	–	1,638	1,638
Finance leases[1]	**–**	**–**	**–**	1	–	1
	9	**2,112**	**2,121**	5	2,392	2,397
Total borrowings	**41**	**2,190**	**2,231**	33	2,542	2,575

1 Finance leases are reclassified to lease liabilities after the adoption of MFRS 16.
2 Short term loans consists of borrowings raised to finance the acquisition of Gough Group Limited and the Sydney dealerships.

a. Other information on borrowings

i. Effective interest rates

The average effective interest rates of borrowings per annum are as follows:

	Group 2020 %	Group 2019 %
Term loans and Islamic financing	**3.03**	4.10
Other borrowings	**2.31**	3.45

The Group's floating rate term loans and Islamic financing that are subject to contractual interest rates repricing within 1 year amounted to RM151 million (2019: RM215 million).

ii. Secured financing

As at 30 June 2020, borrowings amounting to RM41 million (2019: RM30 million) are secured by property, plant and equipment with a carrying value of RM69 million (2019: RM72 million) and inventories with a carrying value of RM20 million (2019: Nil).

41 Lease liabilities

2020	Group
Non-current	**1,438**
Current	**376**
	1,814

a. Undiscounted contractual cash flows

	2020
Future minimum lease payments:	
– within 1 year	**422**
– between 1 to 2 years	**354**
– between 2 to 5 years	**607**
– above 5 years	**855**
	2,238
Less: unexpired finance charges	**(424)**
	1,814

b. Currency profile

All lease liabilities are denominated in the functional currency of the respective subsidiaries.

c. Lease commitments

As at 30 June 2020, commitments for short term leases and low value leases amounted to RM6 million and RM15 million respectively.

d. Other information on lease liabilities

The lease terms range from 2 to 40 years.

The average effective interest rates of lease liabilities ranges from 1.8% to 8.0% per annum.

e. Extension options

The Group did not include potential lease payments from extension options that it is not reasonably certain to exercise. Most of these leases involve land and/or building leases. The undiscounted potential future lease payments not recognised as lease liabilities as at 30 June 2020 was RM974 million and range between 2-20 years.

The Company's lease liabilities were not material (less than RM1 million).

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42 Payables and other liabilities

	Group		Company	
	2020	2019	2020	2019
Non-current				
Employee benefits	**9**	6	**–**	–
Others	**12**	4	**–**	–
Payables	**21**	10	**–**	–
Current				
Trade payables	**2,642**	2,983	**–**	–
Vehicle financing [note (a)]	**276**	182	**–**	–
Accruals and other payables [note (b)]	**622**	610	**1**	1
Employee benefits and directors fees	**615**	622	**1**	1
Amounts due to joint ventures	**40**	47	**–**	–
Amounts due to associates	**6**	–	**–**	–
Payables	**4,201**	4,444	**2**	2
Indirect taxes payable	**101**	203	**–**	–
Government grant [Note 43]	**15**	–	**–**	–
Payables and other liabilities	**4,317**	4,647	**2**	2
Non-current and current payables	**4,222**	4,454	**2**	2

a. Vehicle financing

In certain markets, the Group finances the purchase of vehicles using vehicle financing arrangements. The Group is normally required to repay the outstanding amounts within 2 days of the sale of the associated vehicle inventories. These arrangements carry interest rates ranging from 2.2% to 5.9% per annum (2019: 3.7% to 5.9%).

b. Accruals and other payables

Included in accruals and other payables are amounts payable for the purchase of property, plant and equipment of RM22 million (2019: RM29 million).

43 Government Grants – Group

Government grants received were mainly in relation to the construction of the port infrastructure and other facilities in China. During the financial year, government grant relating to port infrastructure and facilities of RM7 million (2019: RM5 million) has been amortised to profit or loss.

In the current financial year, the Group also received government grants relating to Covid-19 wage subsidies. To comply with conditions of the government grants received, the Group is required to keep the affected employees in employment for the period stipulated by the government grant received. The grants received have largely been recognised in profit or loss during the financial year.

44 Provisions – Group

	Warranties	Risk sharing	Disputes	Others	Total
2020					
At 1 July 2019 before restatement	**184**	**19**	**197**	**21**	**421**
Adoption of MFRS 16 [Note 51]	**–**	**–**	**–**	**(4)**	**(4)**
At 1 July 2019 after restatement	**184**	**19**	**197**	**17**	**417**
Additions	**220**	**37**	**–**	**25**	**282**
Reversals	**(60)**	**(19)**	**–**	**–**	**(79)**
Translation differences	**–**	**–**	**7**	**–**	**7**
Charged to profit or loss	**160**	**18**	**7**	**25**	**210**
Utilised	**(200)**	**–**	**–**	**(15)**	**(215)**
Acquisition of subsidiaries	**23**	**–**	**–**	**–**	**23**
Exchange differences	**4**	**–**[1]	**–**	**–**[1]	**4**
At 30 June 2020	**171**	**37**	**204**	**27**	**439**
2019					
At 1 July 2018	132	15	192	34	373
Additions	192	32	–	14	238
Reversals	(48)	(28)	–	(15)	(91)
Translation differences	–	–	5	–	5
Charged/(credited) to profit or loss	144	4	5	(1)	152
Utilised	(96)	–	–	(12)	(108)
Acquisition of subsidiaries	2	–	–	–	2
Exchange differences	2	–[1]	–	–[1]	2
At 30 June 2019	184	19	197	21	421

[1] Less than RM1 million

The provisions are subject to the following maturity periods:

	2020	2019
Non-current		
Due later than one year	**22**	16
Current		
Due no later than one year	**417**	405
	439	421

a. Warranties

Provision is recognised on warranties provided for the sales of machinery, vehicles and other products that are not covered by manufacturers' warranties. The provision was estimated based on historical claims experience, as well as recent trends which are indicative of future claims.

b. Risk sharing

Provision is recognised for possible future losses arising from customer defaults pursuant to the risk sharing arrangements entered into by the Group with Caterpillar (China) Financial Leasing Co., Ltd.

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45 Acquisition of subsidiaries and businesses

Subsidiaries acquired by the Group during the financial year ended 30 June 2020 were as follows:

a. On 30 September 2019, Sime Darby (NZ) Holdings Limited, an indirect wholly-owned subsidiary of Sime Darby Berhad, completed the acquisition of the entire share capital in Gough Group Limited for a cash consideration of NZD218 million (approximately RM574 million). The acquisition is a strategic fit for the Group as it expands the Group's Caterpillar distribution rights to New Zealand, broadens the suite of franchises through brands such as Palfinger and complements the Group's commercial vehicle business in New Zealand.

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

	Book value	Fair value
Property, plant and equipment	163	185
ROU assets	152	152
Intangible assets	37	43
Associates	3	3
Deferred tax assets (net)	12	6
Inventories	360	355
Receivables	178	178
Cash and cash equivalents	40	40
Lease liabilities	(154)	(154)
Other current liabilities	(231)	(231)
Net assets acquired	560	577
Non-controlling interest		(3)
Purchase consideration		574
Less: Cash and cash equivalent of subsidiaries acquired		(40)
Net cash outflow on acquisition		534

For the financial year ending 30 June 2020, the acquisitions contributed a revenue of RM891 million and loss after tax and non-controlling interests of RM30 million.

Had the acquisitions been completed at 1 July 2019, the acquisition would have contributed additional revenue of approximately RM370 million and additional loss after tax and non-controlling interests of approximately RM2 million.

45 Acquisition of subsidiaries and businesses (continued)

Businesses acquired by the Group during the financial year ended 30 June 2020 were as follows:

b. On 2 December 2019, Sime Darby Motors Sdn Bhd acquired the business assets and properties of three luxury car dealerships in Sydney, Australia ("Sydney dealerships") for a cash consideration of AUD156 million (approximately RM440 million) from Inchcape Australia Limited. The three dealerships represent the BMW, MINI, Volkswagen, Jaguar and Land Rover marques. The acquisition is part of the Group's strategy of expanding the Motors segment's retail luxury business in Australia and strengthen its brand visibility in Sydney.

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

Property, plant and equipment	249
ROU assets	7
Intangible assets	57
Deferred tax liabilities	(14)
Inventories	141
Lease liabilities	(6)
Net current liabilities	(9)
Fair value of net assets acquired	425
Goodwill	15
Purchase consideration	440

Other than fair value adjustment to intangible assets of RM57 million, the fair value of the remaining net assets acquired approximates the book value of these assets pre-acquisition.

For the financial year ending 30 June 2020, the Sydney dealerships contributed a revenue of RM396 million and loss after tax and non-controlling interests of RM8 million. It is not practical to disclose the financial impact if the acquisition had completed on 1 July 2019 as the business acquired constitute only a part of the business of the seller and there are no separate financial statements that are specific to the business acquired prior to the acquisition.

c. On 1 July 2019, a commercial vehicle service facility in New Zealand was acquired by a wholly-owned subsidiary of Sime Darby Motors Sdn Bhd for a cash consideration of NZD6 million (approximately RM16 million), comprising of net assets of RM8 million and goodwill of RM8 million.

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46 Segment Information – Group

The Group's main businesses comprise Industrial, Motors, Logistics and Healthcare. The Industrial, Motors, Logistics and Healthcare divisions offer different products and services, and are each headed by a Divisional Managing Director. The healthcare segment consists of the Ramsay-Sime Darby Health Care joint venture. The Group Chief Executive Officer reviews the internal management reports on a monthly basis and conducts performance dialogues with the business units on a regular basis.

Segments comprise:

Industrial	Sales, rental and servicing of equipment and engineering services
Motors	Assembly, sale and rental of vehicles and the provision of after-sales services
Logistics	Management of port facilities
Healthcare	Investment in the Ramsay Sime Darby Health Care Group, providers of healthcare services
Others	Insurance broking and other general investments

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

46 Segment Information – Group (continued)

a. Segment results

2020	Industrial	Motors	Logistics	Healthcare	Others	Corporate and intra-group adjustments	Total
Segment revenue:							
External	**15,794**	**20,852**	**219**	**–**	**69**	**–**	**36,934**
Inter-segment	**8**	**33**	**–**	**–**	**4**	**(45)**	**–**
	15,802	**20,885**	**219**	**–**	**73**	**(45)**	**36,934**
Segment results:							
Operating profit/(loss)	**948**	**571**	**15**	**–**	**22**	**(43)**	**1,513**
Share of results of joint ventures and associates	**19**	**3**	**(109)**	**39**	**(58)**	**–**	**(106)**
Profit/(loss) before interest and tax	**967**	**574**	**(94)**	**39**	**(36)**	**(43)**	**1,407**
Included in operating profit/(loss)							
Depreciation and amortisation	**(587)**	**(389)**	**(60)**	**–**	**(4)**	**(13)**	**(1,053)**
Reversal of impairment/ (impairment losses) (net):							
– non-current assets	**29**	**(41)**	**(8)**	**–**	**–**	**–**	**(20)**
– receivables and loans to joint venture	**(25)**	**(24)**	**(23)**	**–**	**(1)**	**1**	**(72)**
Fair value loss on financial assets at FVTPL	**(72)**	**–**	**–**	**–**	**–**	**–**	**(72)**
Gain on disposals (net) and compensation income for fixed assets	**–**	**23**	**19**	**–**	**1**	**–**	**43**
Inventory writedown and provision (net)	**(103)**	**(139)**	**–**	**–**	**–**	**–**	**(242)**

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46 Segment Information – Group (continued)

a. Segment results (continued)

2019	Industrial	Motors	Logistics	Healthcare	Others	Corporate and intra-group adjustments	Total
Segment revenue:							
External	14,113	21,606	283	–	154	–	36,156
Inter-segment	2	11	–	–	45	(58)	–
	14,115	21,617	283	–	199	(58)	36,156
Segment results:							
Operating profit/(loss)	768	626	125	–	66	(43)	1,542
Share of results of joint ventures and associates	30	2	(123)	49	(117)	–	(159)
Profit/(loss) before interest and tax	798	628	2	49	(51)	(43)	1,383
Included in operating profit/(loss)							
Depreciation and amortisation	(295)	(222)	(60)	–	(8)	(13)	(598)
(Impairment losses)/reversal of impairment (net):							
– non-current assets	(1)	(2)	–	–	2	–	(1)
– receivables	4	2	–	–	–	(2)	4
Fair value loss on financial assets at FVTPL	(47)	–	–	–	–	–	(47)
Gain/(loss) on disposals (net)	29	(1)	78	–	13	3	122
Inventory writedown and provision (net)	(97)	(128)	–	–	–	–	(225)

46 Segment Information – Group (continued)

b. Segment assets and liabilities and additions to non-current assets

	Industrial	Motors	Logistics	Healthcare	Others	Corporate and intra-group adjustments	Total
2020							
Segment assets	**11,956**	**10,850**	**2,096**	**649**	**261**	**746**	**26,558**
Segment liabilities	**(3,338)**	**(3,210)**	**(264)**	**–**	**(384)**	**(15)**	**(7,211)**
Segment invested capital	**8,618**	**7,640**	**1,832**	**649**	**(123)**	**731**	**19,347**
Net tax assets							**111**
Borrowings and lease liabilities							**(4,045)**
Total equity							**15,413**
Associates and joint ventures included in segment assets	**276**	**75**	**282**	**649**	**62**	**–**	**1,344**
Additions to non-current assets are as follows:							
Capital expenditure	**738**	**667**	**41**	**–**	**1**	**19**	**1,466**
Addition to financial assets at FVTPL	**8**	**–**	**–**	**–**	**–**	**–**	**8**
Addition to interest in joint ventures	**2**	**–**	**–**	**–**	**–**	**–**	**2**
	748	**667**	**41**	**–**	**1**	**19**	**1,476**
2019							
Segment assets	10,939	9,691	2,253	784	276	894	24,837
Segment liabilities	(3,313)	(3,456)	(264)	–	(361)	(14)	(7,408)
Segment invested capital	7,626	6,235	1,989	784	(85)	880	17,429
Net tax assets							264
Borrowings							(2,575)
Total equity							15,118
Associates and joint ventures included in segment assets	280	82	307	784	125	–	1,578
Additions to non-current assets are as follows:							
Capital expenditure	655	404	20	–	9	9	1,097
Addition to financial assets at FVTPL	17	–	–	–	–	–	17
Addition to interest in joint ventures	–	–	12	–	–	–	12
	672	404	32	–	9	9	1,126

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46 Segment Information – Group (continued)

b. Segment assets and liabilities and additions to non-current assets (continued)

Capital expenditure consists of the following:

	2020	2019
Property, plant and equipment	**1,207**	1,080
Right-of-use assets	**233**	–
Prepaid lease rentals	**–**	6
Investment properties	**17**	6
Intangible assets other than goodwill	**9**	5
	1,466	1,097

Reconciliation of segment assets and liabilities to total assets and total liabilities are as follows:

	Assets		Liabilities	
	2020	2019	2020	2019
Segment total	**26,558**	24,837	**7,211**	7,408
Tax assets/liabilities	**715**	679	**604**	415
Borrowings	**–**	–	**2,231**	2,575
Lease liabilities	**–**	–	**1,814**	–
	27,273	25,516	**11,860**	10,398

c. Segment by geography

Revenue, profit before interest and tax ("PBIT") and non-current assets, other than financial instruments and tax assets, by location of the Group's operations are analysed as follows:

	Revenue		PBIT		Non-current assets	
	2020	2019	2020	2019	2020	2019
Malaysia	**4,230**	5,202	**180**	238	**2,595**	2,629
China[1]	**14,784**	14,493	**370**	425	**3,576**	3,069
Other countries in Asia	**4,603**	5,223	**87**	124	**712**	633
Australasia[2]	**13,317**	11,238	**770**	596	**4,829**	3,082
	36,934	36,156	**1,407**	1,383	**11,712**	9,413

1 China consists of China, Hong Kong, Macau and Taiwan.

2 Australasia consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands.

46 Segment Information – Group (continued)

c. Segment by geography (continued)

Revenue by location of customers is not materially different from that of revenue by location of operations.

Reconciliation of non-current assets, other than financial assets and tax assets to the total non-current assets are as follows:

	2020	2019
Non-current assets other than financial instruments and tax assets	**11,712**	9,413
Financial assets at FVTPL	**22**	87
Deferred tax assets	**613**	542
Tax recoverable	**46**	65
Derivative assets	**–**	2
Receivables	**159**	237
	12,552	10,346

The Group's operations are diverse in terms of the range of products and services it offers and the geographical coverage. There was no single customer that contributed 10% or more to the Group's revenue.

