INDUSTRIAL

MOTORS

HEALTHCARE

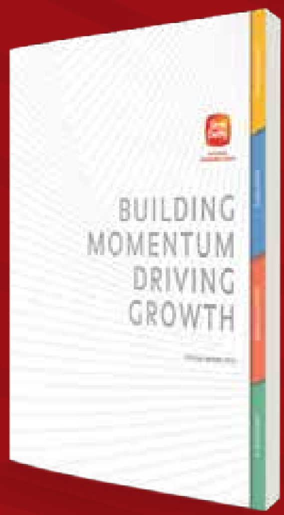
LOGISTICS

Sime Darby

Delivering Sustainable Futures

BUILDING MOMENTUM DRIVING GROWTH

ANNUAL REPORT 2019



Sime Darby turns 110 in 2020.

From its humble beginnings as a rubber plantation company, the Sime Darby name has since grown to represent three entities, Sime Darby Plantation Berhad, Sime Darby Property Berhad and Sime Darby Berhad, one of Asia Pacific's largest Motors and Industrial players and a partner of choice for some of the world's biggest brands.

Today, as we navigate the fast changing world, and adjust to quantum leaps in technological advancements as well as geopolitical shifts, Sime Darby Berhad is focused on building momentum and driving growth in our core businesses.

With our path clearly set out by our Value Creation Plan, we will continue to drive earnings, optimise cost, expand into new markets and rationalise our portfolio.

And as we have done for the last 100 years, we remain committed to delivering sustainable value to all our stakeholders.

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 committing 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

▼

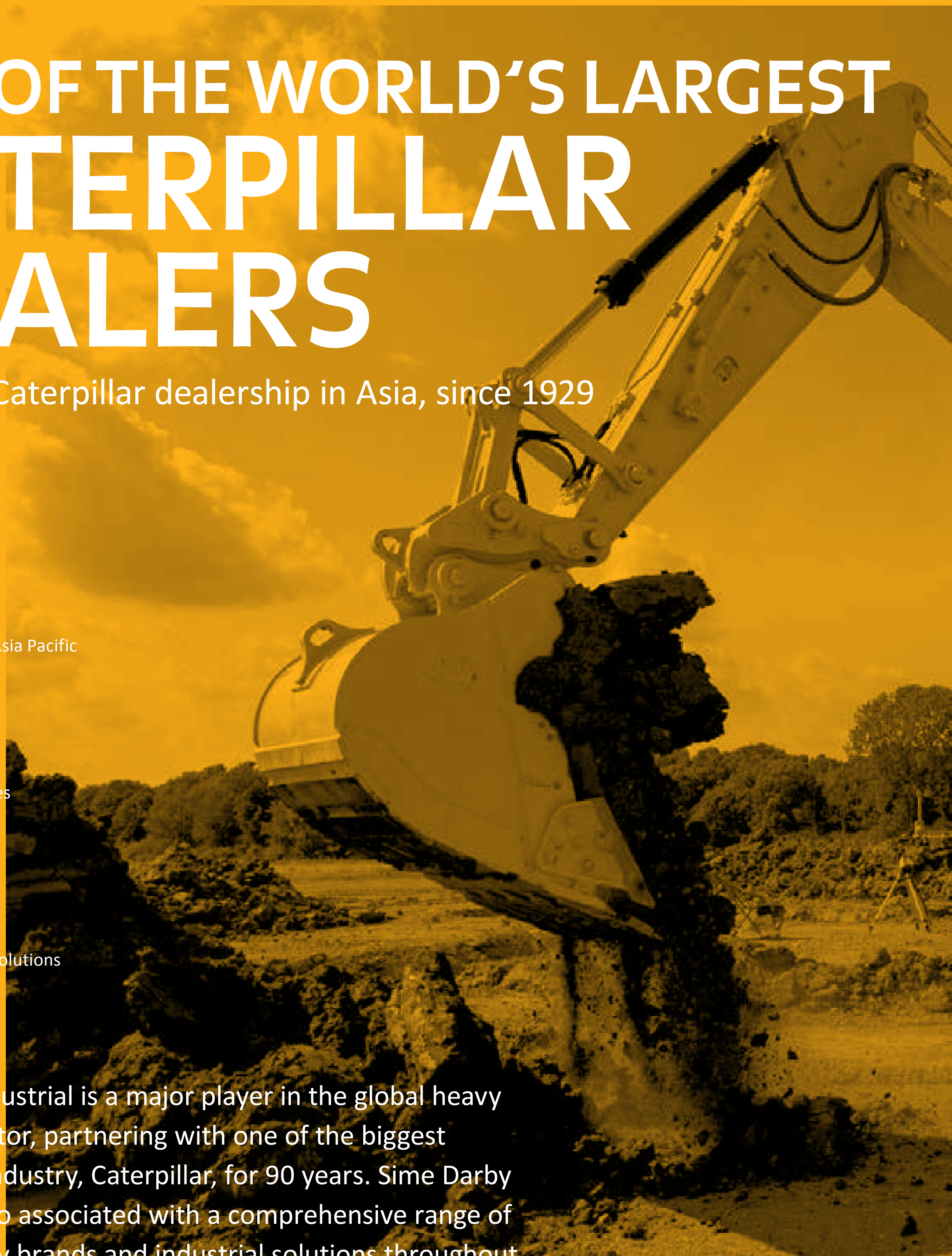
Enterprise
Seek and seize opportunities with speed and agility, challenging set boundaries

We are
SIME DARBY BERHAD,
delivering sustainable futures

01

ONE OF THE WORLD'S LARGEST CATERPILLAR DEALERS

The oldest Caterpillar dealership in Asia, since 1929



152
branches throughout Asia Pacific

16
countries and territories

Over
30
industrial brands and solutions

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 90 years. Sime Darby Industrial is also associated with a comprehensive range of complementary brands and industrial solutions throughout Asia Pacific.

"Sime Darby Industrial acquired Australia-based Heavy Maintenance Group Pty Ltd in December 2018, increasing its geographical coverage and market share in the Australian chroming & reclamation market"

Visit www.simedarbyindustrial.com for more information

02

ONE OF THE WORLD'S LARGEST BMW DEALERS

A Leading Automotive Player In Asia Pacific

9
markets across Asia Pacific

203
retail, service and rental outlets

30
automotive brands

Sime Darby Motors is one of the leading automotive groups in Asia Pacific, representing luxury brands such as BMW, Jaguar, Land Rover and Porsche, and super-luxury names such as Rolls-Royce, Lamborghini and McLaren, as well as broad-appeal market brands such as Ford and Hyundai. Sime Darby Motors is actively involved in all facets of the automotive business – from importation and assembly to distribution, retail and rental.

“Sime Darby Motors acquired a BMW dealership in Qujing, China in January 2019 and opened a Rolls-Royce dealership in Brisbane, Australia in February 2019”

Visit www.simedarbymotors.com for more information

03

AWARD-WINNING PRIVATE HEALTHCARE

People caring for People

6
hospitals in Malaysia and Indonesia

1
day surgery centre in Hong Kong

Over
4,000
highly trained and skilled employees

Over
650
specialists

Over
1,300
licensed beds

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

> Ramsay Sime Darby Health Care set up a Day Surgery Centre in Hong Kong in November 2018, as part of the continued expansion of its footprint in Asia

Visit www.ramsaysimedarby.com for more information

04

LEADING PORT OPERATOR
IN SHANDONG, CHINA

Primary operator for Weifang Port and owner of three major river ports in Jining

4
Ports in China

23
berths at a multi purpose seaport

75
million MT total port capacity

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. Our shipping network services customers throughout North-eastern China, Southern China, and East Asia.