47 Related Parties

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 24, 25, 26, 30 and 42 are as follows:

Group	2020	2019
a. Transactions with joint ventures and associates		
Purchase of products and services from Sitech Construction Systems Pty Ltd	**9**	11
Contribution paid to Yayasan Sime Darby	**20**	20
Loans to Weifang Sime Darby Liquid Terminal Co Ltd	**20**	–
Loans repaid by Weifang Sime Darby Liquid Terminal Co Ltd	**3**	9
b. Transactions between subsidiaries and significant owners of non-controlling interests		
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	**–**	18
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd ("ICSB") from Hyundai Motor Company and its related companies	**–**[1]	24
Contract assembly service provided by ICSB from Mazda Malaysia Sdn Bhd	**96**	116
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	**30**	40
Acquisition of 30% of the units in Brisbane BMW Unit Trust collectively owned by Burke Management Pty Ltd and Roller Management Pty Ltd	**–**	41
c. Transactions with Directors and key management personnel and their close family members		
Sale of motor vehicles by the Group	**–**[1]	3

[1] Less than RM1 million

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47 Related Parties (continued)

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 24, 25, 26, 30 and 42 are as follows: (continued)

	Group		Company	
	2020	2019	**2020**	2019
d. Remuneration of Directors and key management personnel ("KMP")				
Salaries, other emoluments and benefits	**29**	27	**4**	4
Defined contribution pension plan	**2**	2	**–**	–
Performance-based employee share scheme	**3**	1	**–**	–
Estimated monetary value of benefits-in-kind	**–[1]**	–[1]	**–[1]**	–[1]

[1] Less than RM1 million

Key management personnel are employees who have authority and responsibility over key activities of the Group and are direct reports of the Group Chief Executive Officer.

e. Performance-based employee share scheme ("PBESS")

The movement in the number of ordinary shares of the Company granted under the PBESS to the Executive Director and key management personnel of the Group is as follows:

	Fair value at grant date (RM)	At 1 July 2019 '000	Granted '000	Changes in KMP '000	Forfeited '000	Vested '000	At 30 June 2020 '000
Third grant							
PS – Relative TSR target	2.52	790	–	28	(172)	–	646
PS – Financial targets	2.11	790	–	707	(172)	–	1,325
RS1 – Year 1 vesting	2.29	132	–	4	–	(136)	–
RS2 – Year 2 vesting	2.20	132	–	61	(29)	–	164
RS3 – Year 3 vesting	2.11	132	–	62	(29)	–	165
Fourth grant							
PS – Relative TSR target	2.28	–	810	–	–	–	810
PS – Financial targets	1.95	–	810	195	–	–	1,005
RS1 – Year 1 vesting	2.15	–	135	16	–	–	151
RS2 – Year 2 vesting	2.05	–	135	16	–	–	151
RS3 – Year 3 vesting	1.95	–	135	17	–	–	152

47 Related Parties (continued)

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 24, 25, 26, 30 and 42 are as follows: (continued)

f. Transactions with shareholders and the Government

As at 30 June 2020, Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad ("ASNB"), together owned approximately 53.1% (2019: 51.3%) of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group regards YPB as the ultimate holding company. 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 of the Company.

Transactions entered into during the financial year with government-related entities include the sales and purchases of goods and services. These related party transactions were entered into in the ordinary course of business.

On 29 November 2017, the Group completed the distribution of SD Plantation and SD Property shares to shareholders of the Company. Transactions between the Group and SD Plantation or SD Property are classified as related party transactions as YPB is the common major shareholding of the 3 groups. Significant related party transactions with the former subsidiaries are as follows:

	2020	2019
Provision of shared services	–	69
Sales, servicing and leasing of equipment and vehicles	**25**	63
Renovation work on Automotive complex	–	14
Royalty income charged	**4**	4
Rental income	**7**	7
Rental charges	**12**	10
Foreign currency payment arrangement	**117**	116
Balance payment for the purchase of office towers	**17**	–

g. Outstanding balances with related parties

The significant outstanding balances between the Group and related parties are as follows:

	2020	2019
i. Amounts due from/(to) joint ventures (net)		
Weifang Sime Darby Liquid Terminal Co Ltd	**158**	134
Weifang Sime Darby West Port Co Ltd	**40**	43
Weifang Port Services Co Ltd	**(12)**	17
Malaysia - China Hydro Joint Venture	**(23)**	(23)
Ramsay Sime Darby Health Care Sdn Bhd	**77**	–[1]
ii. Amount due from YPB group companies		
Sime Darby Plantation Berhad group	**31**	29
Sime Darby Property Berhad group	**2**	6

[1] Less than RM1 million

All outstanding balances are unsecured and repayable in accordance with agreed terms.

Other than as disclosed above, there were no material contracts subsisting as at 30 June 2020 or if not then subsisting, entered into since the end of the financial year by the Company or its subsidiaries which involved the interests of substantial shareholders.

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48 Financial Instruments

a. Financial instruments measured at fair value

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

Financial assets at FVTPL

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 following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June into three different levels as defined above:

Group 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	–	–	22	22
Derivative assets				
– forward foreign exchange contracts	–	3	–	3
	–	3	22	25
Financial liabilities				
Derivative liabilities				
– forward foreign exchange contracts	–	6	–	6

48 Financial Instruments (continued)

a. Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June into three different levels as defined above:

Group 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	–	–	87	87
Derivative assets				
– forward foreign exchange contracts	–	8	–	8
	–	8	87	95
Financial liabilities				
Derivative liabilities				
– forward foreign exchange contracts	–	18	–	18

The financial assets categorised as Level 3 in the fair value hierarchy are non-traded equity investments or debt instruments which are valued at their recoverable amounts.

The Company does not have any financial assets and liabilities measured at fair value as at 30 June 2020 (2019: Nil).

b. Financial instruments measured at amortised cost

The carrying amounts and fair values of long-term financial assets and liabilities measured at amortised cost as at 30 June 2020 and 30 June 2019 approximated its fair values.

The Company does not have any long-term financial assets and liabilities measured at amortised cost as at 30 June 2020 and 30 June 2019.

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49 Financial Risk Management

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The policies on financial risk management is described in Note 5.

Details of each financial risk are as follows:

a. Foreign exchange risk

The currency profile of monetary financial assets and financial liabilities are as follows:

	Denominated in currencies other than functional currencies					
Group	United States Dollar	Chinese Renminbi	European Union Euro	Others	Denominated in functional currencies	Total
2020						
Financial assets at FVTPL	**–**	**–**	**–**	**–**	**22**	**22**
Loans to joint venture	**–**	**86**	**–**	**–**	**–**	**86**
Receivables (net)	**202**	**62**	**31**	**53**	**3,758**	**4,106**
Bank balances, deposits and cash	**131**	**5**	**1**	**5**	**1,552**	**1,694**
Borrowings	**(341)**	**–**	**–**	**–**	**(1,890)**	**(2,231)**
Payables	**(148)**	**–**	**(87)**	**(79)**	**(3,908)**	**(4,222)**
	(156)	**153**	**(55)**	**(21)**	**(466)**	**(545)**
2019						
Financial assets at FVTPL	–	–	–	–	87	87
Receivables (net)	292	151	19	36	3,750	4,248
Bank balances, deposits and cash	71	21	–	15	1,616	1,723
Borrowings	(531)	–	–	–	(2,044)	(2,575)
Payables	(396)	–	(212)	(40)	(3,806)	(4,454)
	(564)	172	(193)	11	(397)	(971)

The Company does not have any other financial assets or liabilities denominated in foreign currency as at 30 June 2020 and 30 June 2019.

49 Financial Risk Management (continued)

Details of each financial risk are as follows: (continued)

a. Foreign exchange risk (continued)

Foreign exchange risk which impacts the statements of profit or loss arises where monetary assets/liabilities that are not denominated in the functional currency of the respective subsidiaries are not hedged.

i. Borrowings

Of the RM341 million (2019: RM531 million) borrowings denominated in US dollars, RM47 million (2019: RM58 million) has been hedged with derivatives and RM294 million (2019: RM462 million) is designated as hedge instruments for receivables and anticipated sales.

ii. Bank balances

Bank balances denominated in non-functional currencies are not hedged. However, they are generally held for a short period and would either be converted to the functional currency or used to hedge or settle payables in the same currency. As such, foreign exchange risk for unhedged bank balances is generally limited.

iii. Receivables and payables

Receivables and payables in non-functional currencies are generally hedged using derivatives or borrowings or exposed for a short period (pending settlement or hedging), with limited foreign exchange risk. The US Dollar and Euro payables have largely been hedged with derivatives. However, certain material balances in non functional currencies have not been hedged due to the uncertainty in the timing of the receipt/settlement.

The following table illustrates the effect of changes in exchange rate on the translation of the material unhedged financial assets or liabilities against the functional currency at 30 June based on a 5% movement in rates, which is a reasonable assumption based on recent volatility of the exchange rates.

Group	Functional currency	Foreign currency	Amount in RM million	Foreign currency scenario	Impact on profit after tax
2020					
Receivables and bank balances	HKD	RMB	67	(5%)	(3)
2019					
Receivables and bank balances	HKD	RMB	172	(5%)	(9)

Foreign currency translation for loans to joint venture is taken to exchange reserves as it forms part of the net investment in the joint venture.

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49 Financial Risk Management (continued)

Details of each financial risk are as follows: (continued)

b. Interest rate risk

The percentages of fixed rate borrowings held by the Group, to the total borrowings are as follows:

	Group	
	2020	**2019**
Total borrowings	**2,231**	2,575
Fixed rate borrowings	**41**	33
Percentage of fixed rate borrowings over total borrowings	**1.8**	1.3

The Group does not have any interest rate swap ("IRS") contract as at 30 June 2020 and 30 June 2019. The borrowings on floating rates that have not been swapped as they consist mainly of short term borrowings used for working capital purposes at the Industrial and Motors divisions or are pending refinancing to long term.

As at 30 June 2020, the Group's floating rate borrowings not swapped to fixed stood at RM2,190 million (2019: RM2,542 million). The following table demonstrates the effect of changes in interest rates of floating rate borrowings. If the interest rate for all borrowings increased by 1 percentage point, the Group's profit after tax will be lower by:

	Impact
2020	
Profit after tax	**(16)**
2019	
Profit after tax	(19)

A 1% decrease in interest rates would have an equal but opposite effect.

c. Credit risk

The maximum exposure and collateral and credit enhancements are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Maximum exposure				
Amounts due from subsidiaries	**–**	–	**969**	5,897
Loans to joint venture	**86**	–	**–**	–
Receivables	**4,106**	4,248	**–**	–
Derivative assets	**3**	8	**–**	–
Bank balances, deposits and cash	**1,694**	1,723	**130**	150
	5,889	5,979	**1,099**	6,047
Collateral and credit enhancement				
Receivables	**883**	957	**–**	–

49 Financial Risk Management (continued)

Details of each financial risk are as follows: (continued)

d. Liquidity and cash flow risk

The undiscounted contractual cash flows of the financial liabilities are as follows:

Group	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total contractual cash flows	Total carrying amount
2020						
Borrowings						
– principal	**2,115**	**86**	**18**	**6**	**2,225**	**2,225**
– interest	**16**	**1**	**3**	**1**	**21**	**6**
Derivative liabilities	**6**	**–**	**–**	**–**	**6**	**6**
Payables	**4,201**	**21**	**–**	**–**	**4,222**	**4,222**
Guarantees granted to joint ventures	**24**	**114**	**42**	**32**	**212**	**–**
	6,362	**222**	**63**	**39**	**6,686**	**6,459**
2019						
Borrowings						
– principal	2,394	77	91	10	2,572	2,572
– interest	19	6	4	1	30	3
Derivative liabilities	18	–	–	–	18	18
Payables	4,444	10	–	–	4,454	4,454
Guarantees granted to joint ventures	19	32	133	47	231	–
	6,894	125	228	58	7,305	7,047

Company	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total contractual cash flows	Total carrying amount
2020						
Payables	**2**	**–**	**–**	**–**	**2**	**2**
2019						
Payables	2	–	–	–	2	2

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50 Guarantees, Claims and Commitments

Guarantees, claims and commitments are as follows:

a. Guarantees

In the ordinary course of business, the Group may obtain 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 would only arise in the event the Group fails to fulfill its contractual obligations.

The Company has also provided a performance guarantee to a customer of a subsidiary to secure performance under contracts or in lieu of retention withheld on contracts.

The outstanding guarantees as at 30 June are as follows:

	Group		Company	
	2020	2019	2020	2019
Performance and advance payment guarantees to customers of:				
– subsidiaries	**–**	–	**1,582**	1,582
– the Group	**2,100**	2,147	**–**	–
Guarantees in respect of credit facilities granted to:				
– certain joint ventures	**212**	231	**–**	–
	2,312	2,378	**1,582**	1,582

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 June 2020, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM324 million (2019: RM276 million).

b. Claims

As at 30 June 2020, claims not taken up in the statement of financial position are as follows:

Group	2020	2019
Potential claims	**15**	19

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

There were no claims against the Company as at 30 June 2020 (2019: Nil).

c. Capital commitments

Contracted capital expenditure not provided for in the financial statements:

Group	2020	2019
Property, plant and equipment	**150**	253
Other capital expenditure	**2**	60
	152	313

The Company did not have any capital commitments as at 30 June 2020 (2019: Nil).

50 Guarantees, Claims and Commitments (continued)

Guarantees, claims and commitments are as follows: (continued)

d. Leases

The future minimum lease payments under non-cancellable operating leases are as follows:

Group	2019
Due no later than one year	433
Due later than one year but no later than five years	959
Due later than five years	691
	2,083

51 Effects of the adoption of MFRS 16

The adoption of MFRS 16 Leases has resulted in changes in the Group's accounting policies.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principles in MFRS 116 - Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group has adopted the simplified retrospective approach as permitted by MFRS 16 and has not restated the comparatives. The reclassifications and adjustments arising from the adoption of MFRS 16 are therefore recognised in the opening balance of statement of financial position as at the date of initial application (1 July 2019). The comparative information continued to be reported under the previous accounting policies governed under MFRS 117- Leases and IC Interpretation 4 – Determining whether an Arrangement Contains a Lease.

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment by applying MFRS 117 and IC Interpretation 4 "Determining whether an Arrangement contains a Lease".

The impact of the adoption of MFRS 16 is as follows:

i. Leases previously classified as operating leases

- Recognition of lease liabilities measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application (1 July 2019).
- Recognition of the associated right-of-use assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.
- Provisions for onerous leases have been reclassified to right-of-use assets.
- The exemption to apply the standard principles on leases for which the underlying asset is of low value.

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51 Effects of the adoption of MFRS 16 (continued)

The impact of the adoption of MFRS 16 is as follows: (continued)

i Leases previously classified as operating leases (continued)

The Group has also applied the following practical expedients at initial application as permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- reliance on assessments made immediately before the transition date on whether leases are onerous. On 1 July 2019, the Group adjusted the right-of-use assets by the amount of provision for onerous leases recognised immediately before the transition date, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

Finance lease liabilities as at the date of initial application have been reclassified from borrowings to lease liabilities.

iii. Property, plant and equipment and prepaid lease rentals

For leasehold land (within property, plant and equipment) and prepaid lease rentals, the Group recognised the carrying amount of these lease assets immediately before transition as the carrying amount of the ROU assets at the date of initial adoption.

The effects arising from these changes on the statements of financial position of the Group are as follows:

Statement of Financial Position	As at 30 June 2019 (MFRS 117)	Effects of adoption of MFRS 16	As at 1 July 2019 (MFRS 16)
Non-current assets			
Property, plant and equipment	5,727	(398)	5,329
Right-of-use assets	–	2,450	2,450
Prepaid lease rentals	292	(292)	–
Current assets			
Prepayments	563	(3)	560
Non-current liabilities			
Borrowings	178	(2)	176
Lease liabilities	–	1,405	1,405
Current liabilities			
Borrowings	2,397	(1)	2,396
Lease liabilities	–	371	371
Payables and other liabilities	4,647	(12)	4,635
Provisions	405	(4)	401

The adoption of MFRS 16 did not result in changes to the Company's statement of financial position.

51 Effects of the adoption of MFRS 16 (continued)

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 ranges from 1.4% to 8.0% per annum.

The reconciliation between the operating lease commitments disclosed in applying MFRS 117 as at 30 June 2019 to the lease liabilities recognised as at 1 July 2019 is as follows:

	Group
Operating lease commitments disclosed as at 30 June 2019	2,083
Discounted using the lessee's incremental borrowing rates	(404)
Add:	
Reclassification from borrowings	3
Adjustments for extension options	121
Less:	
Short-term leases recognised as an expense	(18)
Leases of low value assets recognised as an expense	(9)
Lease liabilities recognised as at 1 July 2019	1,776

52 Material Litigation

The material litigations outstanding are as follows:

a. **Qatar Petroleum Project ("QP Project"), Maersk Oil Qatar Project ("MOQ Project") and the Marine Project Civil Suits ("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 RM338 million) together with general and aggravated damages and other relief.