> “All three of Sime Darby Logistics’ river ports in Jining were awarded Green Port status after the ports were upgraded to be compliant with environmental protection regulations, allowing for greater operational flexibility”

Visit www.simedarbylogistics.com for more information

13th Annual General Meeting

Grand Ballroom, First Floor,
Sime Darby Convention Centre,
1A, Jalan Bukit Kiara 1,
60000 Kuala Lumpur,
Malaysia

Thursday, 14 November 2019
at 10.00 a.m

Visit www.simedarby.com for more information

1

ABOUT SIME DARBY BERHAD

An overview of our organisation, global footprint and business activities

2

MANAGEMENT DISCUSSION & ANALYSIS: STRATEGIC REVIEW

An insight into our approach to create value for our stakeholders

3

MANAGEMENT DISCUSSION & ANALYSIS: PERFORMANCE REVIEW

Discussion on FY2019 performance from strategy, financial and operational perspectives

4

CREATING SUSTAINABLE VALUE

Our approach to sustainability issues

5

GOVERNANCE

Our approach to effective corporate governance

6

FINANCIAL STATEMENTS

A detailed review of our financial performance for FY2019

7

APPENDICES

Additional information of interest

ABOUT
THIS REPORT

REPORTING PHILOSOPHY, PRINCIPLES AND FRAMEWORK

The Sime Darby Berhad Annual Report (SDAR) for the financial year ended 30 June 2019 is our 6th Integrated Report (IR). It provides our stakeholders with information about how we performed throughout the year, and charts our progression towards our medium and long-term strategic goals. The SDAR provides insights into our strategy and operations in the hope of offering shareholders the most relevant information needed to make sound investment decisions.

The SDAR generally adopts the International Integrated Reporting Council (IIRC) framework. Our reporting processes and publications meet the 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 Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

SIME DARBY BERHAD ENDEAVOURS TO ENGAGE ALL STAKEHOLDERS IN A FAIR AND TRANSPARENT MANNER.

SCOPE AND BOUNDARIES

The SDAR presents detailed information on the performance of value-creating activities within our reporting boundaries.

In setting our reporting boundaries, we considered internal and external impacts. 'External impacts' arise in situations where we do not own the assets, neither directly engage or employ workers, nor operate the assets under a contractual obligation. 'Internal impacts' refer to all operations and entities the Group manages and has a controlling interest in. Aside from our well established reporting boundaries across all business performance metrics, we also report highly material developments, impact and data outside of our reporting boundaries if deemed to be highly material to our business performance. The information in this Report mainly relates to the 2019 financial year (1 July 2018 to 30 June 2019 (FY2019)), unless otherwise indicated, and encompasses all business operations of Sime Darby Berhad, which includes operations over which we have full control, subsidiaries and leased facilities, unless otherwise stated. All significant items have been reported on a like-for-like basis; no major restatements were performed. For the purpose of this report, the term "Net profit" refers to "Net profit attributable to owners of the Company". This Report 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 express 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.

HOW WE CAN FURTHER IMPROVE

Sime Darby Berhad 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

SIME DARBY BERHAD
AT A GLANCE

1

SIME DARBY INDUSTRIAL

Sime Darby Industrial, which distributes over 30 industrial solutions brands, has four Caterpillar dealerships, Hastings Deering Australia Limited, China Engineers Limited, Tractors Singapore Limited and Tractors Malaysia Sdn Bhd.

2

SIME DARBY MOTORS

Sime Darby Motors is primarily a luxury marque player, with several broad-appeal and commercial brands, and more recently, electric vehicle brands. It is also involved in the automotive assembly operations and car rental business, representing the Hertz and Thrifty franchises in Malaysia and Singapore.

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS FOR FY2019

SIME DARBY BERHAD (GROUP)

	REVENUE* (RM MILLION)	PROFIT BEFORE INTEREST AND TAX* (RM MILLION)	NET PROFIT* (RM MILLION)	LOST TIME INJURY FREQUENCY RATE (INCIDENTS PER MILLION MAN-HOURS WORKED)
FY2019	36,156	1,383	948	1.87
FY2018	33,828	1,074	618	1.90

* Continuing operations

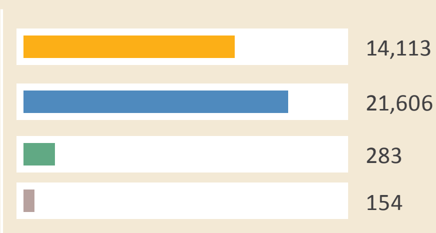
RAMSAY SIME DARBY
HEALTH CARE

Ramsay Sime Darby Health Care (RSDH) is a 50:50 joint venture with Australia based Ramsay Health Care Limited. RSDH runs three hospitals each in Malaysia and Indonesia, a Day Surgery Centre in Hong Kong and a nursing college, Ramsay Sime Darby Health Care College in Malaysia.

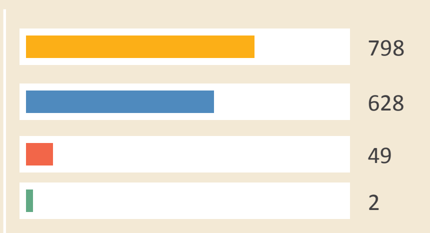
SIME DARBY
LOGISTICS

Sime Darby Logistics' primary activities are the loading and unloading of containers, dry bulk, break bulk, general and liquid cargo as well as storage services for port customers in China.

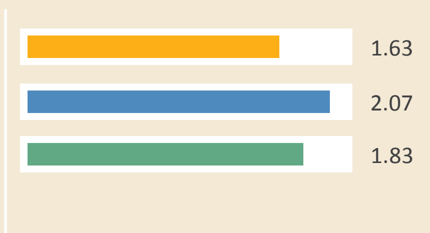
REVENUE (RM MILLION)



PROFIT BEFORE INTEREST AND TAX (RM MILLION)



LOST TIME INJURY FREQUENCY RATE (INCIDENTS PER MILLION MAN-HOURS WORKED)



Industrial Motors Logistics Healthcare Others

OUR BUSINESS

GROUP OVERVIEW

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

18
Countries & Territories[(1)]

19,909
Employees[(2)]

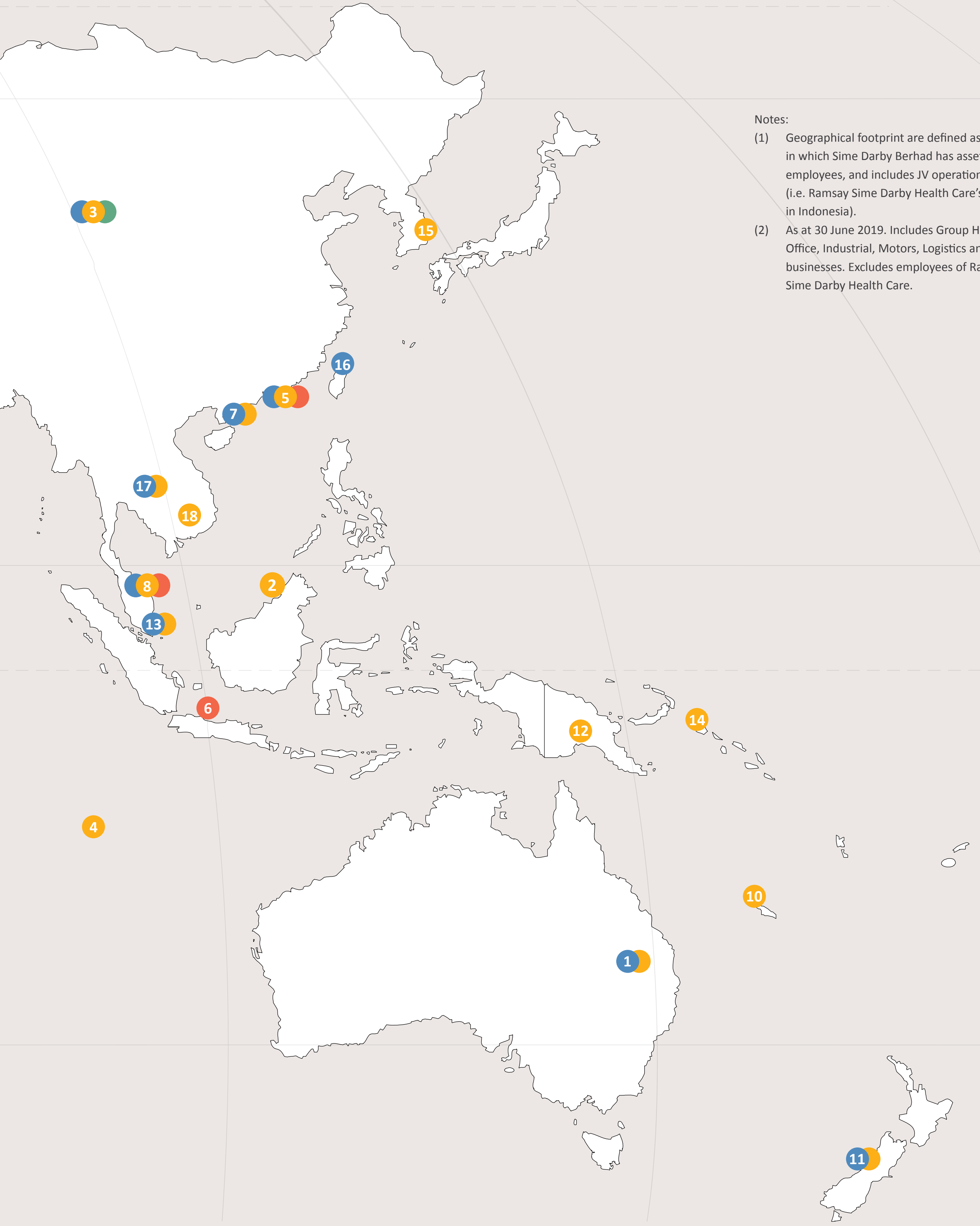
INDUSTRIAL
8,111
Staff Strength

MOTORS
10,724
Staff Strength

LOGISTICS
832
Staff Strength

- Industrial
- Motors
- Healthcare
- Logistics

GROUP OVERVIEW



Notes:

(1) Geographical footprint are defined as locations in which Sime Darby Berhad has assets or employees, and includes JV operations (i.e. Ramsay Sime Darby Health Care's operations in Indonesia).

(2) As at 30 June 2019. Includes Group Head Office, Industrial, Motors, Logistics and other businesses. Excludes employees of Ramsay Sime Darby Health Care.

OUR BUSINESS

CORPORATE STRUCTURE

AS AT 30 JUNE 2019

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, joint venture and associate in the respective segments are shown above.

Please refer to pages 263 to 280 for the list of companies in the SDB Group.

ENGAGING STAKEHOLDERS

Our stakeholders are individuals or groups who impact or are impacted by our businesses. This includes investors, customers, suppliers, business partners, employees, communities, the government, authorities and regulators, the media, non-governmental organisations and international bodies.

Engagement sessions with our stakeholders are centred on issues material to our organisation. The table on the right sets out the types of engagements conducted for each stakeholder group.

The Group is committed to ensuring that communications on our businesses, operations and financial performance are clear, accurate, timely, factual, informative, consistent, broadly disseminated, and in accordance with applicable legal and regulatory requirements. To that end, a policy on Stakeholder Engagement, stipulating authorised channels and personnel through which/whom certain/specific information shall be approved and disclosed is set out in the Sime Darby Berhad Group Policies and Authorities.

STAKEHOLDER	HOW WE ENGAGE
Investors	• Analyst briefing sessions • Roadshows • One-on-one engagements • Conference calls • Site visits
Customers	• Tradeshows & exhibitions • Product launches • Direct engagements • Visits to sites and plants operated by the Group
Suppliers/ Business Partners	• Relationship building via networking sessions • Vendor Development Programme
Employees (current and potential)	• Town halls, engagement sessions and staff activities • Focused group discussions on targeted issues • Employee portal • Career fairs and website
Communities	• Community engagement and outreach • Strategic partnerships
Government/ Authorities/ Regulators	• Regular engagements, communications and dialogues • Consultation on regulatory matters
Others (Media, Academics and Industry Association)	• Periodic updates on corporate developments, key events via press release issuance • Group and one-on-one media interview sessions • Half-yearly media briefing sessions

BUSINESS ENVIRONMENT

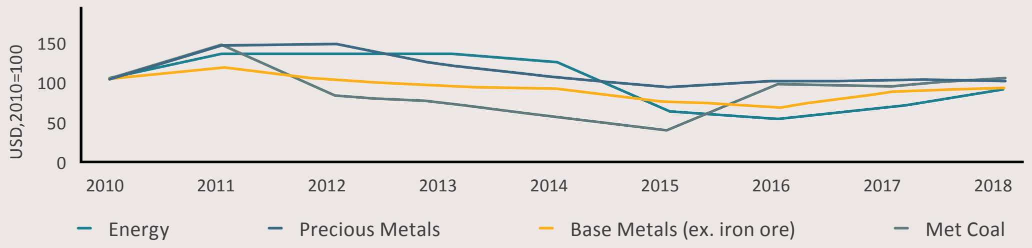
The performance of our businesses are significantly affected by economic cycles, consumer trends, technological advancements, particularly digitalisation, and changing demographics in the countries we operate in.

The four main industries we operate in have their own unique sets of opportunities and challenges. The price of commodities plays an important role in determining the fortunes of our Industrial division, while the Motors division has seen sales and margins come under pressure, a reflection of moderation in the global economy.

"Increasing commodity prices leads to greater demand for our Industrial equipment, parts & services."

COMMODITY CYCLE

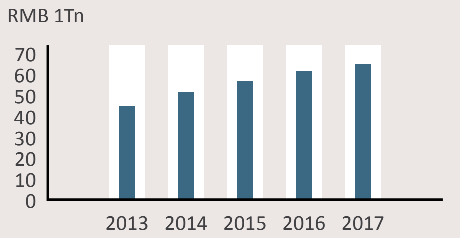
Commodity prices, in particular metallurgical coal prices, have a clear correlation to the demand for equipment, parts and services for the Industrial division. Strong thermal and metallurgical prices result in increased mining activity among large players and encourage customers to service their equipment on schedule and with original parts. The current strength in prices has led large miners to inject capital to expand production. India's Adani Group recently began construction on its Carmichael project in Queensland, Australia, which has one of the world's largest coal reserves. Likewise, the strengthening crude oil price bodes well for our marine engine business, which has thus far withstood underinvestment in the oil & gas sector.



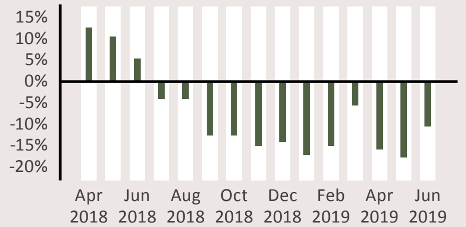
SLOWDOWN OF CHINA'S ECONOMY

China's GDP growth has fallen to its lowest level in the past 30 years, due to slowing global exports, exacerbated by the US-China trade conflict.