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

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

After several postponements, the Court fixed the hearing for the assessment of damages on 2, 3, 4, 17 and 13 February 2021.

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52 Material Litigation (continued)

The material litigations outstanding are as follows: (continued)

b. Bakun Hydroelectric Project ("Bakun Project") and the Indemnity Agreement Civil Suits ("Bakun Suit")

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

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

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

c. Emirates International Energy Services ("EMAS")

On 13 January 2011, EMAS filed a civil suit in Abu Dhabi against Sime Darby Engineering Sdn Bhd ("SDE") claiming payment of USD178 million (approximately RM762 million) comprising a payment of USD128 million (approximately RM548 million) for commissions; and a payment of USD50 million (approximately RM214 million) as "morale compensation".

EMAS was unsuccessful in its claim against SDE in Abu Dhabi, and subsequently on 24 January 2016 submitted a request for arbitration against SDE to the Dubai Chamber of Commerce and Industry, claiming an amount of AED41 million (approximately RM48 million).

On 23 December 2018, the arbitration tribunal rejected all claims by EMAS against SDE and ordered EMAS to pay for SDE's portion of the arbitration costs and the tribunal fees and expenses.

On 7 April 2019, EMAS filed an application at the Abu Dhabi Court of Appeal ("COA") to seek the annulment of the tribunal award on the basis that the award was issued beyond the tribunal's mandated time to which SDE filed an objection. The hearing was completed on 19 September 2019. On 8 October 2019, the COA rendered its judgement and dismissed EMAS' appeal.

On 8 December 2019, EMAS filed an appeal to the Court of Cassation against the COA's decision. The appeal has been dismissed by the Court of Cassation on 30 December 2019. This matter is now closed.

d. Claim against Qatar Petroleum ("QP")

On 15 August 2012, Sime Darby Engineering Sdn Bhd ("SDE") filed a Statement of Claim at the Qatar Court against QP for the sum of QAR1 billion (approximately RM1.17 billion) seeking the repayment of a liquidated performance bond, payment of outstanding invoices, compensation and additional costs incurred in relation to an offshore engineering project in Qatar undertaken by SDE pursuant to a contract dated 27 September 2006.

On 21 July 2016, the Court ordered QP to pay QAR12.9 million (approximately RM15 million) ("Judgement Sum") to SDE ("Judgement") and both parties had appealed to the Court of Appeal against the Judgement.

The Court of Appeal upheld the Judgement on 29 July 2019 and ordered for QP to pay SDE the Judgement Sum. The decision is final and binding.

SDE initiated enforcement proceedings on 4 November 2019 where QP requested for an adjournment to settle the Judgement Sum. On 25 November 2019, QP paid the Judgement Sum to Court.

On 6 July 2020, the Court remitted the Judgement Sum via Qatar National Bank to Maybank in Malaysian Ringgit. However, Maybank was unable to accept the remittance as it was not in compliance with Bank Negara's regulations. SDE instructed its lawyers to request the Court to remit the Judgement Sum in US Dollars. Remittance by the Court is pending. Once received, the case will be closed.

52 Material Litigation (continued)

The material litigations outstanding are as follows: (continued)

e. B-193 Process Platform Project ("PP Project")

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 RM2.65 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 RM326 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. A hearing date has not been fixed.

SDE and Swiber will initiate enforcement proceedings against ONGC for the arbitration award.

f. CCCC Tianjin Dredging Co., Ltd. v Weifang Port Services Co., Ltd. and Weifang Port Group Co., Ltd.

Weifang Port Services Co., Ltd. ("WPS") is a joint venture company between Weifang Port Group Co., Ltd. ("WPG") (38%), Weifang Sime Darby Port Co., Ltd. ("WSDP") (37%) and Shandong Hi-speed Transport & Logistics Investment Co., Ltd. (25%). WSDP is an indirect 99% owned subsidiary of Sime Darby Berhad.

CCCC Tianjin Dredging Co., Ltd. ("Tianjin Dredging") was engaged to construct a 35,000 deadweight tonne ("DWT") main channel in Weifang, Shandong Province, People's Republic of China (the "Project") which was completed in November 2016 at a total cost of approximately RMB1.17 billion (RM708 million). Under the terms of engagement, both WPG and WPS are jointly liable for any payments due to Tianjin Dredging.

On 31 July 2018, Tianjin Dredging (the "Plaintiff") filed a lawsuit against WPS ("First Defendant") and WPG ("Second Defendant") claiming the outstanding sum of the RMB741 million (RM448 million).

On 20 December 2019, WPS received the final Court's decision which ordered WPS to pay the sum of RMB711 million (approximately RM430 million) ("Outstanding Sum"), costs of RMB3.6 million (equivalent to approximately RM2.2 million) and late payment interests to the Plaintiff ("Judgement"). The Court held that WPS and WPG are jointly and severally liable for the above payments.

The Plaintiff has applied to Court to enforce the Judgement against WPS and WPG to auction the sealed assets to settle the Judgement sum.

The Plaintiff had filed a second lawsuit against WPS, WPG and subsidiaries of WPS (Weifang Port Operating Management Co. Ltd and Weifang Port Dredging Project Co. Ltd) for the Court to confirm its right of first claim with respect to auction proceeds (from the sale of assets owned by WPS and its subsidiaries).

On 13 December 2019, the Court dismissed the Plaintiff's petition and ruled that the Plaintiff has no right of first claim with respect to auction proceeds from the sale of sea-use-rights owned by WPS and its subsidiaries. The Plaintiff has filed an appeal against the Court's decision which has been further dismissed by the Court on 10 April 2020. The Plaintiff has no avenue for further appeals for the second lawsuit and the second lawsuit is now closed.

On 11 September 2020, WPS, WPG and the Plaintiff entered into a settlement agreement in relation to the Judgement, which has been registered in Court. In view of the settlement, the enforcement proceedings against WPS and WPG have been suspended. If WPS or WPG defaults on their obligations under the settlement agreement, the Plaintiff has the right to apply to the Court to resume enforcement proceedings.

53 Holding Companies

The Directors regard Permodalan Nasional Berhad as the Group's immediate holding company and Yayasan Pelaburan Bumiputra as the ultimate holding company. Both companies are incorporated in Malaysia.

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54 List of Subsidiaries, Joint Ventures and Associates

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows:

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Industrial – Subsidiaries					
Chubb Malaysia Sendirian Berhad	Malaysia	**100.0**	100.0	1	Marketing, installation, rental and servicing of security products
Mecomb Malaysia Sdn Berhad	Malaysia	**100.0**	100.0	1	Marketing and installation of advanced electronic and electro-mechanical equipment, instruments and systems integration
Shandong Equipment Malaysia Sdn Bhd	Malaysia	**100.0**	100.0	1	Sales and service support for Shandong Engineering machinery
Sime Darby Electropack Sdn Bhd	Malaysia	**100.0**	100.0	1	Manufacturing and assembly of generators, agricultural and industrial machinery
Sime Darby Energy Solutions Sdn Bhd	Malaysia	**100.0**	100.0	1	Systems integration and marketing of products and service provider primarily for oil & gas/petrochemical industry and biogas value chain
Sime Darby Industrial Academy Sdn Bhd	Malaysia	**100.0**	100.0	1	Training services
Sime Darby Industrial Holdings Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Industrial Power Sdn Bhd	Malaysia	**91.2**	91.2	1	Sale of generators, agricultural and industrial machinery
Sime Darby Industrial Sdn Bhd	Malaysia	**100.0**	100.0	1	Sale, rental and assembly of Caterpillar equipment and spare parts and service support
Sime Darby Joy Industries Sdn Bhd	Malaysia	**55.0**	55.0	1	Designing and manufacturing of heat exchangers, radiators, process equipment modules, filters and separators
Sime Darby Material Handling Sdn Bhd	Malaysia	**100.0**	100.0	1	Sale of lift trucks and spare parts, and the rental and servicing of other material handling equipment
Sime Darby TMR Sdn Bhd	Malaysia	**100.0**	100.0	1	Reconditioning of used equipment and machinery
Sime Surveillance Sdn Bhd	Malaysia	**100.0**	100.0	1	Security services
Site Technology Asia Pacific Sdn Bhd	Malaysia	**100.0**	100.0	1	Supplying Global Positioning System (GPS)/digital work site positioning and machine control for heavy and highway construction applications under the SITECH brand

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Industrial – Subsidiaries (continued)					
Tractors Petroleum Services Sdn Bhd	Malaysia	**100.0**	100.0	1	Supply, repair and maintenance of Caterpillar engines and other equipment for the oil and gas industry, refurbishment of gas turbines and the sale and installation of pressure vessels
Tractors Singapore (Maldives) Private Limited	Maldives	**100.0**	100.0	2	Sale and rental of engines, power systems, assembly and product support for industrial machinery and parts
Mecomb Singapore Limited	Singapore	**100.0**	100.0	2	Manufacture and installation of industrial equipment and the import and sale of technical, nautical and scientific instruments and mechanical, electrical and electronic equipment
Sime Darby Eastern Investments Private Limited	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Eastern Limited	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Energy Pte Ltd	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Industrial Singapore Pte Ltd	Singapore	**100.0**	100.0	2	Investment holding
Tractors Machinery International Pte Ltd	Singapore	**100.0**	100.0	2	Sale, installation and servicing of marine and other equipment and parts
Tractors Singapore Limited	Singapore	**100.0**	100.0	2	Sale, rental and assembly of Caterpillar equipment and spare parts and service support
Foshan Sime Darby Elco Power Equipment Ltd	China	**100.0**	100.0	2	Wholesale of diesel generators and spare parts
Guangzhou Sime Darby SITECH Dealers Co Ltd	China	**100.0**	100.0	3	Sale, hire and servicing of survey equipment
Sime Darby CEL Machinery (Guangdong) Co Ltd	China	**100.0**	100.0	2	Sale of Caterpillar equipment and spare parts and service support
Sime Darby CEL Machinery (Guangxi) Co Ltd	China	**100.0**	100.0	2	Sale of Caterpillar equipment and spare parts and service support

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54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	Group's effective interest (%) 2019	Auditors	Principal activities
Industrial – Subsidiaries (continued)					
Sime Darby CEL Machinery (Hunan) Co Ltd	China	**100.0**	100.0	2	) Sale of Caterpillar equipment and spare parts and service support
Sime Darby CEL Machinery (Jiangxi) Co Ltd	China	**100.0**	100.0	2	)
Sime Darby CEL Machinery (Xinjiang) Co Ltd	China	**100.0**	100.0	2	)
Sime Darby Joy (Shanghai) Co Ltd	China	**55.0**	55.0	2	Supply of process equipment and heat exchangers
Sime Darby SEM Dealer (Fujian) Limited	China	**100.0**	100.0	2	Sale of equipment and spare parts and service support
Xiamen Sime Darby CEL Machinery Co Ltd	China	**100.0**	100.0	2	Sale of Caterpillar equipment and spare parts and service support
Sime Darby CEL (South China) Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Sime Darby Elco Power Systems Limited	Hong Kong	**100.0**	100.0	2	Distribution of Perkins engine products and spare parts and after-sales services
The China Engineers Limited	Hong Kong	**100.0**	100.0	2	Sale of Caterpillar equipment and spare parts and service support
Austchrome Pty Ltd	Australia	**100.0**	100.0	2	Chroming and hydraulic repairs
Hastings Deering (Australia) Limited	Australia	**100.0**	100.0	2	Sale, rental and servicing for Caterpillar products, hardchroming and hydraulic repair
Hastings Deering Property Services Pty Ltd	Australia	**100.0**	100.0	4	Leasing entity and effective lessee for Hastings Deering
Haynes Mechanical Pty Ltd	Australia	**100.0**	100.0	2	Labour hire/contracting, sale of mining machinery parts, service and repair and crane hire
Heavy Maintenance Group Pty Ltd	Australia	**100.0**	100.0	2	Manufacturing or refurbishment of hydraulic cylinders, chrome plating and general engineering
HMG Hardchrome Pty Ltd	Australia	**100.0**	100.0	2	Design, manufacture and refurbishment of components and assemblies used in heavy industries
Sime Darby Allied Operations Pty Ltd	Australia	**100.0**	100.0	4	) Investment holding
Sime Darby Industrial Australia Pty Ltd	Australia	**100.0**	100.0	2	)

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Industrial – Subsidiaries (continued)					
TFP Engineering Pty Ltd	Australia	**100.0**	95.0	2	Sale of mining machinery, service and labour hire
Sime Darby Industrial (B) Sdn Bhd	Brunei	**70.0**	70.0	3	Assembly, marketing and distribution of agricultural and industrial equipment
CICA Limited	Channel Islands	**100.0**	100.0	3	Supply of industrial equipment and after-sales services
Caltrac SAS	New Caledonia	**100.0**	100.0	2	Sale of Caterpillar equipment and spare parts and service support
SCI Sime Darby Invest NC	New Caledonia	**100.0**	100.0	4	Property investment
Sime Darby (NZ) Holdings Limited	New Zealand	**100.0**	100.0	2	Investment holding
Gough Group Limited	New Zealand	**100.0**	–	2	Investment holding
Sime Darby Industrial (NZ) Holdings Limited	New Zealand	**100.0**	–	2	Investment holding
Sitech Construction NZ Limited	New Zealand	**66.0**	–	2	Sale of Trimble technical solutions
Terra Industrial Finance (formerly known as Gough Finance Limited)	New Zealand	**100.0**	–	2	Financing of equipment sales
Terra Industrial New Zealand Limited (formerly known as Gough Gough & Hamer Limited)	New Zealand	**100.0**	–	2	Sale of Caterpillar equipment and spare parts and service support
Hastings Deering (PNG) Limited	Papua New Guinea	**100.0**	100.0	2	) Sale of Caterpillar equipment and spare parts and service support
Hastings Deering (Solomon Islands) Limited	Solomon Islands	**100.0**	100.0	3	)
Sime Darby Elco Power Korea Limited	South Korea	**100.0**	100.0	4	Sale and assembly of engines, power systems and related service support
Mecomb (Thailand) Limited	Thailand	**100.0**	100.0	2	Sale of electrical and mechanical equipment components and instruments
Haynes Group (USA) Holdings Inc.	United States of America	**100.0**	100.0	4	Investment holding
Haynes Group (USA) Holdings LLC.	United States of America	**100.0**	100.0	4	Sale of patented hydraulic jacking system and maintenance of slew bearings in electric rope and hydraulic mining shovels
CICA Vietnam Company Limited	Vietnam	**100.0**	100.0	3	Provision of consultancy and services in connection with installation, operation, repair and maintenance of industrial machines, equipment and vehicles

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54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Industrial – Joint ventures					
Sime Darby Gas Malaysia BioCNG Sdn Bhd	Malaysia	**51.0+**	51.0+	1	Sale and supply of bio-compressed natural gas
Terberg Tractors Malaysia Sdn Bhd group	Malaysia	**50.0**	50.0	1	Marketing, distributing and servicing of Terberg terminal tractors
Mine Energy Solutions Pty Ltd	Australia	**50.0**	50.0	4	Service provider for end-to-end energy solution to the mobile mining industry
Industrial – Associates					
Kubota Malaysia Sdn Bhd (formerly known as Sime Kubota Sdn Bhd)	Malaysia	**40.0**	40.0	1	Assembly and distribution of Kubota range of agricultural machinery and other machinery and equipment
Gas Malaysia Synergy Drive Sdn Bhd	Malaysia	**30.0**	50.0	1	Provision of electricity, steam, chilled water, hot water, hot air and/or any other utilities to customers through combined Heat and Power System
APac Energy Rental Pte Ltd	Singapore	**30.0**	30.0	3	Rental of industrial machinery and equipment
Chubb Singapore Private Limited group	Singapore	**30.0**	30.0	2	Marketing of security and fire protection products and services
FG Wilson Asia Pte Ltd	Singapore	**50.0**	50.0	2	Sale and servicing of diesel generator sets
Energy Power Systems Australia Pty Ltd	Australia	**20.0**	20.0	2	Distribution and rental of Caterpillar engine and associated products
Sitech Construction Systems Pty Ltd	Australia	**30.6**	30.6	3	Sale and servicing of Trimble Technology construction products
Ultimate Positioning Group Pty Ltd	Australia	**29.4**	29.4	3	Sale, hire and servicing of Trimble surveying equipment
Buildingpoint New Zealand Limited	New Zealand	**49.0**	–	2	Sale of Trimble geospatial solutions
Geosystems New Zealand Limited	New Zealand	**49.0**	–	2	Sale of Trimble building products

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Motors – Subsidiaries					
Auto Bavaria Sdn Bhd	Malaysia	**100.0**	100.0	1)	Investment holding
Ford Malaysia Sdn Bhd	Malaysia	**51.0**	51.0	1)	
Hyundai-Sime Darby Motors Sdn Bhd	Malaysia	**100.0**	100.0	1	Sale and distribution of passenger and light commercial vehicles and spare parts
Inokom Corporation Sdn Bhd	Malaysia	**53.5**	53.5	1	Manufacture and assembly of light commercial and passenger vehicles, and contract assembly of motor vehicles
Jaguar Land Rover (Malaysia) Sdn Bhd	Malaysia	**60.0**	60.0	1	Importation and distribution of motor vehicles and spare parts
Sime Darby Auto Assembly Sdn Bhd	Malaysia	**100.0**	100.0	1	Manufacturing and assembly of auto components for motor vehicles
Sime Darby Auto Bavaria Sdn Bhd	Malaysia	**100.0**	100.0	1	Management services, retail of motor vehicles, spare parts and accessories, after-sales services and importer of Completely Knocked-Down packs
Sime Darby Auto ConneXion Sdn Bhd	Malaysia	**100.0**	100.0	1	Distribution and retail of motor vehicles and spare parts and after-sales services
Sime Darby Auto Engineering Sdn Bhd	Malaysia	**100.0**	100.0	1	Assembly of internal combustion engine and other modular assembly for motor vehicles
Sime Darby Auto Hyundai Sdn Bhd	Malaysia	**51.0**	51.0	1	Retail of motor vehicles and spare parts and after-sales services
Sime Darby Auto Imports Sdn Bhd	Malaysia	**100.0**	100.0	1	Importation of motor vehicles and spare parts
Sime Darby Auto Performance Sdn Bhd	Malaysia	**70.0**	70.0	1	Distribution and retail of motor vehicles, spare parts and accessories and after-sales services
Sime Darby Auto Selection Sdn Bhd	Malaysia	**100.0**	100.0	1	Retail of used motor vehicles and spare parts
Sime Darby Auto Stuttgart Sdn. Bhd.	Malaysia	**100.0**	100.0	1	Manufacturing and assembly of auto components for motor vehicles
Sime Darby Hyundai Integrated Sdn Bhd	Malaysia	**51.0**	51.0	1	Distribution of motor vehicles

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54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	Group's effective interest (%) 2019	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Sime Darby Hyundai Sdn Bhd	Malaysia	**51.0**	51.0	1	Investment holding and importation of motor vehicles
Sime Darby Motors Overseas Holdings Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Motors Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Sime Darby Rent-A-Car Sdn Bhd	Malaysia	**100.0**	100.0	1	Rental of motor vehicles
Sime Darby Swedish Auto Sdn Bhd	Malaysia	**100.0**	100.0	1	Retail of motor vehicles, spare parts and accessories and provision of after-sales services
Europe Automobiles Corporation Holdings Pte Ltd	Singapore	**100.0**	100.0	2	Investment holding
Performance Motors Limited	Singapore	**100.0**	100.0	2	Motor vehicles dealership
Performance Munich Autos Pte Ltd	Singapore	**60.0**	60.0	2	Motor vehicles dealership
Performance Premium Selection Limited	Singapore	**60.0**	60.0	2	Retailer, wholesaler and exporter of used cars
Sime Darby Motor Holdings Limited	Singapore	**100.0**	100.0	2	Investment holding
Sime Darby Services Private Limited	Singapore	**100.0**	100.0	2	Rental of motor vehicles
Sime Darby Singapore Limited	Singapore	**100.0**	100.0	2	General insurance agency business
Sime Singapore Limited	Singapore	**100.0**	100.0	2	Investment holding
Vantage Automotive Limited	Singapore	**100.0**	100.0	2	Motor vehicles dealership
Changsha Bow Yue Vehicle Services Co Ltd	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts and after-sales services
Changsha Sime Darby Motor Sales and Services Company Limited	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts, and provision of after-sales services
Changsha Yue Zhi Bow Motor Sales and Services Co. Ltd. (formerly known as Changsha Yue Zhi Bow Motor Service Co. Ltd.)	China	**100.0**	–	2	Retail of motor vehicles and spare vehicles and provision of after-sales services
Chengdu Bow Yue Used Cars Centre Co Ltd	China	**100.0**	100.0	2	Retail of used cars and related services
Chengdu Bow Yue Vehicle Co Ltd	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts, after-sales services and investment holding
Chongqing Bow Chuang Motor Sales & Services Co Ltd	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts and after-sales services

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Chongqing Sime Darby Motor Sales and Services Company Limited	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts, and provision of after-sales services
Dongguan Chuang Yi Motor Sales and Services Limited Company	China	**100.0**	–	2	Retail of motor vehicles and spare parts and provision of after-sales services
Guangdong Deda Bow Ma Motor Service Co Ltd	China	**65.0**	65.0	2	Retail of spare parts and after-sales services
Guangzhou Bow Yue Vehicle Trading Co Ltd	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts
Guangzhou Sime Darby Fu Yue Motors Sales and Services Company Limited	China	**100.0**	–	2	Retail of motor vehicles and spare parts and provision of after-sales services
Hainan Bow Yue Vehicles Trading and Services Ltd	China	**100.0**	100.0	2	
Hangzhou Sime Darby Motors Sales and Services Co Ltd	China	**60.0**	60.0	2	
Hangzhou Sime Darby Trading Co Ltd	China	**60.0**	60.0	2	
Kunming Bow Chuang Motor Sales and Services Co Ltd	China	**65.0**	65.0	2	Retail of motor vehicles and spare parts and provision of after-sales services
Kunming Sime Darby Fu Yue Motors Sales and Services Company Limited	China	**100.0**	–	2	
Nanjing Sime Darby Motors Sales & Services Co Ltd	China	**60.0**	60.0	2	
Qujing Bow Kai Motors Sales & Services Company Limited	China	**65.0**	65.0	2	
Shanghai Sime Darby Motor Commerce Co Ltd	China	**60.0**	60.0	2	Retail of motor vehicles and investment holding
Shanghai Sime Darby Motor Sales and Services Co Ltd	China	**60.0**	60.0	2	Retail of motor vehicles and spare parts and after-sales services
Shanghai Sime Darby Motor Trading Co., Ltd	China	**60.0**	60.0	2	Retail of motor vehicles and spare parts and provision of after-sales services

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020
Amounts in RM million unless otherwise stated

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Shanghai Sime Darby Motor Enterprises Co., Ltd	China	**60.0**	–	2	Retail of motor vehicles and spare parts and provision of after-sales services
Shantou Bow Yue Dehong Motors Services Co Ltd	China	**60.0**	60.0	2	Retail of spare parts and after-sales services for motor vehicles
Shantou Bow Yue Vehicle Trading Co Ltd	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts
Shenzhen Bow Chuang Vehicle Trading Co Ltd	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts
Shenzhen Sime Darby Motor Enterprises Co Ltd	China	**100.0**	100.0	2	Retail of spare parts and after-sales services for motor vehicles
Shenzhen Sime Darby New Energy Vehicles Sales and Services Company Limited	China	**100.0**	100.0	2	Retail of motor vehicles and spare parts and provision of after-sales services
Shenzen Sime Darby Fu Yue Motors Sales and Services Company Limited	China	**100.0**	–	2	Retail of motor vehicles and spare parts and provision of after-sales services
Yunnan Bow Yue Vehicle Trading Co Ltd	China	**65.0**	65.0	2	Retail of motor vehicles and spare parts and after-sales services
Yunnan Dekai Bow Ma Motors Technology & Service Co Ltd	China	**65.0**	65.0	2	Retail of motor vehicles and spare parts and after-sales services
BMW Concessionaires (HK) Limited	Hong Kong	**100.0**	100.0	2	Distribution and retail of motor vehicles, after-sales services and investment holding
Bow Ma Motors (South China) Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Goodwood Motors Limited	Hong Kong	**100.0**	100.0	2	Distribution and retail of motor vehicles
Island Motors Limited	Hong Kong	**100.0**	100.0	2	Distribution and retail of motor vehicles
Marksworth Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Sime Darby Hongkong Finance Limited	Hong Kong	**100.0**	100.0	2	Provision of intra-group financial services
Sime Darby Managing Agency (Hong Kong) Limited	Hong Kong	**100.0**	100.0	2	Insurance agency
Sime Darby Motor Group (HK) Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Sime Darby Motor Group (PRC) Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Sime Darby Motor Services Limited	Hong Kong	**100.0**	100.0	2	Distribution and retail of motor vehicles and spare parts, after-sales services, management services and property investment

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Universal Automobile Company Limited	Hong Kong	**100.0**	100.0	2	Distribution and retail of motor vehicles
Universal Cars (Importers) Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Universal Cars Limited	Hong Kong	**100.0**	100.0	2	Distribution and retail of motor vehicles
Wallace Harper & Company Limited	Hong Kong	**100.0**	100.0	2	Holder of car testing licence
Wallace Harper Motors Company Limited	Hong Kong	**100.0**	100.0	2	Distribution, retail and leasing of motor vehicles
Warwick Motors Limited	Hong Kong	**100.0**	100.0	2	Investment holding
BMW Concessionaires (Macau) Limited	Macau	**100.0**	100.0	2	) Retail of motor vehicles and spare parts and after-sales services
Harper Engineering (Macau) Limited	Macau	**100.0**	100.0	2	)
Brisbane BMW Bodyshop Pty Ltd	Australia	**100.0**	100.0	2	Retail of spare parts, panels and accessories
Brisbane BMW Unit Trust	Australia	**100.0**	100.0	2	Owns the BMW, MINI, Volvo, Ferrari and Rolls-Royce motor dealerships
LMM Holdings Pty Ltd	Australia	**100.0**	100.0	2	Operates Brisbane BMW Unit Trust's BMW, MINI, Volvo, Ferrari and Rolls Royce motor dealerships
Sime Darby Automobiles Pty Ltd	Australia	**100.0**	100.0	2	Investment holding in retail dealership property
Sime Darby Fleet Services Pty Ltd	Australia	**100.0**	100.0	2	Vehicle rental and related mechanical services
Sime Darby Motors Group (Australia) Pty Limited	Australia	**100.0**	100.0	2	Provision of management services and investment holding
Sime Darby Motors Retail Australia Pty Limited	Australia	**100.0**	100.0	2	Retail of motor vehicles and after-sales services
Sime Darby Motors Wholesale Australia Pty Limited	Australia	**100.0**	100.0	2	Investment holding and vehicle rental services
Sime Darby Transport Holdings Australia Pty Ltd (formerly known as Gough Transport Holdings Australia Pty Ltd)	Australia	**100.0**	–	2	Investment holding
Transport Engineering Solutions Pty Ltd (formerly known as Gough Transport Solutions Pty Ltd)	Australia	**100.0**	–	2	Design, supply and installation of transportation and related equipment
Continental Car Services Limited	New Zealand	**100.0**	100.0	2	Retail of new and used passenger cars and light commercial vehicles, spare parts and accessories and related services

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Hino Distributors (NZ) Limited	New Zealand	**100.0**	100.0	2	Distribution and retail of trucks
Infinity Automotive Limited	New Zealand	**100.0**	100.0	2	Retail of new and used passenger cars and light commercial vehicles, spare parts and accessories and related services
Motor Truck Distributors (NZ) Limited	New Zealand	**100.0**	100.0	2	Distribution and retail of trucks and buses
North Shore Motor Holdings Limited	New Zealand	**100.0**	100.0	2	Retail of new and used passenger cars, spare parts and accessories and related services
Sime Darby Property (NZ) Limited (formerly known as Sime Darby Automobiles NZ Limited)	New Zealand	**100.0**	100.0	2	Property holding
Sime Darby Commercial (NZ) Limited	New Zealand	**100.0**	100.0	2	Investment holding
Sime Darby Motor Group (NZ) Limited	New Zealand	**100.0**	100.0	2	Investment holding
Sime Darby Transport Limited (formerly known as Gough Transport Supplies Limited)	New Zealand	**100.0**	–	2	Investment holding
Sime Darby Transport (NZ) Limited (formerly known as Gough Transport NZ Limited)	New Zealand	**100.0**	–	2	Design, supply and installation of transportation and related equipment
Truck Stops (NZ) Limited	New Zealand	**100.0**	100.0	2	Retail of spare parts and services for trucks
UD Truck Distributors (NZ) Limited	New Zealand	**100.0**	100.0	2	Distribution and retail of trucks, spare parts and accessories and related services
Performance Motors (Thailand) Limited	Thailand	**100.0**	100.0	2	Retail of motor vehicles and spare parts and provision of after-sales services
SD Motors Company Limited	Thailand	**100.0**	100.0	2	Leasing of properties
Sime Darby (Thailand) Limited	Thailand	**100.0**	100.0	2	Investment holding and provision of management and auxiliary services
Sime Darby Auto Services Limited	Thailand	**100.0**	100.0	2	License holder of body and paint facility
Sime Darby Mazda (Thailand) Limited	Thailand	**100.0**	100.0	2	Retail of motor vehicles and spare parts and provision of after-sales services
Sime Darby Vantage (Thailand) Limited	Thailand	**100.0**	100.0	2	Retail of motor vehicles and spare parts and provision of after-sales services

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Sime Darby Auto Kia Co Ltd	Taiwan	**100.0**	100.0	2	Wholesale and retail of vehicles, spare parts and accessories and after-sales services
Sime Darby Kia Taiwan Co Ltd	Taiwan	**100.0**	100.0	2	Manufacture and sales of vehicles, spare parts and accessories and repairs and maintenance of vehicles and other automotive services
Motors – Associates					
BMW Malaysia Sdn Bhd	Malaysia	**49.0***	49.0*	3	Sale and distribution of motor vehicles and motorcycles
Sime Kansai Paints Sdn Bhd	Malaysia	**40.0**	40.0	3	Manufacturing, selling and marketing of automotive and industrial paints
BMW Financial Services Hong Kong Limited	Hong Kong	**49.0**	49.0	3	Provision of financing and hire purchase facilities
Logistics – Subsidiaries					
Sime Darby Logistics Sdn Bhd	Malaysia	**100.0**	100.0	1	Investment holding
Jining Sime Darby Longgong Port Co Ltd	China	**70.0**	70.0	2	) Port operations
Jining Sime Darby Port Co Ltd	China	**70.0**	70.0	2	) Port operations
Jining Sime Darby Taiping Port Co Ltd	China	**70.0**	70.0	2	Port and warehousing operations
Weifang Sime Darby General Terminal Co Ltd	China	**99.9**	99.9	2	) Port operations
Weifang Sime Darby Logistics Services Co. Ltd	China	**100.0**	100.0	3	Ownership and management of logistics park
Weifang Sime Darby Port Co Ltd	China	**99.0**	99.0	2	Port operations
Weifang Wei Gang Tugboat Services Co Ltd	China	**99.5**	99.5	3	Tugboat pilot and related services
Sime Darby Overseas (HK) Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Logistics – Joint ventures					
Weifang Port Services Co Ltd group	China	**36.6**	36.6	3	Construction, management and maintenance of sea channel, anchorage and port infrastructure
Weifang Senda Container Service Provider Co Ltd	China	**50.0**	50.0	3	Operation of container services

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Logistics – Joint ventures (continued)					
Weifang Sime Darby Liquid Terminal Co Ltd	China	**50.0**	50.0	2	Operation of liquid terminal and storage services
Weifang Sime Darby West Port Co Ltd	China	**50.0**	50.0	2	Port operations
Logistics – Associate					
Weifang Ocean Shipping Tally Co Ltd	China	**39.6**	39.6	3	Shipping tally services for cargo and containers
Others – Subsidiaries					
Kumpulan Sime Darby Berhad	Malaysia	**100.0**	100.0	1	Property investment
Sime Darby Allied Products Berhad	Malaysia	**100.0**	100.0	1	) Investment holding
Sime Darby Energy Sdn Bhd	Malaysia	**100.0**	100.0	1	)
Sime Darby Engineering Sdn Bhd	Malaysia	**100.0**	100.0	1	Engineering, procurement, construction, installation, hook-up and commissioning services relating to the oil and gas industry
Sime Darby Holdings Berhad	Malaysia	**100.0**	100.0	1	Investment holding, property investment and provision of management services to group companies
Sime Darby Holiday Homes Sdn Bhd	Malaysia	**100.0**	100.0	1	Property management services and childcare services to employees
Sime Darby Insurance Pte Ltd	Malaysia	**100.0**	100.0	1	Onshore and offshore captive insurer
Sime Darby Lockton Insurance Brokers Sdn Bhd	Malaysia	**60.0**	60.0	1	Insurance and reinsurance brokers, insurance advisory and consultancy services
Sime Darby Malaysia Berhad	Malaysia	**100.0**	100.0	1	Holding of trademarks
Sime Darby Nominees Sendirian Berhad	Malaysia	**100.0**	100.0	1	)
Sime Darby Ventures Sdn Bhd	Malaysia	**100.0**	100.0	1	) Investment holding
Sime Darby Water Resources Sdn Bhd	Malaysia	**100.0**	100.0	1	)
Sime Darby Eastern International Limited	Singapore	**100.0**	100.0	2	)
Sime Darby Insurance Brokers (Singapore) Pte Ltd	Singapore	**100.0**	100.0	2	Insurance brokers