The impact of the slowdown in the economy on our Industrial and Motors businesses differ, with Motors division expecting sales to soften, while the Industrial division may benefit from a possible infrastructure spending increase by the Chinese government to prop up the economy. Vehicle sales in China have seen declines for 12 straight months. In 2018, China car sales recorded its first annual decline since 1990. The fall in sales has largely been in the mass market segment, with the luxury space staying quite resilient. As China is our biggest car market, we are monitoring the situation closely.



Source: National Bureau of Statistics of China



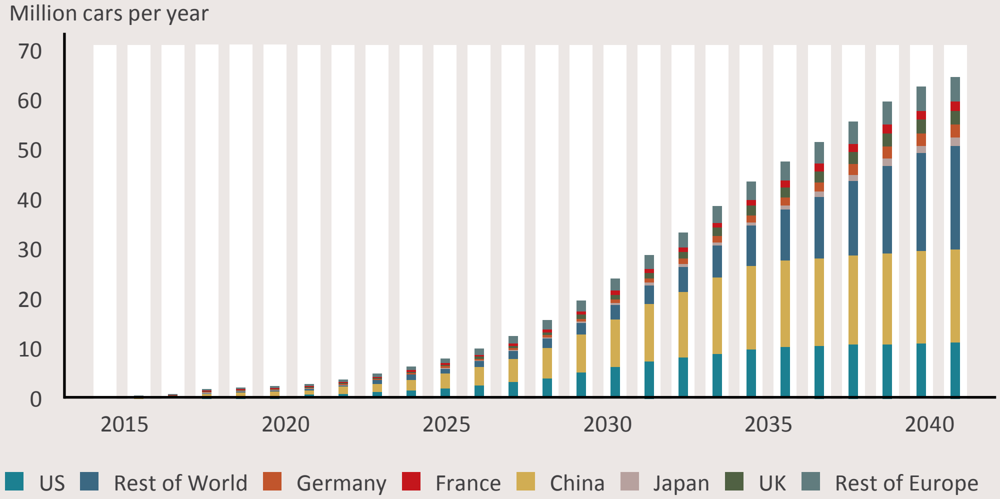
Source: MarkLines

BUSINESS ENVIRONMENT

TECHNOLOGY TRENDS

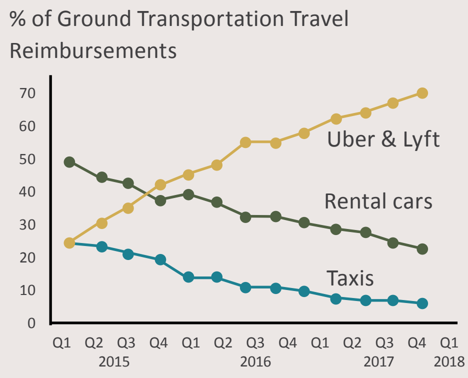
Technological advancements are revolutionising all industries globally. We are seeing it the most in our Motors, Industrial and Healthcare divisions. For Motors, emerging technologies such as electrification, shared mobility and e-commerce means that our position as a dealer and distributor may require re-engineering to remain relevant. Our Motors business will need to adapt and learn to balance existing business models whilst building new capabilities and partnerships to future proof ourselves.

Annual Global Electric Vehicle Sales By Market



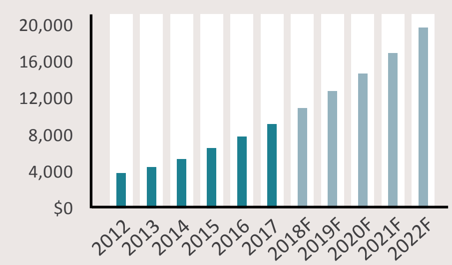
Source: Bloomberg New Energy Finance

E-hailing Spend Versus Taxis and Car Rentals



Source: Certify

Online Sales of New Auto Parts & Accessories, Excluding Online Auctions (USD million)



F: Forecast

Source: Hedges & Company

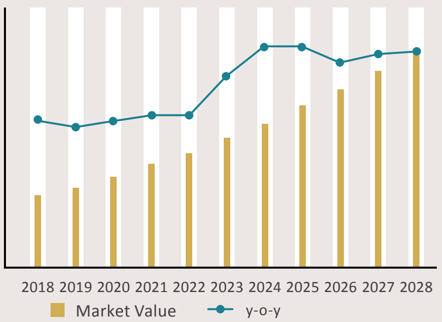
"Our Motors business will need to adapt and learn to balance existing business models whilst building new capabilities and partnerships to future proof ourselves."

BUSINESS ENVIRONMENT

For our Industrial division, we are actively leveraging on our partnership with Caterpillar, who are at the cutting edge of innovation in this space, to provide customers with the benefits of digitalisation. Towards this end we have developed an Integrated Digital Ecosystem based on our own proprietary system that is fast gaining ground among our employees and customers as a tool to boost productivity and save cost. Our efforts are anticipated to make an impression in an industry that is seeing autonomous mining trucks with shortened cycle times, lower fuel consumption and improved tire wear, and uses Artificial Intelligence (AI) for services such as predictive maintenance of equipment to reduce down time and gain traction.

Global Driverless Tractor Market (Thousand Units), 2018-2028

The industry is expected to register a CAGR of 15.9% to create 4.2x higher revenue by 2028.



3.7x Increase in number of autonomous tractor unit sales

15.9% Cumulative Average Growth between 2018 and 2028

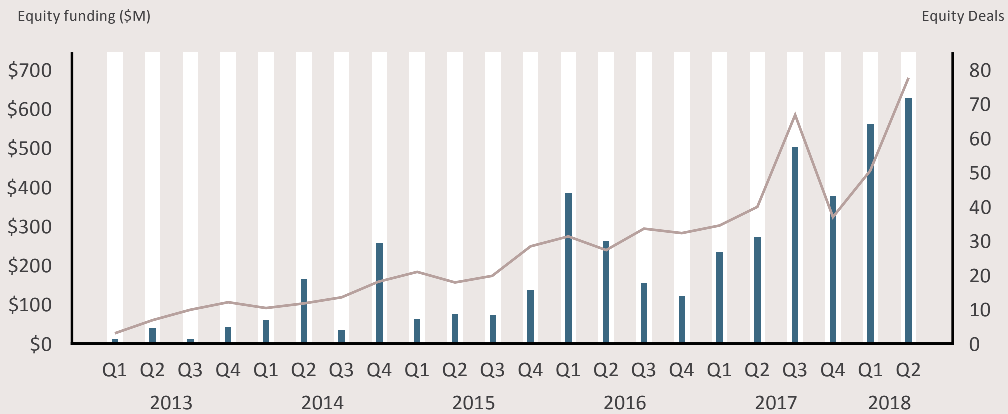
10Bn Total Incremental Revenue Opportunity between 2018 and 2028

Source: Bekryl Market Analysts

In the Healthcare space, AI, Internet of Things (IoT) and Virtual Reality along with the emergence of 5G are providing potential opportunities for next-generation healthcare treatment such as real time diagnostics and surgeries, which will lead to a leaner and more responsive organisation. These technologies increase efficiency and enhance patient outcomes providing an opportunity for healthcare players who are early adopters to be at the forefront of the industry.

AI in Healthcare Funding Hit A Historic High In Q2'18

Disclosed equity funding, Q1'13 - Q2'18



Source: cbinsights.com

"We are actively leveraging on our partnership with Caterpillar, who are at the cutting edge of innovation in this space, to provide customers with the benefits of digitalisation."

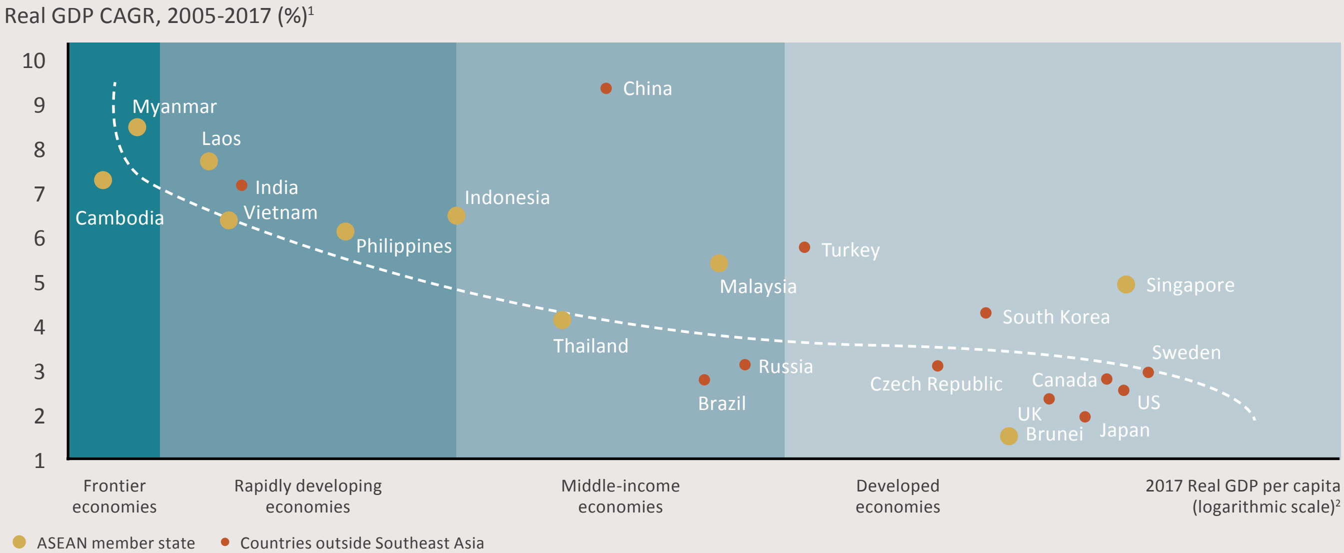
BUSINESS ENVIRONMENT

CHANGING DEMOGRAPHICS IN ASIA

Asia is experiencing two megatrends, namely a growing middle class coupled with an ageing population. These dynamics will impact consumer trends, purchasing patterns and economic activity, particularly for our Motors and Healthcare divisions. The region's economic transition is a major driver for the expansion of the mass affluent class. The growing purchasing power of this segment will feed demand for higher quality goods and luxury items. This places our Motors business, which largely comprises luxury marques, in a good position to capitalise on the trend.

Further, the demand for quality healthcare services will increase with the ageing population in Asia. Asia is also experiencing an increase in lifestyle diseases such as hypertension, diabetes and stroke due to stress and rapid urbanisation. Our network of hospitals across Malaysia and Indonesia are well positioned to benefit from these trends. Our strong brand is also likely to benefit from growth in medical tourism in Malaysia, while the country positions itself as a hub.

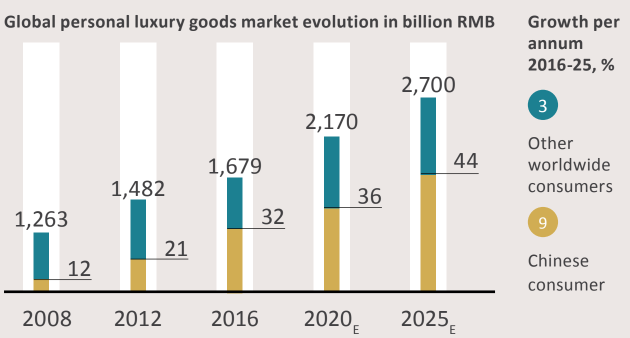
Economic Expansion Is Creating a Significant Market of Mass-Affluent Consumers



Note: ASEAN = Association of Southeast Asian Nations. Countries are categorised on the basis of real GDP per capita: frontier economies (less than $1,500 per capita), rapidly developing economies ($1,500 to $4,000 per capita), middle-income economies ($4,000 to $12,500 per capita), and developed economies (more than $12,500 per capita). Countries outside Southeast Asia are included for comparison only.
[1]Real GDP was calculated in 2010 US dollars.
[2]Real GDP per capita was converted to a logarithmic scale (base 10).
Source: Economist Intelligence Unit; World Bank; BCG analysis.

Contribution of Chinese Consumers To The Global Luxury Market

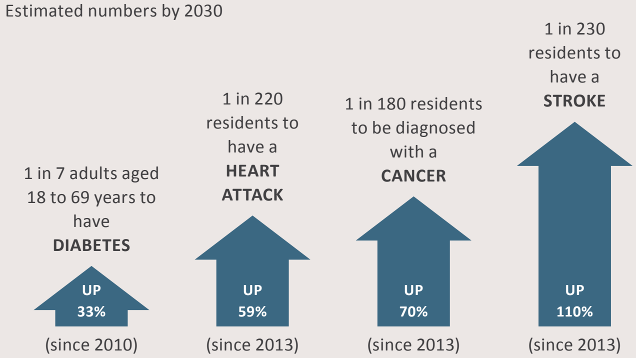
By 2025, 7.5 million wealthy Chinese households are expected to spend 1 trillion renminbi in luxury goods.