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint ventures and associates which are active as at 30 June 2020 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors	Principal activities
Others – Subsidiaries (continued)					
Sime Darby Far East (1991) Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Sime Darby Hong Kong Limited	Hong Kong	**100.0**	100.0	2	Investment holding
Sime Darby Insurance Brokers (Hong Kong) Limited	Hong Kong	**100.0**	100.0	2	Insurance brokers
Others – Joint ventures					
Malaysia–China Hydro Joint Venture	Malaysia	**48.9**	48.9	1	Engineering, procurement and construction work
Ramsay Sime Darby Health Care Sdn Bhd group	Malaysia	**50.0**	50.0	1	Operation of healthcare facilities and related healthcare services
Others – Associates					
Eastern & Oriental Berhad group	Malaysia	**10.8**	10.8	3	Investment holding, hotel ownership and management, property investment and development
Tesco Stores (Malaysia) Sdn Bhd	Malaysia	**30.0**	30.0	3	Operation of hypermarkets
Yayasan Sime Darby	Malaysia	**@**	@	1	Administration of scholarship awards and educational loans and undertake sports, environmental conservation and sustainability projects
Union Sime Darby (Thailand) Ltd	Thailand	**49.0**	49.0	2	Insurance brokers

Notes to the Financial Statements

For the Financial Year Ended 30 June 2020

Amounts in RM million unless otherwise stated

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint venture and associates which are dormant/inactive as at 30 June 2020 are as follows:

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors
Industrial – Subsidiaries				
Associated Tractors Sendirian Berhad	Malaysia	**100.0**	100.0	1
Sime Darby Yangon Limited	Myanmar	**100.0**	100.0	4
Industrial – Joint ventures				
Wilpena Pty Ltd	Australia	**–**	50.0	4
Motors – Subsidiaries				
Associated Motor Industries Malaysia Sdn Bhd	Malaysia	**51.0**	51.0	1
Hyundai-Sime Darby Berhad	Malaysia	**99.9**	99.9	1
Sime Darby Auto Britannia Sdn Bhd	Malaysia	**75.0**	75.0	1
Palfinger Australia Pty Limited	Australia	**100.0**	–	2
Sime Darby Hong Kong Group Company Limited	Bermuda	**100.0**	100.0	2
Hainan Bow Yue Vehicle Trading Co Ltd	China	**100.0**	100.0	2
Tianjin Sime Winner Motors Trading Co Ltd	China	**60.0**	60.0	2
AutoFrance China Limited	Hong Kong	**100.0**	100.0	2
Sime Darby Management Services Limited	Hong Kong	**100.0**	100.0	2
Sime Winner Holdings Limited	Hong Kong	**60.0**	60.0	2
SimeWinner Nissan Autocrafts Limited	Hong Kong	**60.0**	60.0	2
Continental Cars Limited	New Zealand	**100.0**	100.0	2
Europe Automobiles Company Limited	Vietnam	**100.0**	100.0	2
Performance Motors Vietnam Company Limited	Vietnam	**100.0**	100.0	2
Logistics – Subsidiaries				
Jining Sime Darby Guozhuang Port Co Ltd	China	**–**	70.0	2

54 List of Subsidiaries, Joint Ventures and Associates (continued)

Subsidiaries, joint venture and associates which are dormant/inactive as at 30 June 2020 are as follows:

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2020	2019	Auditors
Others – Subsidiaries				
Golden Hope Plantations Berhad	Malaysia	**100.0**	100.0	1
Highlands & Lowlands Berhad	Malaysia	**100.0**	100.0	1
Kumpulan Guthrie Berhad	Malaysia	**100.0**	100.0	1
Sime Darby Marine Sdn Bhd	Malaysia	**100.0**	100.0	1
Sime Darby Water Resources (Perak) Sdn Bhd	Malaysia	**75.0**	75.0	1
Sime Engineering Sdn Bhd	Malaysia	**100.0**	100.0	1
Sime UEP Properties Berhad	Malaysia	**100.0**	100.0	1
Sime Darby (China) Enterprise Management Co Ltd	China	**100.0**	100.0	4
Sime Darby Marine (Hong Kong) Private Limited	Hong Kong	**100.0**	100.0	2
Sime Darby Investment (BVI) Limited	British Virgin Islands	**100.0**	100.0	4
Others – Associate				
Sime Darby Almana WLL	Qatar	**49.0**	49.0	4

Notes:

1 – audited by PricewaterhouseCoopers PLT Malaysia

2 – audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers PLT Malaysia

3 – audited by firms other than member firms of PricewaterhouseCoopers International Limited

4 – no legal requirement to appoint auditors

+ – notwithstanding the Group holds more than 50% equity interest in these companies, the investment is classified as joint venture (and not subsidiary) as significant decisions require unanimous consent from all its shareholders

* – notwithstanding the Group holds more than 20% equity interest in BMW Malaysia Sdn Bhd, the investment is classified as a financial asset at fair value through profit or loss (and not associate) due to the Group's restricted influence pursuant to the shareholders' agreement

@ – Yayasan Sime Darby is a company without share capital, limited by guarantee

55 Approval of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 September 2020.

Corporate Information

As at 17 September 2020

Board of Directors

Tan Sri Samsudin Osman
(Non-Independent Non-Executive Chairman)

Tan Sri Ahmad Badri Mohd Zahir
(Non-Independent Non-Executive Director)

Datuk Wan Selamah Wan Sulaiman
(Independent Non-Executive Director)

Dato' Sri Abdul Hamidy Abdul Hafiz
(Independent Non-Executive Director)

Dato' Ahmad Pardas Senin
(Senior Independent Non-Executive Director)

Thayaparan Sangarapillai
(Independent Non-Executive Director)

Dato' Lawrence Lee Cheow Hock
(Non-Independent Non-Executive Director)

Moy Pui Yee
(Independent Non-Executive Director)

Mohamad Idros Mosin
(Non-Independent Non-Executive Director)

Dato' Dr. Nirmala Menon
(Independent Non-Executive Director)

Dato' Jeffri Salim Davidson
(Executive Director)

Group Chief Executive Officer

Dato' Jeffri Salim Davidson

Group Secretary

Noor Zita Hassan
(MIA 15073)
(SSM PC No. 202008002513)

Registered Office

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

Telephone : +(603) 7623 2000
Facsimile : +(603) 7623 2100
Email : communications@simedarby.com
Website : www.simedarby.com

Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))

Office:
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

Telephone : +(603) 2783 9299
Facsimile : +(603) 2783 9222
Email : is.enquiry@my.tricorglobal.com

Customer Service Centre:
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

Auditors

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

Telephone : +(603) 2173 1188
Facsimile : +(603) 2173 1288

Form of Legal Entity

Incorporated on 7 November 2006 as a private company limited by shares under the Companies Act, 1965 and deemed registered under the Companies Act 2016. Converted into a public company limited by shares on 5 April 2007

Stock Exchange Listing

Listed on the Main Market of Bursa Malaysia Securities Berhad since 30 November 2007

Stock Code : 4197
Stock Name : SIME

Place of Incorporation and Domicile

Malaysia

Analysis of Shareholdings

As at 17 September 2020

Number of Issued Shares : 6,801,447,777 ordinary shares
Voting Right : One vote per ordinary share in the case of a poll and one vote per person on a show of hands

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
Less than 100	2,735	9.37	70,209	0.00[1]
100 to 1,000	7,217	24.72	4,413,465	0.06
1,001 to 10,000	14,423	49.41	50,157,429	0.74
10,001 to 100,000	3,624	12.41	100,403,417	1.48
100,001 to less than 5% of issued capital	1,192	4.08	2,385,650,924	35.08
5% and above of issued capital	4	0.01	4,260,752,333	62.64
Total	**29,195**	**100.00**	**6,801,447,777**	**100.00**

Note:
1 less than 0.01%

Classification of Shareholders	No. of Shareholders	%	No. of Shares Held	%
Individuals	23,601	80.84	146,375,691	2.15
Banks/Finance Companies	62	0.21	4,163,082,820	61.21
Investment Trusts/Foundations/Charities	17	0.06	664,612	0.01
Industrial and Commercial Companies	563	1.93	83,681,021	1.23
Government Agencies/Institutions	2	0.01	1,365,652	0.02
Nominees	4,947	16.94	2,406,159,706	35.38
Others	2	0.01	105,275	0.00[1]
Trustee	1	0.00[1]	13,000	0.00[1]
Total	**29,195**	**100.00**	**6,801,447,777**	**100.00**

Note:
1 less than 0.01%

Directors' Direct and Indirect Interests in the Company and its Related Corporations

Save as disclosed in the Directors' Report of the Financial Statements as set out on page 152, none of the Directors of the Company has any interest, direct or indirect, in the Company and its related corporations.

Analysis of Shareholdings

As at 17 September 2020

30 Largest Shareholders as per the Record of Depositors

No.	Name of Shareholder	No. of Shares Held	%
1.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	2,749,360,500	40.42
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	569,874,410	8.38
3.	Permodalan Nasional Berhad	497,080,374	7.31
4.	Kumpulan Wang Persaraan (Diperbadankan)	444,437,049	6.53
5.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	94,975,300	1.40
6.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	77,500,000	1.14
7.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (NOMURA)	68,954,600	1.01
8.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	65,334,549	0.96
9.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	61,000,000	0.90
10.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	58,850,674	0.87
11.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	54,418,327	0.80
12.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	47,746,736	0.70
13.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	46,857,028	0.69
14.	Affin Hwang Investment Bank Berhad Exempt AN CLR for AmanahRaya Trustees Berhad (101)	40,000,000	0.59
15.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	35,000,000	0.51
16.	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	31,948,536	0.47
17.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	31,929,925	0.47
18.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	30,678,274	0.45
19.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 14)	29,792,500	0.44
20.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	24,820,202	0.36

30 Largest Shareholders as per the Record of Depositors (continued)

No.	Name of Shareholder	No. of Shares Held	%
21.	Lembaga Tabung Haji	22,210,000	0.33
22.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	21,654,600	0.32
23.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	21,536,563	0.32
24.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	21,184,100	0.31
25.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LSF)	20,970,644	0.31
26.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	20,806,992	0.31
27.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	20,647,878	0.30
28.	Hong Leong Assurance Berhad AS Beneficial Owner (LIFE PAR)	20,421,831	0.30
29.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	20,000,000	0.29
30.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	19,452,529	0.29

Substantial Shareholders as per the Register of Substantial Shareholders

No.	Name of Substantial Shareholder	No. of Shares Held (Direct Interest)	%	No. of Shares Held (Indirect/Deemed Interest)	%
1.	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera	2,749,360,500	40.42	–	–
2.	Employees Provident Fund Board	566,507,410	8.33	156,124,857	2.28
3.	Permodalan Nasional Berhad	537,080,374	7.90	–	–
4.	Yayasan Pelaburan Bumiputra[1]	–	–	537,080,374	7.90
5.	Kumpulan Wang Persaraan (Diperbadankan)	444,437,049	6.53	32,161,275	0.47

Note:
[1] Deemed interest by virtue of its interest in Permodalan Nasional Berhad pursuant to Section 8(4) of the Companies Act 2016.

Properties of the Group

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
INDUSTRIAL DIVISION						
Malaysia						
Jalan Lahat, Bukit Merah, Ipoh	Leasehold expiring 2036-2056	3	1982-1996	24 - 40	Single-storey office building, factory, workshop and warehouse	1
Semambu Industrial Estate, Kuantan	Leasehold expiring 2041	3	1982	40	2 blocks of single-storey office building with detached factory, workshop and warehouse	3
Kompleks Kejuruteraan, Jalan Puchong, Taman Perindustrian Puchong Utama, Puchong	Freehold	14	1993	22	Land, 5-storey commercial office, training centre, workshop and warehouse	49
Tuaran Road, Kota Kinabalu	Leasehold expiring 2025	1	1982	40	2-storey office building, training centres, workshop and warehouse	^
Jalan Piasau, Miri, Kidurong Light Industrial Estate, Bintulu, Lorong Then Kung Suk, Sibu	Leasehold expiring 2028-2060	4	1982-1986	20-40	Office buildings with detached factory, workshop and warehouse	4
Singapore						
Benoi Sector, Jurong Pier	Leasehold expiring 2025-2032	9	1978-2004	12-49	Office building, warehouse and workshop	2
Brunei						
Beribi Industrial Estate, Bandar Seri Begawan	Leasehold expiring 2029	*	2003	17	Office, service centre and warehouse	^
China						
Changsha Economic Technological Development Area, Changsha, Hunan	Leasehold expiring 2063	4	2013-2016	4	Industrial land, 2-storey office buildings, warehouse and workshop	34
Ji Mei District, Xiamen, Fujian	Leasehold expiring 2062	1	2012-2015	6	3-storey office buildings, warehouse and workshop	14

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
INDUSTRIAL DIVISION (continued)						
China (continued)						
Xiao Lan Industrial Park, Nanchang, Jiangxi	Leasehold expiring 2059	1	2009-2011	9	3-storey office building, warehouse and workshop	5
Nanning, Guangxi	Leasehold expiring 2064	3	2014-2019	1	Industrial land, 3-storey office building with carpark, warehouse and workshop	35
Shunjiang Juweihui Industrial Park, Shunde, Foshan, Guangdong	Leasehold expiring 2045	2	1996-2011	9-23	Land, 2 blocks of 4-storey and 2-storey buildings, warehouse and workshops	10
Yifu Garden, Dongguan, Guangdong	Leasehold expiring 2072	–	2014	7	Staff quarters	^
Urumqi, Xinjiang	Leasehold expiring 2061	4	2010-2012	8	Land, office building, warehouse and workshop	24
Hong Kong						
Yuen Long Industrial Estate, Yuen Long District	Leasehold expiring 2047	2	1993	–	Land for 2-storey office building, warehouse and workshop	7
Australia						
Alice Springs, Darwin and Gove Facilities	Freehold	6	1992-2011	14-53	Single-storey office buildings, warehouse and workshops	17
Archerfield Facility, Kerry Road, Archerfield, Bellrick Street, Beaudesert Road, Acacia Ridge, Brisbane	Freehold	19	1992-2012	10-74	Single-storey and 2-storey commercial offices, warehouses and workshops	82
Boundary Road, Richlands, Brisbane	Freehold	1	2010	10	2 blocks of 2-storey and single-storey office buildings, warehouse and workshop	17
Cairns Facility, Kenny Street, Comport St, Portsmith, Cairns	Freehold	1	1992-2008	40	Single-storey commercial office, workshop and warehouse	15

Properties of the Group

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
INDUSTRIAL DIVISION (continued)						
Australia (continued)						
Emerald Facility, Archer Drive, Alstonia Drive, Buckland Street	Freehold	13	1992-1996	23-46	Single-storey commercial offices, workshops and staff hostels	10
Mackay Facility, Farrellys Lane, Connors Road, Broadsound Road, Commercial Avenue, Mackay	Freehold	51	1992-2013	6-38	2-storey commercial offices, training facilities, workshops and warehouses	351
Mt Isa Facility, Kolongo Crescent Kalkadoon, Mt Isa	Freehold	2	1992-2011	42	Single-storey commercial office, workshop and warehouse	23
Rockhampton Facility, Port Curtis Road, Richardson Road, Rockhampton	Freehold	35	1992	5-46	13 blocks of single-storey commercial office, workshop, warehouse and training facility	107
Toowoomba Facility, Carrington Road, Torrington	Freehold	4	1992-2012	20-48	Single-storey commercial offices, workshop and warehouse	47
Townsville Facility, Corner Woolcock Street and Blakey Street, Garbutt, Townsville	Freehold	2	1992	46	2-storey commercial offices, workshop and warehouse	24
North Coast Facility, 22 Lear Jet Drive, Caboolture	Leasehold expiring 2023	6	2019	17	Commercial Offices	1