Source: McKinsey & Company

Aging-Associated Diseases On The Rise

Estimated numbers by 2030

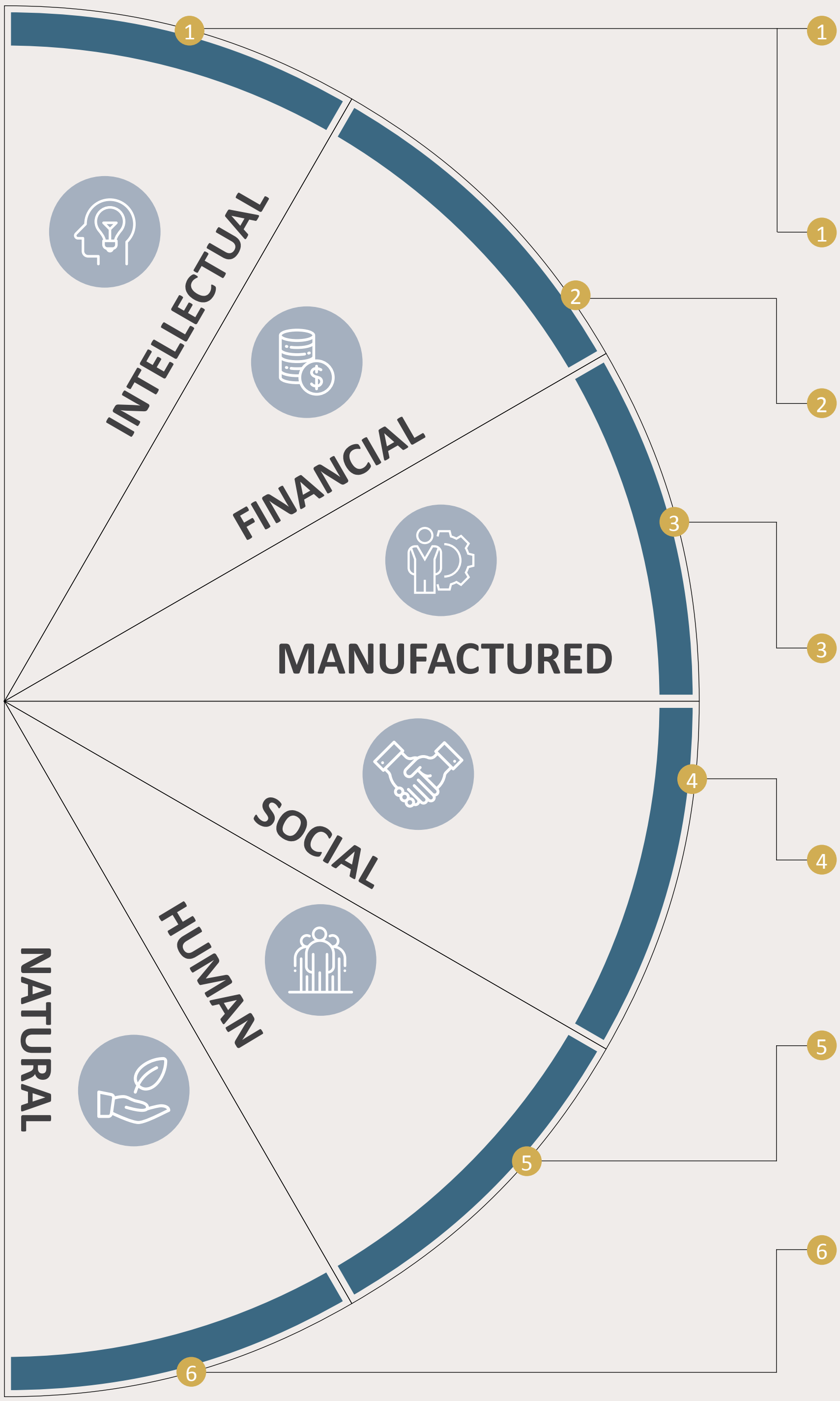


Source: Singapore Ministry of Health, Sunday Times Graphics

BUSINESS MODEL

Our long standing partnerships with world leading brands and diversified operational footprint across Asia Pacific provides exposure to both emerging and developed economies affording a blend of high and stable growth opportunities.

INPUT



Products, systems and business platforms
- Provided by leading principals
- Internally developed systems

Intellect
- Extensive experience in Asia
- Professional management with high integrity

Finance
- Optimal capital structure
- Access to capital
- Meticulous investment review process
- Robust deal pipeline due to scale and experience

Facilities and infrastructure
- Best-in-class showrooms
- Extensive after-sales facilities
- State-of-the-art assembly plants
- Wide distribution network across Asia

Building long term relationships
- Principals, suppliers, customers, employees, investors, communities and government

People
- High performing workforce
- Diverse talent pool
- Pipeline of talent with scholars from the best universities

Natural resources
- Fossil fuels
- Water
- Real Estate

BUSINESS MODEL

VALUE CREATION PROCESS

ACTIVITIES

Assembly | Healthcare Operations | Rental

STRATEGIC FOCUS AREAS

- **Sustainable development**
- **Diversity & Inclusion**
- **Financial returns**
- **People**
- **Profitable growth**
- **Innovative customer solutions**

Dealer & Distributor | After-sales & Product Support | Port Management

VALUE-ADDING ELEMENTS

1. Bringing world leading marques to consumers
2. Provide 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. Providing shareholders with access to world-class businesses across Asia Pacific

OUTPUTS

Financial Output

i. FY2019 Return On Equity (ROE) of 6.5%
ii. FY2019 net profit of RM948 million

Divestments

i. Rationalisation of non-core assets; Global Service Centre, Dunlop trademark and Weifang Water

Business Expansion Output

i. Increased CAT & BMW footprint in Australia and New Zealand
ii. New BMW branches in China
iii. Expanded chroming business in Australia

Industrial & Automotive Solutions

i. Mining
ii. Infrastructure
iii. Oil & Gas
iv. Luxury vehicles
v. Mass market vehicles
vi. Commercial vehicles
vii. After-sales and rental

People

i. Highly skilled employees
ii. Increased productivity

OUTCOMES

Delivering sustainable shareholder returns

- Good track record and disciplined investment strategy provides greater access to high returns and opportunities.
- Trusted and rigorous investment proposition protected by strong sustainability, governance and risk process.

Access to world-class brands and high quality service

- Offer value-added products to customers from differentiated, reliable and innovative brands.

Minimise environmental impact

- Carry fuel-efficient equipment, Electric Vehicle (EV) and Plug-in Electric Vehicle (PHEV) products, supported by our principals.

Empowering employees to achieve career aspirations

- Promote an environment that motivates and enables our employees to achieve their career aspirations, led by our capable and effective Management team.

Supporting governments and communities

- Deliver growth and long-term value to the economy and society through job creation, tax contributions and dividends.
- Proudly fly the “Malaysia Inc” brand worldwide.

Create a sustainable ecosystem amongst our suppliers and business partners

- Our long-term partnership with our principals, suppliers and business partners fosters a relationship that allow us to share our capabilities and resources to achieve a common goal.

VALUE CREATION PLAN

TO BE THE LEADING Motors and Industrial player in Asia Pacific

INDUSTRIAL

- One of the largest Caterpillar dealers in the world
- Operations in 16 countries and territories
- Oldest Caterpillar dealership in Asia

MOTORS

- One of the largest BMW dealers in the world
- 30 brands represented in Asia Pacific
- Sale of more than 80,000 vehicles a year
- Assembly of more than 35,000 units a year

HEALTHCARE

LOGISTICS

OTHERS

STRATEGY OVERVIEW

REVENUE ENHANCEMENT

- Enhanced sales from mining recovery and infrastructure for Industrial division. New model cycle in the automotive and industrial sectors
- Connected Assets as an enabler to increase and protect market share
- Growth in after-sales, parts and services for the automotive and industrial sectors, and used cars sales

- Mining market expanded by 185%
- Increase in revenue for Allied and Industrial Solutions by 19%
- Revenue per headcount increased by 6% from 2018
- Digital solutions that help improve customer experience by providing insight on equipment maintenance and facilitating online parts purchase

COST OPTIMISATION

- Operational excellence to strengthen resilience in downcycles via process standardisation, robotic process automation, Lean Six Sigma and procurement controls, among others
- Focused plan to turn around under-performing business units
- Explore operational efficiency through technology

- Margin Improvement to 6%, supported by cost optimisation benefits through initiatives such as
  - digitalisation
  - branch network optimisation
  - operational efficiency optimisation

ORGANIC BUSINESS EXPANSION

- Expansion into adjacent businesses in the industrial segment to counter cyclicality and increase recurring income profile
- Expansion of auto assembly capability for existing partners for the ASEAN region, and introduce new marques to assemble for local and export markets

- Took steps to provide complementary and end-to-end services to customers, to better manage the risks posed by business and commodity cycles
- Establishing foothold for new products in new markets, e.g. OXE in South Korea

MONETISATION OF NON-CORE ASSETS

- Disposal of non-core businesses to streamline portfolio and realise cash
- Review of under-performing businesses within Industrial and Motors divisions for rationalisation

- Completed disposal of Sime Darby Industrial Power Systems Sdn Bhd for RM16.5 million

EXPAND HEALTHCARE

- Expansion of healthcare business via operational excellence, asset maximisation and mergers and acquisitions
- Improve quality of products and services and increase in-patient volume