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
INDUSTRIAL DIVISION (continued)						
New Zealand						
276 & 280 Te Ngae Road, Rotorua	Freehold	1	2019	41	Commercial office, workshop and warehouse	17
24 Branston Street, Hornby, Christchurch	Freehold	*	2019	8	Commercial office, workshop and warehouse	19
New Caledonia						
Canala, Kouaoua	Freehold	–	2000-2004	26	Commercial office, workshop and warehouse and residential dwelling	^
Lot 1 & 2 Lotissement ZICO II, Paita	Freehold	2	2010	–	Office building, workshop, warehouse and operational bay	70
Papua New Guinea						
Port Moresby Facility, Spring Garden Road, Moresby, Lae Facility, Corner Milford Street & Malaita Street, Lae, Tabubil Facility, Batch Street	Leasehold expiring 2094	16	1992-2017	24-68	Land, 2-storey and single- storey office buildings, sales service and parts facility, and staff hostels	47
Solomon Islands						
Honiara Facility, Guadalcanal Island, Panatina Village, Honiara	Leasehold expiring 2091	3	1992	36	Office, industrial building, warehouse and 2-storey staff hostels	^
Total Industrial Division						**1,035**

Properties of the Group

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
MOTORS DIVISION						
Malaysia						
Padang Meha, Kulim	Freehold	78	2004	23	Assembly plant	76
Automotive Complex, Ara Damansara	Freehold	9	2014-2015	1	Office buildings, showrooms and workshops	466
Temasya Industrial Park, Shah Alam	Freehold	*	2004-2006	17-19	3-storey office buildings and showrooms	14
Bandar Bukit Raja, Kapar, Klang	Freehold	10	2008	–	Land held for development of a pre-delivery inspection centre	9
193-195, Jalan Klang Lama	Leasehold expiring 2026	*	2015	6	2-storey office building, showroom and workshop	4
362, Jalan Tun Razak	Freehold	*	2010	10	4-storey 4S service centre and workshop	48
Kajang, Balakong	Freehold Leasehold expiring 2116	* *	2018	–	Land for development of a 4S centre	38
Sedco Industrial Estate, Jalan Limau Manis, Kota Kinabalu	Leasehold expiring 2034	2	2003	44	Single-storey showroom and service centre	^
Singapore						
303 & 305 Alexandra Road	Leasehold expiring 2047-2057	9	2002-2005	12-14	6-storey 4S showroom, service centre and workshop	217
Kampung Arang Road	Leasehold expiring 2034	*	1982	51	2-storey service centre and workshop	9
Thailand						
Paradise Road, Bangkok	Freehold	*	2013-2016	4-7	Land, showrooms, workshops and offices	50
Branches in Bangkok and Samutprakarn	Leasehold expiring 2023-2049	5	2002-2019	5-20	3S showrooms, workshops and offices	29

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
MOTORS DIVISION (continued)						
China						
Jinkai Avenue, Chongqing	Leasehold expiring 2031	2	2016	5	5-storey 5S centre	34
Yingbin Road, Panyu, Daguang Nan Road, Tianhe, Guangzhou, Guangdong	Leasehold expiring 2023-2032	3	1999-2015	5-22	2-storey and 4-storey 4S centre	19
Tianshan Road, Shantou, Guangdong	Leasehold expiring 2022	*	2002	16	2-storey 4S centre	2
Shen Nan Road, Yue Liang Wan Road, Nanshan District, Shenzhen, Guangdong	Leasehold expiring 2042	1	1994-2004	16-25	2-storey and 8-storey 4S centres	11
Hai Yu Zhong Xian Road, Nanhai Road, Haikou District, Hainan	Leasehold expiring 2059-2070	2	2000-2004	14-25	2-storey 4S centre	16
Hongqiao land, East 3rd Ring, Yunnan	Leasehold expiring 2027	2	2010	10	3-storey 4S centre	10
Qilin Central Business District, Qujing, Yunnan	Leasehold expiring 2038	*	2019	9	6-storey BMW 4S centre	18
Jinke Nan Road, Jin Niu District, Chengdu, Sichuan	Leasehold expiring 2052	1	2008-2011	9-12	7-storey 4S showrooms, service centres and workshops	79
West of Houzishi Bridge, Yue Lu District, Changsha, Hunan	Leasehold expiring 2028	1	2011	9	2-storey 4S centre	10
North Jinxing Road, Changsha , Hunan	Leasehold expiring 2052	*	2019	5	2-storey 4S centre	24
Hong Kong and Macau						
2-4 Floor, Kailey Industrial Centre, Fung Yip Street, Chai Wan	Leasehold expiring 2047	–	1989	29	3 floors of a 20-storey office building and service centre	21
Matauwei Road, Tokwawan, Kowloon	Leasehold expiring 2035	*	1978	57	11-storey service centre, showroom and petrol filling station	13
Castle Peak Road, Tsuen Wan, New Territory	Leasehold expiring 2047	*	1972	48	6-storey 4S service centre	7

Properties of the Group

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
MOTORS DIVISION (continued)						
Hong Kong and Macau (continued)						
Fanling, New Territories	Leasehold expiring 2047	*	2015	–	Land held for development of an automotive support centre	192
3 & 4 Floor, Topsail Plaza, 11 on Sum Street, Shatin	Leasehold expiring 2047	–	1992	25	2 floors of a 16-storey office building and service centre	53
3719D, 3719E, 3719F6, 3719I & 3723F, Yuen Long District	Leasehold expiring 2047	4	1984	114	4 separate plots of land for pre-delivery inspection/ commercial repair/storage	^
120-158 Rua dos Pescadores, Macau	Leasehold expiring 2026	*	1977	44	5-storey industrial building with BMW showroom and service centre	^
Australia						
Church Street, Granville, New South Wales	Freehold	*	2015 - 2019	21	Offices, showrooms and workshops	303
Mangrove Rd, Ferry Rd Sandgate, New South Wales	Freehold	–	2019	–	Land and building	7
Littlefield St, Fortitude Valley, Monier Road, Queensland	Freehold	1	2014	12-40	Single-storey and two-storey offices, showrooms and workshops	170
New Zealand						
Great South Road, Manukau Road, Maranui Avenue, Silverfield Street, Auckland	Freehold Leasehold expiring 2022-2029	2 9	1998-2017	4-55	Offices, workshops, and warehouses	28
12 Crowley Place, Albany	Leasehold expiring 2025	*	2019	3	Workshop	7
Malden Street, Palmerston North	Freehold	3	2005	17-51	Workshop, office and central parts warehouse	15
Wairau Road, Wairau Valley, Auckland	Freehold	1	2014	–	3S service centre	100
Total Motors Division						**2,099**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
LOGISTICS DIVISION						
China						
Jining City, Shandong	Leasehold expiring 2022-2064	83	2009-2020	1-11	Ports, warehouses and offices	277
Weifang Port, Shandong	Leasehold expiring 2048-2067	651	2005-2020	4-50	Port, warehouse and other buildings	963
Total Logistics Division						**1,240**
OTHERS						
Malaysia						
Labu, Negeri Sembilan	Freehold	3,518	1978-1991	–	Malaysia Vision Valley land	9
Ara Damansara, Selangor	Freehold	2	2017-2018	2-3	Office towers	287
Jalan Tandang, Petaling Jaya	Leasehold expiring 2065-2066	15	1985-1994	27-57	Industrial land and building	44
Apartments and holiday bungalows in Malaysia	Freehold Leasehold expiring 2026	* 1	1982-1999	29-91	Apartments/holiday bungalows	1
Total Others						**341**
TOTAL GROUP PROPERTIES						**4,715**

Note – The list excludes capitalised lease payments
* Less than one hectare
^ Less than RM1 million

Notice to Shareholders

Under the Personal Data Protection Act 2010

Sime Darby Berhad ("Sime Darby" or "we" or "us" or "our") strives to protect your personal data in accordance with the Personal Data Protection Act 2010 ("the Act"). The Act was enacted to regulate the processing of personal data. To comply with the Act, we are required to manage the personal data that we collect from you relating to your shareholding in Sime Darby.

The purposes for which your personal data may be used are, but not limited to:

- Internal record keeping including but not limited to the registration and management of your shareholding in Sime Darby
- To provide services to you
- To communicate with you as a shareholder of Sime Darby
- To better understand your needs as our shareholder
- For security and fraud prevention purposes
- For the purposes of statistical analysis of data
- For marketing activities
- For the purposes of our corporate governance
- To send you event invitations based on selected events
- To comply with any legal, statutory and/or regulatory requirements
- For the purposes of inclusion in media engagements and/or any relevant or related events
- For the purposes of us preparing guest invitations, registration and/or sign-ups for our events
- For the purposes of printed and on-line publications

(collectively, "the Purposes")

Your personal data is or will be collected from information provided by you, including but not limited to, postal, facsimile, telephone, and e-mail communications with or from you, and information provided by third parties, including but not limited to, Bursa Malaysia Berhad and any other stock exchange, and your stockbrokers and remisiers.

You may be required to supply us with your name, correspondence address, telephone number, facsimile number and email address.

If you fail to supply us with such personal data, we may not be able to process and/or disclose your personal data for any of the Purposes.

Please be informed that your personal data may be disclosed, disseminated and/or transferred to companies within the Sime Darby Group (including the holding company, subsidiaries, related and affiliated companies, both local and international), whether present or future (collectively, "the Group") or to any third party organisations or persons for the purpose of fulfilling our obligations to you in respect of the Purposes and all such other purposes that are related to the Purposes and also in providing integrated services, maintaining and storing records including but not limited to the share registrar(s) appointed by us to manage the registration of shareholders.

The processing, disclosure, dissemination and/or transfer of your personal data by us and/or the Group and/or third party organisations or persons may result in your personal data being transferred outside of Malaysia.

To this end, we are committed to ensuring the confidentiality, protection, security and accuracy of your personal data made available to us. It is your obligation to ensure that all personal data submitted to us and retained by us are accurate, not misleading, updated and complete in all aspects. For the avoidance of doubt, we and/or the Group and/or our or their employees or authorised officers or agents will not be responsible for any personal data submitted by you to us that is inaccurate, misleading, not up to date and incomplete.

Further, we may request your assistance to procure the consent of third parties whose personal data is made available by you to us and you hereby agree to use your best endeavours to do so.

You may at any time after the submission of your personal data to us, request for information relating to your personal data by contacting our share registrar Tricor Investor & Issuing House Services Sdn Bhd if you wish to enquire about any aspects of share registration matters:

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur.

Attention : Ms Lim Lay Kiow, Senior Manager
Tel : 03-2783 9299
e-mail : lay.kiow.lim@my.tricorglobal.com

In addition, you may request for access to your personal data by contacting your broker or alternatively Tricor Investor & Issuing House Services Sdn Bhd as shown above if:

- you require access to and/or wish to make corrections to your personal data subject to compliance of such request for access or correction not being refused under the provisions of the Act and/or existing laws; or
- you wish to enquire about your personal data.

Any personal data retained by us shall be destroyed and/or deleted from our records and system in accordance with our retention policy in the event such data is no longer required for the said Purposes.

In the event of any inconsistency between the English version and the Bahasa Malaysia version of this Notice, the English version shall prevail over the Bahasa Malaysia version.

We trust that you will consent to the processing of your personal data and that you declare that you have read, understood and accepted the statements and terms herein.

Notis Kepada Pemegang Saham

Di Bawah Akta Perlindungan Data Peribadi 2010

Sime Darby Berhad ("Sime Darby" atau "kami") bermatlamat untuk melindungi data peribadi anda selaras dengan Akta Perlindungan Data Peribadi 2010 ("Akta"). Akta tersebut diperbuat untuk mengawal selia pemprosesan data peribadi. Bagi mematuhi Akta tersebut, kami dikehendaki untuk menguruskan data peribadi yang kami kumpulkan daripada anda berkenaan dengan pegangan saham anda di Sime Darby.

Tujuan penggunaan data peribadi anda adalah untuk, tetapi tidak terhad kepada:

- Penyimpanan rekod dalaman termasuk tetapi tidak terhad kepada pendaftaran dan pengurusan pegangan saham anda di Sime Darby
- Untuk memberikan perkhidmatan kepada anda
- Untuk berkomunikasi dengan anda sebagai pemegang saham Sime Darby
- Untuk lebih memahami keperluan anda sebagai pemegang saham kami
- Bagi maksud-maksud keselamatan dan pencegahan penipuan
- Bagi maksud analisis statistik data
- Untuk aktiviti pemasaran
- Bagi maksud tadbir urus korporat kami
- Untuk menghantar jemputan acara berdasarkan acara-acara terpilih
- Untuk mematuhi apa-apa kehendak di sisi undang-undang, statut, dan peraturan
- Bagi maksud penyertaan dalam penglibatan media dan/atau apa-apa acara relevan atau berkaitan
- Bagi maksud kami menyediakan jemputan tetamu, pendaftaran dan/atau kemasukan untuk acara-acara kami
- Bagi maksud penerbitan bercetak dan penerbitan dalam talian kami

(secara kolektif, "Tujuan-Tujuan tersebut").

Data peribadi anda sedang atau akan dikumpul daripada maklumat yang diberikan oleh anda, termasuk tetapi tidak terhad kepada, komunikasi-komunikasi pos, faksimili, telefon, dan e-mel dengan atau daripada anda, dan maklumat yang diberikan oleh pihak ketiga, termasuk tetapi tidak terhad kepada, Bursa Malaysia Berhad dan bursa saham yang lain, dan broker saham dan remisier anda.

Anda mungkin diperlukan untuk memberikan kepada kami nama, alamat surat-menyurat, nombor telefon, nombor faksimili, dan alamat emel anda.

Jika anda gagal untuk memberikan kami data peribadi tersebut, kami mungkin tidak dapat memproses dan/atau menzahirkan data peribadi anda bagi mana-mana Tujuan-Tujuan tersebut.

Sila maklum bahawa data peribadi anda boleh dizahirkan, disebarkan dan/atau dipindahkan kepada syarikat-syarikat di dalam Kumpulan Sime Darby (termasuk syarikat induk, anak-anak syarikat, syarikat-syarikat berkaitan dan bersekutu tempatan dan antarabangsa), samada pada masa kini atau masa hadapan (secara kolektif, "Kumpulan"), atau kepada mana-mana organisasi atau individu pihak ketiga bagi maksud memenuhi tanggungjawab kami kepada anda berkenaan dengan Tujuan-Tujuan tersebut dan bagi semua maksud lain yang berkaitan dengan Tujuan-Tujuan tersebut dan juga untuk memberikan perkhidmatan-perkhidmatan bersepadu, menyelenggara dan menyimpan rekod-rekod termasuk tetapi tidak terhad kepada pendaftar saham atau pendaftar-pendaftar saham yang dilantik oleh kami untuk menguruskan pendaftaran pemegang saham.

Pemprosesan, penzahiran, penyebaran dan/atau pemindahan data peribadi anda oleh kami dan/atau Kumpulan dan/atau organisasi atau individu pihak ketiga mungkin mengakibatkan data peribadi anda dipindah ke luar Malaysia.

Untuk tujuan ini, kami komited dalam memastikan penyulitan, perlindungan, keselamatan dan ketepatan data peribadi anda yang diberikan kepada kami. Adalah tanggungjawab anda untuk memastikan bahawa semua data peribadi yang diberikan kepada kami dan disimpan oleh kami adalah tepat, tidak mengelirukan, terkini dan lengkap dalam semua aspek. Bagi mengelakkan keraguan, kami dan/atau Kumpulan dan/atau pekerja atau pegawai yang diberi kuasa atau ejen kami tidak akan bertanggungjawab untuk apa-apa data peribadi yang diberikan oleh anda kepada kami yang tidak tepat, mengelirukan, bukan terkini dan tidak lengkap.

Selanjutnya, kami boleh meminta bantuan anda untuk memperolehi persetujuan pihak ketiga yang data peribadinya telah diberikan oleh anda kepada kami dan anda dengan ini bersetuju untuk menggunakan usaha terbaik anda untuk berbuat demikian.

Anda boleh pada bila-bila masa selepas penyerahan data peribadi anda kepada kami, meminta untuk mengakses data peribadi anda dengan menghubungi pendaftar saham kami Tricor Investor & Issuing House Services Sdn Bhd jika anda ingin membuat sebarang pertanyaan berkenaan dengan aspek-aspek pendaftaran saham:

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur.