- Opened a Day Surgery Centre in Hong Kong

SYNERGISTIC MERGERS & ACQUISITIONS

- Explore new markets to represent new or existing marques
- Explore opportunities for expansion into new business activities for Industrial and Motors divisions, capitalising on new technologies and innovation

- Completed acquisition of New Zealand CAT dealer Gough Group on 30 September 2019
- Completed acquisition of Australia-based Heavy Maintenance Group (HMG) (FY2019 PBIT Contribution RM15 million)

Key enablers: Governance: Compliance, JV Management, Safety

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

VALUE CREATION PLAN

PROGRESS MADE IN FY2019	FOCUS FOR FY2020
• Units sold increased 6% to 86,906 units • Revenue from vehicle sales increased 6.7% to RM18.1 billion • Revenue from after-sales and assembly increased 2.5% to RM2.9 billion • Launch of Lazada lifestyle flagship store (Malaysia & Singapore) for BMW, MINI, Porsche • Increased utilisation of Ara Damansara and ParkCity Medical Centres	• Leverage on CAT's strength in key markets - Mining, Agriculture, Data Centres and continue to grow market share via traditional and digital means • Grow market share with existing and new OEM partners • Expand after-sales & used car sales • Grow throughput and enhance operational excellence • Increase total patient days
• Incremental profits from turnaround of under-performing operating units through business restructuring and overhead reduction • Improved workforce planning • Conducted vendor contract renegotiations	• Continuous Operational Excellence - digital as an enabler • Continuous turnaround of under-performing businesses • Continue operations while optimising Capital Expenditures • Continuous process improvement

• Growing rental business in Malaysia to provide customers with comprehensive equipment solutions
• Continuous exploration of adjacent businesses such as
  • Asset management
  • Rental services
• BMW 5 series exported to the Philippines while MINI Countryman exported to Thailand and the Philippines'
• Opened new Rolls-Royce dealership in Brisbane, Australia
• Expanded into Electric Vehicles: BYD in Singapore and NiO and Singulato in China
	• Explore adjacent businesses (asset management, rental)
	• Increase assembly volume through new models and marques
	• Explore omni-channel sales, EV distributorships, fleet management

• Exited Fiat and Alfa Romeo in Australia • Completed the sale of Weifang Water for a gain of RM78 million • Disposal of Dunlop trademark for approximately RM25 million • Sale of Global Services Centre to DXC Technology	• Continuous portfolio rationalisation of non-core assets
• Recruited new Managing Director for Healthcare division to drive business	• Expansion into core and Healthcare adjacencies
• Announced the acquisition of three dealerships in Sydney, Australia representing BMW, MINI, Volkswagen, Jaguar and Land Rover • Acquisition of 65% stake in BMW dealership in Qujing, China • Completed the acquisition of transport and material handling business of Gough Group on 30 September 2019	• Integrating new acquisitions • Expansion into other geographies • Expansion of dealerships in key markets

People: Talent, Leadership, Succession Planning

3. Excellence **4. Enterprise**

MATERIAL
ISSUES

INTRODUCTION

With our new focus on the heavy equipment and automotive segments, as well as on the healthcare and logistics industries, a need arose for us to re-examine the material issues that are pertinent to our organisation, both from an external and internal viewpoint.

This led to a materiality assessment exercise conducted with the consultation of an independent third party. Referencing international frameworks and industry peer benchmarks, we identified 12 issues uniquely material to our organisation. We engaged with our stakeholder groups to review and provide feedback from their perspectives, in assessing the relevance of each identified issue to the Group.

HOW THE MATERIAL ISSUES WERE IDENTIFIED

In identifying the list of issues material to the Group, we referred to internal documents that included risk registers, annual reports, press releases and corporate websites. We were also guided by sustainability frameworks, guidelines, principles and requirements of sustainability rating indices, such as the United Nations Sustainable Development Goals (UN SDGs), Global Reporting Initiative (GRI), Dow Jones Sustainability Indices (DJSI), International Integrated Reporting Council (IIRC) and Bursa Malaysia Securities Berhad's Sustainability Reporting Guide.

We studied industry trends and best practices of selected industry players in terms of integrating sustainability functions into business operations.

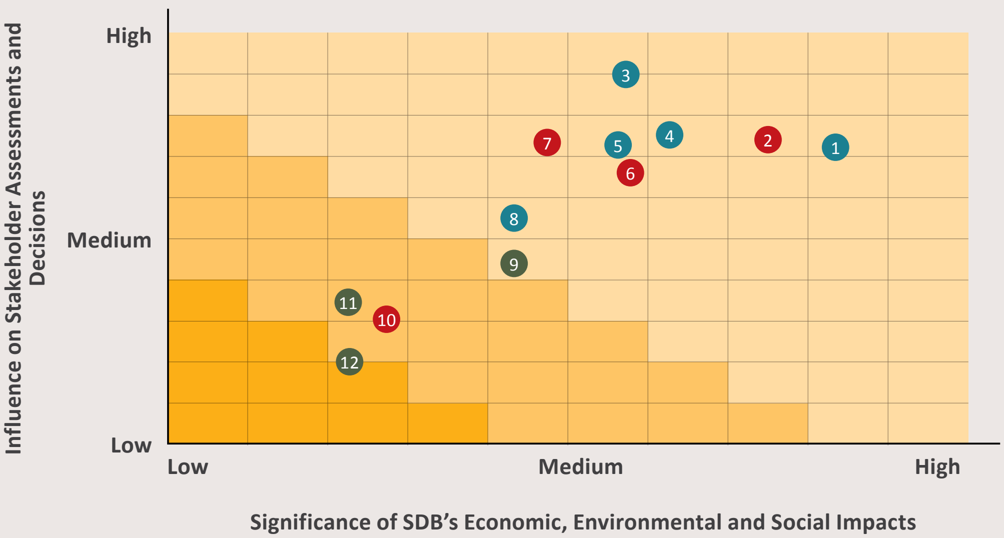
HOW WE PRIORITISED AND ENGAGED WITH STAKEHOLDER GROUPS

In determining the most relevant stakeholder groups to engage for our assessment, we gauged the influence and dependence of each group to Sime Darby Berhad. This exercise narrowed down six stakeholder groups, with whom a total of 53 individuals were secured for inputs through one-on-one and group interviews, as well as online surveys.

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

The chart below extrapolates the importance of each material issue to our stakeholders based on the feedback of those we engaged.

Materiality Matrix for Sime Darby Berhad (SDB)



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 Effluents Management
10. Community Contributions and Development
11. Energy and Carbon Management
12. Water Management