Untuk perhatian : Cik Lim Lay Kiow, Pengurus Kanan
No.Tel : 03-2783 9299
e-mel : lay.kiow.lim@my.tricorglobal.com

Anda juga boleh membuat permintaan untuk mengakses data peribadi anda dengan menghubungi broker anda atau secara alternatif Tricor Investor & Issuing House Services Sdn Bhd seperti yang tersebut di atas jika:

- anda memerlukan akses kepada dan/atau ingin membuat pembetulan kepada data peribadi anda, tertakluk kepada pematuhan permintaan untuk akses atau pembetulan itu tidak ditolak di bawah peruntukan Akta tersebut dan/atau undang-undang yang sedia ada; atau
- anda ingin membuat pertanyaan mengenai data peribadi anda.

Apa-apa data peribadi yang dikekalkan oleh kami akan dimusnahkan dan/atau dipadamkan daripada rekod dan sistem kami megikut polisi penyimpanan kami sekiranya data tersebut tidak lagi diperlukan bagi Tujuan-Tujuan tersebut.

Sekiranya terdapat apa-apa percanggahan antara versi Bahasa Inggeris and versi Bahasa Malaysia dalam Notis ini, versi Bahasa Inggeris akan mengatasi versi Bahasa Malaysia.

Kami percaya bahawa anda akan bersetuju kepada pemprosesan data peribadi anda dan anda mengakui bahawa anda telah membaca, memahami dan menerima pernyataan-pernyataan dan terma-terma yang terkandung di dalam Notis ini.

Notice to Proxies

Under the Personal Data Protection Act 2010

Sime Darby Berhad ("Sime Darby" or "we" or "us" or "our") strives to protect your personal data in accordance with the Personal Data Protection Act 2010 ("the Act"). The Act was enacted to regulate the processing of personal data. To comply with the Act, we are required to manage the personal data that we collect from you relating to your acting as a proxy for a shareholder in Sime Darby.

The purposes for which your personal data may be used are, but not limited to:

- Internal record keeping including but not limited to the registration of attendance at the general meeting(s)
- To communicate with you as a proxy for a shareholder of Sime Darby
- For security and fraud prevention purposes
- For the purposes of statistical analysis of data
- For the purposes of our corporate governance
- To comply with any legal, statutory and/or regulatory requirements

(collectively, "the Purposes").

Your personal data is or will be collected from information provided by you, including but not limited to, postal, facsimile, telephone, and e-mail communications with or from you, and information provided by third parties, including but not limited to, Bursa Malaysia Berhad and any other stock exchange, and your stockbrokers and remisiers.

You may be required to supply us with your name, NRIC No. and correspondence address.

If you fail to supply us with such personal data, we may not be able to process and/or disclose your personal data for any of the Purposes.

Please be informed that your personal data may be disclosed, disseminated and/or transferred to companies within the Sime Darby Group (including the holding company, subsidiaries, related and affiliated companies, both local and international), whether present or future (collectively, "the Group") or to any third party organisations or persons for the purpose of fulfilling our obligations to you in respect of the Purposes and all such other purposes that are related to the Purposes and also in providing integrated services, maintaining and storing records including but not limited to the share registrar(s) appointed by us to manage the registration of shareholders.

The processing, disclosure, dissemination and/or transfer of your personal data by us and/or the Group and/or third party organisations or persons may result in your personal data being transferred outside of Malaysia.

To this end, we are committed to ensuring the confidentiality, protection, security and accuracy of your personal data made available to us. It is your obligation to ensure that all personal data submitted to us and retained by us are accurate, not misleading, updated and complete in all aspects. For the avoidance of doubt, we and/or the Group and/or our or their employees or authorised officers or agents will not be responsible for any personal data submitted by you to us that is inaccurate, misleading, not up to date and incomplete.

Further, we may request your assistance to procure the consent of third parties whose personal data is made available by you to us and you hereby agree to use your best endeavours to do so.

You may at any time after the submission of your personal data to us, request for access to your personal data from Tricor Investor & Issuing House Services Sdn Bhd if:

- you require access to and/or wish to make corrections to your personal data subject to compliance of such request for access or correction not being refused under the provisions of the Act and/or existing laws; or
- you wish to enquire about your personal data.

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur.

Attention : Ms Lim Lay Kiow, Senior Manager
Tel : 03-2783 9299
e-mail : lay.kiow.lim@my.tricorglobal.com

Any personal data retained by us shall be destroyed and/ or deleted from our records and system in accordance with our retention policy in the event such data is no longer required for the said Purposes.

In the event of any inconsistency between the English version and the Bahasa Malaysia version of this Notice, the English version shall prevail over the Bahasa Malaysia version.

We trust that you will consent to the processing of your personal data and that you declare that you have read, understood and accepted the statements and terms herein.

Notis Kepada Proksi

Di Bawah Akta Perlindungan Data Peribadi 2010

Sime Darby Berhad ("Sime Darby" atau "kami") bermatlamat untuk melindungi data peribadi anda selaras dengan Akta Perlindungan Data Peribadi 2010 ("Akta"). Akta tersebut diperbuat untuk mengawal selia pemprosesan data peribadi. Bagi mematuhi Akta tersebut, kami dikehendaki untuk menguruskan data peribadi yang kami kumpulkan daripada anda berkenaan dengan perwakilan anda sebagai proksi untuk pemegang saham Sime Darby.

Tujuan penggunaan data peribadi anda adalah untuk, tetapi tidak terhad kepada:

- Penyimpanan rekod dalaman termasuk tetapi tidak terhad kepada pendaftaran kehadiran di mesyuarat (-mesyuarat) agung
- Untuk berkomunikasi dengan anda sebagai proksi untuk pemegang saham Sime Darby
- Bagi maksud-maksud keselamatan dan pencegahan penipuan
- Bagi maksud analisis statistik data
- Bagi maksud tadbir urus korporat kami
- Untuk mematuhi apa-apa kehendak di sisi undang-undang, statutori, dan/atau peraturan

(secara kolektif, "Tujuan-Tujuan tersebut").

Data peribadi anda sedang atau akan dikumpul daripada maklumat yang diberikan oleh anda, termasuk tetapi tidak terhad kepada, komunikasi-komunikasi pos, faksimili, telefon, dan e-mel dengan atau daripada anda, dan maklumat yang diberikan oleh pihak ketiga, termasuk tetapi tidak terhad kepada, Bursa Malaysia Berhad dan bursa saham yang lain, dan broker saham dan remisier anda.

Anda mungkin diperlukan untuk memberikan kepada kami nama, No. KP Baru dan alamat surat-menyurat.

Jika anda gagal untuk memberikan kami data peribadi tersebut, kami mungkin tidak dapat memproses dan/atau menzahirkan data peribadi anda bagi mana-mana Tujuan-Tujuan tersebut.

Sila maklum bahawa data peribadi anda boleh dizahirkan, disebarkan dan/atau dipindahkan kepada syarikat-syarikat di dalam Kumpulan Sime Darby (termasuk syarikat induk, anak-anak syarikat, syarikat-syarikat berkaitan dan bersekutu tempatan dan antarabangsa), samada pada masa kini atau masa hadapan (secara kolektif, "Kumpulan"), atau kepada mana-mana organisasi atau individu pihak ketiga bagi maksud memenuhi tanggungjawab kami kepada anda berkenaan dengan Tujuan-Tujuan tersebut dan bagi semua maksud lain yang berkaitan dengan Tujuan-Tujuan tersebut dan juga untuk memberikan perkhidmatan-perkhidmatan bersepadu, menyelenggara dan menyimpan rekod-rekod termasuk tetapi tidak terhad kepada pendaftar saham atau pendaftar-pendaftar saham yang dilantik oleh kami untuk menguruskan pendaftaran pemegang saham.

Pemprosesan, penzahiran, penyebaran dan/atau pemindahan data peribadi anda oleh kami dan/atau Kumpulan dan/atau organisasi atau individu pihak ketiga mungkin mengakibatkan data peribadi anda dipindah ke luar Malaysia.

Untuk tujuan ini, kami komited dalam memastikan penyulitan, perlindungan, keselamatan dan ketepatan data peribadi anda yang diberikan kepada kami. Adalah tanggungjawab anda untuk memastikan bahawa semua data peribadi yang diberikan kepada kami dan disimpan oleh kami adalah tepat, tidak mengelirukan, terkini dan lengkap dalam semua aspek. Bagi mengelakkan keraguan, kami dan/atau Kumpulan dan/atau pekerja atau pegawai yang diberi kuasa atau ejen kami tidak akan bertanggungjawab untuk apa-apa data peribadi yang diberikan oleh anda kepada kami yang tidak tepat, mengelirukan, bukan terkini dan tidak lengkap.

Selanjutnya, kami boleh meminta bantuan anda untuk memperolehi persetujuan pihak ketiga yang data peribadinya telah diberikan oleh anda kepada kami dan anda dengan ini bersetuju untuk menggunakan usaha terbaik anda untuk berbuat demikian.

Anda boleh pada bila-bila masa selepas penyerahan data peribadi anda kepada kami, meminta untuk mengakses data peribadi anda daripada Tricor Investor & Issuing House Services Sdn Bhd jika:

- anda memerlukan akses kepada dan/atau ingin membuat pembetulan kepada data peribadi anda, tertakluk kepada pematuhan permintaan untuk akses atau pembetulan itu tidak ditolak di bawah peruntukan Akta tersebut dan/atau undang-undang yang sedia ada; atau
- anda ingin membuat pertanyaan mengenai data peribadi anda.

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur.

Untuk perhatian : Cik Lim Lay Kiow, Pengurus Kanan
No.Tel : 03-2783 9299
e-mel : lay.kiow.lim@my.tricorglobal.com

Apa-apa data peribadi yang dikekalkan oleh kami akan dimusnahkan dan/atau dipadamkan daripada rekod dan sistem kami mengikut polisi penyimpanan kami sekiranya data tersebut tidak lagi diperlukan bagi Tujuan-Tujuan tersebut.

Sekiranya terdapat percanggahan antara versi Bahasa Inggeris and versi Bahasa Malaysia dalam Notis ini, versi Bahasa Inggeris akan mengatasi versi Bahasa Malaysia.

Kami percaya bahawa anda akan bersetuju kepada pemprosesan data peribadi anda dan anda mengakui bahawa anda telah membaca, memahami dan menerima pernyataan-pernyataan dan terma-terma yang terkandung di dalam Notis ini.

Independent Assurance Report

Independent Assurance Report
To Management of Sime Darby Holdings Berhad (2020)

We have been engaged by Sime Darby Holdings Berhad ("Sime Darby") to perform an independent limited assurance engagement on selected Sustainability Information (hereon after referred to as "Selected Information" comprising the information set out in the Subject Matter) as reported by Sime Darby Berhad ("SDB") in its Annual Report for financial year 2020 ("Sime Darby Annual Report 2020").

Management's Responsibility

Management of Sime Darby is responsible for the preparation of the Selected Information included in the Sime Darby Annual Report 2020 in accordance with Sime Darby's internal sustainability reporting guidelines and procedures.

This responsibility includes the selection and application of appropriate methods to prepare the Selected Information reported in the Sime Darby Annual Report 2020 as well as the design, implementation and maintenance of processes relevant for the preparation. Furthermore, the responsibility includes the use of assumptions and estimates for disclosures made by Sime Darby which are reasonable in the circumstances.

Our Responsibility

Our responsibility is to provide a conclusion on the Subject Matter based on our limited assurance engagement performed in accordance with the approved standard for assurance engagements in Malaysia, International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements, and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

The accuracy of the Selected Information is subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our limited assurance report should therefore be read in connection with Sime Darby's sustainability reporting guidelines and procedures on the reporting of its sustainability performance.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Subject Matter

The following information collectively known as Selected Information on which we provide limited assurance consists of the management and reporting processes with respect to the preparation of the following Selected Information reported and marked with asterisks (*) in Sime Darby Annual Report 2020:

1. Sime Darby's Lost Time Injury and Lost Time Injury Frequency Rate (LTIFR) for the financial year ended 30 June 2020.

Criteria

The selected subject matter needs to be read and understood together with the Reporting Criteria, which Sime Darby is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

The Reporting Criteria used for the reporting of the Selected Information the definitions and approaches disclosed within the *About This Report* and *Creating Sustainable Value* sections of the Sime Darby Annual Report 2020.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

Main Assurance Procedures

Our work, which involved no independent examination of any of the underlying financial information, included the following procedures:

- Inquiries of personnel responsible for the Selected Information reported in Sime Darby Annual Report 2020 regarding the processes to prepare the said report and the underlying controls over those processes;
- Inquiries of personnel responsible for data collection at the corporate, division and operation unit level for the Selected Information;
- Inspection on a sample basis of internal documents, contracts, reports, data capture forms and invoices to support the Selected Information for accuracy including observation of management's controls over the processes;
- Inquiries of personnel on the collation and reporting of the Selected Information at the corporate and operation unit level; and
- Checking the formulas, proxies and default values used in the Selected Information against Sime Darby's sustainability reporting guidelines and procedures.

Independence and Quality Control

We have complied with the relevant independence requirements and other ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on our limited assurance engagement, in all material aspects, nothing has come to our attention that causes us to believe that the Selected Information in the Subject Matter has not been fairly stated in accordance with Sime Darby's internal sustainability reporting guidelines.

Restriction on use

This report, including our conclusions, has been prepared solely for the Board of Directors of Sime Darby in accordance with the agreement between us, in connection with the performance of an independent limited assurance on the Selected Information in the Subject Matter as reported by SDB in its Sime Darby Annual Report 2020. Accordingly, this report should not be used or relied upon for any other purposes. We consent to the inclusion of this report in the Sime Darby Annual Report 2020 and to be disclosed online at www.simedarby.com, in respect of the 2020 financial year, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. As a result, we will not accept any liability or assume responsibility to any other party to whom our report is shown or into whose hands it may come. Any reliance on this report by any third party is entirely at its own risk.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014 4 0 1- LCA & AF 1146
Chattered Accountants

Kuala Lumpur
28 September 2020

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting ("**AGM**") of Sime Darby Berhad ("Sime Darby" or "Company") will be held fully virtual through live streaming from the broadcast venue at Function Room, Ground Floor, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 12 November 2020 at 10.00 a.m. for the following businesses:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports of the Directors and the Auditors thereon.

   Refer to Explanatory Note 1

2. To approve the payment of fees to the Non-Executive Directors up to an amount of RM4,300,000 from the Fourteenth AGM until the next AGM of the Company. **(Resolution 1)**

   Refer to Explanatory Note 2

3. To approve the payment of benefits to the Non-Executive Directors up to an amount of RM1,500,000 from the Fourteenth AGM until the next AGM of the Company. **(Resolution 2)**

   Refer to Explanatory Note 3

4. To elect the following Directors who retire pursuant to Rule 82.2 of the Constitution of the Company and who being eligible, offer themselves for election:

   (i) Dato' Dr Nirmala Menon **(Resolution 3)**

   (ii) Tan Sri Ahmad Badri Mohd Zahir **(Resolution 4)**

   Refer to Explanatory Note 4

5. To re-elect the following Directors who retire pursuant to Rule 103 of the Constitution of the Company and who being eligible, offer themselves for re-election:

   (i) Dato' Ahmad Pardas Senin **(Resolution 5)**

   (ii) Mr Thayaparan Sangarapillai **(Resolution 6)**

   (iii) Dato' Jeffri Salim Davidson **(Resolution 7)**

   Refer to Explanatory Note 4

6. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2021 and to authorise the Directors to determine their remuneration. *Refer to Explanatory Note 5* **(Resolution 8)**

AS SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following Ordinary Resolutions:

(i) **Proposed Renewal of Share Buy Back Authority for the Company to Purchase its Own Shares of up to Ten Percent (10%) of the Total Number of Issued Shares of the Company ("Proposed Share Buy-Back")**

"THAT subject to the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations that may be in force from time to time, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that:

(a) the aggregate number of shares purchased (which are to be treated as treasury shares) does not exceed ten per cent (10%) of the total number of issued shares of the Company; and

(b) the funds allocated for the purchase of shares shall not exceed its retained profits.

THAT the Directors be and are hereby authorised, at their absolute discretion, to deal with the treasury shares which may be distributed as dividends, resold, transferred, cancelled and/or in any other manners as may be permitted or prescribed by the Act, the Listing Requirements and any applicable laws, rules, regulations, guidelines, requirements and/or orders of any other relevant authorities for the time being in force.

THAT such authority shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM"); or

(b) the expiration of the period within which the next AGM is required by law to be held; or

(c) revoked or varied in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities." **(Resolution 9)**

Refer to Explanatory Note 6

(ii) **Proposed Renewal of Existing Shareholders' Mandate for the Company and/or its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties Involving Interest of AmanahRaya Trustee Berhad – Amanah Saham Bumiputera ("ASB")**

"THAT in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and subject to the Companies Act 2016 ("Act"), the Constitution of the Company, other applicable laws, guidelines, rules and regulations, and the approvals of the relevant governmental and/or regulatory authorities, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with the related parties involving interest of ASB, as set out in Section 2.3 of Part B of the Circular to Shareholders dated 14 October 2020, which are necessary for the day-to-day operations in the ordinary course of business of the Company and/or its subsidiary companies on normal commercial terms which are not more favourable to the related parties than those generally available to the public, undertaken on arm's length basis, and are not detrimental to the minority shareholders of the Company ("Mandate");

Notice of Annual General Meeting

THAT the Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such Mandate is passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting whereby the Mandate is renewed; or

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act, (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

(c) the Mandate is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate." **(Resolution 10)**

Refer to Explanatory Note 7

(iii) **Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for the Company and/or its Subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties Involving Interest of Bermaz Auto Berhad ("Bermaz")**

"THAT in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and subject to the Companies Act 2016 ("Act"), the Constitution of the Company, other applicable laws, guidelines, rules and regulations, and the approvals of the relevant governmental and/or regulatory authorities, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature with the related parties involving interest of Bermaz, as set out in Section 2.3 of Part B of the Circular to Shareholders dated 14 October 2020, which are necessary for the day-to-day operations in the ordinary course of business of the Company and/or its subsidiary companies on normal commercial terms which are not more favourable to the related parties than those generally available to the public, undertaken on arm's length basis, and are not detrimental to the minority shareholders of the Company ("Mandate");

THAT the Mandate shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such Mandate is passed, at which time it will lapse, unless by an ordinary resolution passed at that meeting whereby the Mandate is renewed; or

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act, (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or

(c) the Mandate is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate." **(Resolution 11)**

Refer to Explanatory Note 7

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

Noor Zita Hassan
Group Secretary
(MIA15073)
(SSM PC No. 202008002513)

Selangor Darul Ehsan, Malaysia
14 October 2020

Notice of Annual General Meeting

Notes:

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members and proxies WILL NOT BE ALLOWED to attend this AGM in person at the broadcast venue on the day of the AGM. Members and proxies are advised to participate and vote remotely at this AGM through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") through its TIIH Online website at https://tiih.online. Members are advised to read the Administrative Guide carefully and follow the procedures in the Administrative Guide for this AGM in order to participate remotely.
2. For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 2 November 2020. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this AGM or appoint a proxy to attend, participate, speak and vote on his/her behalf.
3. A Member entitled to attend and vote at this AGM is entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to attend, participate, speak and vote at this AGM on his/her behalf. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a Member of the Company. A Member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), all resolutions set out in the Notice of the Fourteenth AGM of the Company shall be put to vote by way of a poll.
5. Where a Member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), he/she may appoint not more than two (2) proxies in respect of each Securities Account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at a meeting of the Company instead of him/her.
6. Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds PROVIDED THAT each beneficial owner of ordinary shares, or where the ordinary shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall only be entitled to instruct the Exempt Authorised Nominee to appoint not more than two (2) proxies to attend and vote at a general meeting of the Company instead of the beneficial owner or joint beneficial owners.
7. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. Any alteration to the instrument appointing a proxy must be initialled.
8. The Form of Proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited with Tricor not less than 24 hours before the time appointed for the taking of the poll or no later than Wednesday, 11 November 2020 at 12:00 p.m.. The Form of Proxy can be submitted through either one of the following avenues:

(i)	Lodgement of Form of Proxy in hard copy	To be deposited at Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at Tricor's Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
(ii)	Electronic lodgement of Form of Proxy	The Form of Proxy can be lodged electronically via Tricor's TIIH Online website at https://tiih.online. Please follow the procedures for electronic lodgement of Form of Proxy in the Administrative Guide for this AGM.

9. A Member who has appointed a proxy to participate in this AGM must request his/her proxy to register himself/herself for the RPV at Tricor's TIIH Online website at https://tiih.online. Please follow the procedures in the Administrative Guide for this AGM.
10. The Administrative Guide on the conduct of a fully virtual AGM of the Company is available at the Company's website at http://www.simedarby.com/investor/agmegm.

Explanatory Notes

1. **Audited Financial Statements for the Financial Year Ended 30 June 2020**

   The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Act for discussion only. The Audited Financial Statements do not require shareholders' approval and as such, will not be put forward for voting to be formally approved by the shareholders.

2. **Resolution 1 – Payment of Fees to the Non-Executive Directors up to an amount of RM4,300,000 from the Fourteenth AGM until the next AGM of the Company**

   Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of the Company will have to be approved by shareholders at a general meeting. The Company is requesting for the shareholders' approval for the payment of NEDs fees up to an amount of RM4,300,000 from the Fourteenth AGM until the next AGM of the Company in accordance with the remuneration structure as set out below:

Board/Board Committee	NED Fee (RM/Year) Chairman	Member
Board	560,000	240,000[1]
		380,000[2]
Governance & Audit Committee	80,000	50,000
Other Committees	60,000	35,000
Board of Subsidiary	150,000	100,000

Notes:
1. Fee for Resident Director
2. Fee for Non-Resident Director

The resolution, if passed, will allow the Company and the subsidiary to make the payment of fees to the NEDs on a monthly basis instead of in arrears after every AGM. The Board is of the view that it is just and equitable for the NEDs to be paid such payment on a monthly basis after they have discharged their responsibilities and rendered their services to the Company. The decision in respect of fees by the subsidiary will be made by the shareholders of the subsidiary in accordance with the laws applicable in its jurisdiction.

The fees of each NED for the financial year ended 30 June 2020 are set out in the Nomination & Remuneration Committee Report on page 125 of the Company's Annual Report 2020.

3. **Resolution 2 – Payment of Benefits to the Non-Executive Directors up to an amount of RM1,500,000 from the Fourteenth AGM until the next AGM of the Company**

   The benefits payable to the NEDs comprising the following:

   - Company car, petrol and driver for the Non-Executive Chairman
   - Telecommunication devices/facilities
   - Club membership subscription
   - Medical and insurance coverage
   - Discount on purchases of Group/Company products on terms not more favourable than those given to the public/employees
   - Other claimable benefits including reimbursable expenses incurred in the course of carrying out their duties as Directors

   The payment of benefits to the NEDs will be made by the Company on a monthly basis and/or as and when incurred.

4. **Resolutions 3 to 7 – Election and re-election of Directors Pursuant to Rules 82.2 and 103 of the Constitution of the Company**

   (i) Rule 82.2 of the Constitution of the Company expressly states that a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall be eligible for election.
   Dato' Dr Nirmala Menon and Tan Sri Ahmad Badri Mohd Zahir were appointed since the last AGM and being eligible, have offered themselves for election at the Fourteenth AGM pursuant to Rule 82.2 of the Constitution of the Company. The Directors have completed their Mandatory Accreditation Programme pursuant to the provision of the Listing Requirements.

Notice of Annual General Meeting

(ii) Rule 103 of the Constitution of the Company expressly states that at every AGM, at least one-third (1/3) of the Directors for the time being shall retire from office at each annual general meeting. A Director retiring at a meeting shall retain office until the conclusion of the meeting. In addition, Rule 104 of the Constitution of the Company states that all Directors shall retire from office at least once every three (3) years. A retiring Director shall be eligible for re-election.

Dato' Ahmad Pardas Senin, Mr Thayaparan Sangarapillai and Dato' Jeffri Salim Davidson being eligible, have offered themselves for re-election at the Fourteenth AGM pursuant to Rule 104 of the Constitution of the Company.

The Board recommends for the election and re-election of the Directors. All Directors standing for election and re-election have abstained from deliberations and decisions on their own eligibility to stand for election and re-election at the relevant Nomination & Remuneration Committee and Board meetings and will continue to abstain from deliberations and decisions on their own eligibility to stand for election and re-election at this AGM.

5. Resolution 8 – Re-appointment of Auditors

The Governance & Audit Committee ("GAC") at its meeting held on 21 September 2020 undertook the annual assessment of the suitability and effectiveness of the external audit process, and the performance, suitability and independence of the external auditors, PricewaterhouseCoopers PLT ("PwC"). The following factors were taken into consideration:

(i) Dissemination of information about policies and processes for maintaining independence, objectivity and the monitoring of PwC's compliance with professional ethical standards;

(ii) Communication of audit strategy and current developments in relation to accounting and auditing standards relevant to the Group's financial statements and the potential impact on the audit;

(iii) Timeliness and quality of communication with regard to significant audit, accounting, related risks and control weaknesses and recommendations as well as effective use of meetings with the GAC without management presence;

(iv) Competency in the coordination of resources and technical knowledge, and expertise in managing its engagement; and

(v) Reasonableness of the audit fees charged.

The GAC was satisfied with the suitability of PwC based on the quality of audit, performance, competency and sufficiency of resources that the external audit team had provided to the Sime Darby Group as prescribed under Paragraph 15.21 of the Listing Requirements.

The Board at its meeting held on 28 September 2020 approved the GAC's recommendation that the shareholders' approval be sought at the Fourteenth AGM on the re-appointment of PwC as external auditors of the Company for the financial year ending 30 June 2021, under Resolution 8. The present external auditors, PwC, have indicated their willingness to continue their services for the next financial year.

Explanatory Notes on Special Business

6. Resolution 9 – Proposed Share Buy-Back

The proposed Resolution 9, if passed, will give authority to the Company to purchase its own shares through Bursa Malaysia Securities Berhad up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Share Buy-Back Statement dated 14 October 2020 for further information.

7. Resolutions 10 and 11 – Proposed Shareholders' Mandate

The proposed Resolutions 10 and 11, if passed, will enable the Company and/or its subsidiary companies to enter into recurrent related party transactions with related parties in the ordinary course of business which are necessary for the Group's day-to-day operations and are on normal commercial terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Detailed information on the Proposed Shareholders' Mandate is set out in Section 2.3, Part B of the Circular to Shareholders dated 14 October 2020.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The profile of the Directors who are standing for election and re-election (as per Resolutions 3 to 7 as stated above) at the Fourteenth AGM of Sime Darby are set out in the "Board of Directors" section on pages 106 to 111 of the Company's Annual Report 2020.

The details of any interest in securities held by the said Directors are set out in the "Directors' Report" section on pages 150 to 154 of the Company's Annual Report 2020.

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Form of Proxy

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

Number of ordinary shares held	CDS Account No.
	– –

I/We ____
(FULL NAME OF SHAREHOLDER AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

(NRIC/Passport/Company No. ______________________) of ______________________
(ADDRESS)

____
(ADDRESS)

Tel. No. ______________________ being a member/members of SIME DARBY BERHAD hereby appoint

______________________ (NRIC/Passport No. ______________________)
(FULL NAME OF PROXY AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

of ____
(ADDRESS)

*and/or ______________________ (NRIC/Passport No. ______________________)
(FULL NAME OF PROXY AS PER NRIC/ PASSPORT IN CAPITAL LETTERS)

of ____
(ADDRESS)

**or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to participate and vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting ("AGM") of Sime Darby Berhad ("Company") to be held fully virtual through live streaming from the broadcast venue at Function Room, Ground Floor, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Thursday, 12 November 2020 at 10.00 a.m. and at any adjournment thereof.

No.	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports of the Directors and the Auditors thereon			
Ordinary Business		**Resolution**	**For**	**Against**
2.	To approve the payment of fees to the Non-Executive Directors up to an amount of RM4,300,000 from the Fourteenth AGM until the next AGM of the Company	1		
3.	To approve the payment of benefits to the Non-Executive Directors up to an amount of RM1,500,000 from the Fourteenth AGM until the next AGM of the Company	2		
4.(i)	To elect Dato' Dr Nirmala Menon who retires in accordance with Rule 82.2 of the Constitution of the Company	3		
4.(ii)	To elect Tan Sri Ahmad Badri Mohd Zahir who retires in accordance with Rule 82.2 of the Constitution of the Company	4		
5.(i)	To re-elect Dato' Ahmad Pardas Senin who retires in accordance with Rule 103 of the Constitution of the Company	5		
5.(ii)	To re-elect Mr Thayaparan Sangarapillai who retires in accordance with Rule 103 of the Constitution of the Company	6		
5.(iii)	To re-elect Dato' Jeffri Salim Davidson who retires in accordance with Rule 103 of the Constitution of the Company	7		
6.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to determine their remuneration	8		
Special Business				
7.(i)	To approve the Share Buy-Back Authority for the Company to purchase its own shares	9		
7.(ii)	To approve the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties Involving Interest of AmanahRaya Trustee Berhad – Amanah Saham Bumiputera	10		
7.(iii)	To approve the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Related Parties Involving Interest of Bermaz Auto Berhad	11		

My/Our proxy is to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy shall vote or abstain from voting as he/she thinks fit.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies must be indicated below:	
	Percentage (%)
First proxy	
Second proxy	

IMPORTANT: Disclosure of Shareholder's and Proxy's Personal Data

Please refer to the Notice to Shareholders under the Personal Data Protection Act 2010 ("PDPA Notice") in the Annual Report 2020 concerning the Company's collection of your personal data for the purpose of the Company's general meeting(s).

You hereby declare that you have read, understood and accepted the statements and terms contained in the PDPA Notice.

In disclosing the proxy's personal data, you as a shareholder, warrant that the proxy(ies) has/have given his/her/their explicit consent for his/her/their personal data being disclosed and processed in accordance with the Notice to Proxies under the Personal Data Protection Act 2010 attached.

Dated this ______________ day of ______________ 2020

____
Signature/Common Seal of Member(s)

* Please delete as applicable.
** If you do not wish to appoint the Chairman of the Meeting as your proxy/one of your proxies, please strike out the words "or failing him/her, the Chairman of the Meeting" and insert the name(s) of the proxy(ies) you wish to appoint in the blank space(s) provided.

Notes:

1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting. Members and proxies WILL NOT BE ALLOWED to attend this AGM in person at the broadcast venue on the day of the AGM. Members and proxies are advised to participate and vote remotely at this AGM through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities provided by the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") through its TIIH Online website at https://tiih.online. Members are advised to read the Administrative Guide carefully and follow the procedures in the Administrative Guide for this AGM in order to participate remotely.
2. For the purpose of determining who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 2 November 2020. Only a Member whose name appears on this Record of Depositors shall be entitled to attend this AGM or appoint a proxy to attend, participate, speak and vote on his/her behalf.
3. A Member entitled to attend and vote at this AGM is entitled to appoint not more than two (2) proxies to exercise all or any of his/her rights to attend, participate, speak and vote at this AGM on his/her behalf. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a Member of the Company. A Member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), all resolutions set out in the Notice of the Fourteenth AGM of the Company shall be put to vote by way of a poll.
5. Where a Member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), he/she may appoint not more than two (2) proxies in respect of each Securities Account he/she holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at a meeting of the Company instead of him/her.
6. Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds PROVIDED THAT each beneficial owner of ordinary shares, or where the ordinary shares are held on behalf of joint beneficial owners, such joint beneficial owners, shall only be entitled to instruct the Exempt Authorised Nominee to appoint not more than two (2) proxies to attend and vote at a general meeting of the Company instead of the beneficial owner or joint beneficial owners.
7. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. Any alteration to the instrument appointing a proxy must be initialled.
8. The Form of Proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited with Tricor not less than 24 hours before the time appointed for the taking of the poll or no later than Wednesday, 11 November 2020 at 12:00 p.m.. The Form of Proxy can be submitted through either one of the following avenues:

(i)	Lodgement of Form of Proxy in hard copy	:	To be deposited at Tricor's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at Tricor's Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
(ii)	Electronic lodgement of Form of Proxy	:	The Form of Proxy can be lodged electronically via Tricor's TIIH Online website at https://tiih.online. Please follow the procedures for electronic lodgement of Form of Proxy in the Administrative Guide for this AGM.

9. A Member who has appointed a proxy to participate in this AGM must request his/her proxy to register himself/herself for the RPV at Tricor's TIIH Online website at https://tiih.online. Please follow the procedures in the Administrative Guide for this AGM.
10. The Administrative Guide on the conduct of a fully virtual AGM of the Company is available at the Company's website at http://www.simedarby.com/investor/agmegm.

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Affix
Postage Stamp

THE SHARE REGISTRAR

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59200 Kuala Lumpur
Malaysia

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www.simedarby.com

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Company No. 200601032645 (752404-U)

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