Economic | Environmental | Social

MATERIAL ISSUES

MATERIAL ISSUES	DESCRIPTION	HOW WE ARE ADDRESSING THIS ISSUE
1 Quality and Customer Satisfaction	We have stringent processes in place including internal quality checks and quality audits by third party auditors, to ensure that Sime Darby Berhad's (SDB's) products and services meet the standards of our business partners. This is supplemented by our efforts to ensure customer satisfaction by focusing on product and service quality and addressing complaints.	We focus on driving continuous improvement through regular customer engagements and feedback channels. Please refer to page 74 for our discusion on Quality and Customer Satisfaction.
2 Occupational Health and Safety	SDB is committed to achieving our goal of "No Harm" and maintaining a safe working environment across our operations, through measures to prevent injuries, fatalities and occupational illness at warehouses, assembly sites, client sites and workplaces. Some of the initiatives include Health, Safety & Environment training and awareness programmes, enabling access to Personal Protective Equipment and the development of an internal audit programme.	We have implemented proactive measures to prevent incidents and to minimise risks. Please refer to pages 71 to 73 for our report on Occupational Health and Safety.
3 Business Growth and Performance	Our business growth and performance are premised on optimising efficiency in business operations and our ability to expand our products and services portfolio in existing and new markets. To ensure the sustainability of our businesses, we have established controls to mitigate risks and reduce dependency on a single business partner, supplier or customer. To ensure the smooth running of our operations and good access to financing, we maintain strong relationships with our business partners, suppliers and the relevant authorities. Our Board of Directors and Management oversee the Group's growth performance supported by strategy functions at Group and Division levels.	Please refer to the Divisional Operations Review section on pages 44 to 69 for a discussion on each of our businesses. For further understanding of our Strategy, please refer to pages 14 to 17.
4 Technology and Innovation	We leverage on technology and innovative enhancements to track the efficiency of business operations and to help reduce costs in an effort to maintain our competitive edge. Technology & Innovation is driven by Group and Division Strategy and Information Technology (IT) functions that identify and implement cutting edge innovative solutions.	Please refer to the Divisional Operations Review section on pages 44 to 69 to read on the digitalisation efforts of our Divisions.
5 Business Ethics and Compliance	To ensure our businesses run smoothly and without disruption, we comply with all applicable local and cross-border regulatory requirements and company policies on Anti-Corruption Policy, Whistleblowing Policy, and our Code of Business Conduct. We are committed to achieving zero breaches of regulatory requirements.	Our governance principles provide a clear and robust framework within which decisions are made. Please refer to our Governance section on pages 88 to 122 to understand how we address this material issue.
6 Fair Employment Practices	Implementing fair employment practices across the Group ensures that our workforce is diverse and employees' overall productivity and creativity is enhanced. We embrace diversity and inclusion through initiatives such as the integration of knowledge and experience across our Divisions and subsidiaries, as well as the implementation of recruitment practices that promote integration of local talents.	Through our equal opportunity and non-discriminatory hiring policy, we aim to provide equal employment, regardless of gender, race, disability, nationality, religion or age. Please refer to pages 76 to 80 to read about our Fair Employment Practices.

MATERIAL ISSUES

MATERIAL ISSUES	DESCRIPTION	HOW WE ARE ADDRESSING THIS ISSUE
7 **Employee Training and Development**	Our employees are our greatest asset as they help to shape the Group's future. To ensure that we retain a pool of professional and skilled talent in SDB, employees undergo internal and external training programmes to enhance their capabilities and build capacity to meet current and future business needs.	In FY2019, we continued our work on Talent Development through the design of external training courses and tailored programmes. Please refer to pages 76 to 80 for more information on Employee Training and Development.
8 **Data Privacy and Security**	We take the privacy and security of our stakeholders' data seriously as we strive towards zero security breaches. We ensure the protection of data and intellectual property against security breaches and have implemented procedures to follow in cases of data loss or inaccessibility.	Our governance principles provide a clear and robust framework within which decisions are made. Please refer to our Governance section on pages 88 to 122 to understand how we address this material issue.
9 **Waste and Effluents Management**	Efficient waste and effluents management helps us reduce our impact on the environment. We continuously work to ensure that our operations have effective monitoring and management mechanisms for hazardous and non-hazardous waste and effluents.	The Group manages all its domestic, industrial and scheduled waste in accordance with national or local legislation. More information on this is available on page 75.
10 **Community Contributions and Development**	We are committed to contributing to a better society and ensuring that our business operations create positive impacts on local communities. We provide monetary and non-monetary contributions to local communities either through Yayasan Sime Darby or the various initiatives by our Divisions in their areas of operation.	The Group contributes to Yayasan Sime Darby to support community development in Malaysia. Our operations across the region support many worthy causes and play meaningful roles in their local communities. Read more about this on page 81.
11 **Energy and Carbon Management**	We endeavour to minimise any environmental impact from our businesses with effective energy and carbon management. This is done through internal controls and monitoring mechanisms that track and manage emissions from the consumption of energy. We ensure that our office buildings and assembly plants are energy efficient, and we are working to improve fuel economy in company-owned vehicles and heavy machinery.	We are committed to reducing our carbon and energy footprint from our 2018 baseline. Please refer to page 75 to read about our efforts in this area.
12 **Water Management**	Effective water management is an important part in business sustainability as water is a finite and shared resource. We have implemented internal controls and monitoring mechanisms to manage water consumption. Our initiatives include raising awareness on water conservation and improving data collection on water use.	We are developing guidelines to measure both water consumption and the water-saving initiatives across all our operations. Please refer to page 75 for more.

RISK MANAGEMENT

INTRODUCTION

Identifying, prioritising and responding to threats and uncertainties is imperative as we continue to grow and expand our business operations across various jurisdictions. Management of risk is essential and remains an integral part of the Group's business operations and decision-making processes. During the year, Group Risk assisted the Risk Management Committee (RMC) in providing oversight of enterprise-wide risk management implementation and supporting the Divisions in risk assessment and risk monitoring initiatives.

RISK MANAGEMENT BLUEPRINT

As part of a strategic review of the Group's risk management practice, a Risk Management Blueprint (Blueprint) was developed in FY2019, to formalise a five-year road map with emphasis on the key success factors and priorities required for effective risk management implementation across the Group. In the medium to longer term, risk management is anticipated to be fully integrated into day-to-day decision making processes and applied consistently across the Group. 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 across the Group

Critical Success Factors

Risk Capability & Awareness

Strong risk-centric culture; shared accountability and responsibility in managing risks

Framework Policy & Guidelines

Framework, policy and guidelines that are in line with global standards and adaptable to the Group

Systems and Processes

Robust systems and processes to drive more effective assessment and monitoring of risks

Organisational Resiliency Capability

The Group's ability to adapt and evolve in the face of a crisis or disaster

Tools & Techniques

Innovative tools and techniques for more effective risk assessment, quantification and analysis

Key Medium to Longer Term Priorities

- Training and education
- Risk awareness programme
- Linking risk management with performance and reward

- Continuous enhancement of Risk Management Framework
- Roll out key policies and guidelines to guide risk champions

- Quarterly risk assessment and monitoring process
- 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 during the year include:

CRITICAL FACTOR	STRATEGIC IMPETUS	KEY INITIATIVES IN FY2019	NEXT STEPS FOR FY2020
Risk Capability and Awareness	• Building a strong risk-centric culture • Shared accountability and responsibility in managing risks	• Organised six risk awareness workshops for risk practitioners across Industrial, Motors and Logistics divisions • Issued fortnightly bulletins to risk practitioners on emerging risk events and technical articles on risk assessment	• Training and awareness sessions focusing on specific areas such as investments and projects risk assessments • Linking risk management with performance and reward
Framework, Policy and Guidelines	• Systematic implementation of Risk Management Framework across the Group • Introduce other relevant policies and guidelines on risk management	• Established a Risk Appetite Framework and began development of Risk Appetite Statements for the Group • Revised SDB's ERM Framework based on applicable risk management standards	• Roll out other key policies and guidelines for key risk management areas (Project & Investment Risk Assessment, Risk Library)
Systems and Processes	• Robust systems and processes to drive more effective assessment and monitoring of risks	• Developed a Group Risk Profile to drive more focus on strategic risks at the Board level • Reinstated the quarterly risk assessment and reporting processes across all Divisions • Upgraded the SDB ERM system to facilitate better user experience and to align with SDB's structures and businesses of the Group • Developed a SDB ERM system user manual and conducted refresher workshops to reinvigorate users' knowledge of the system • Performed risk assessments on key investment proposals and major projects	• Implementation of risk management framework and activities for the Healthcare division
Organisational Resiliency	• Build resilience and sustainability as a response towards disruptions during a crisis or disaster • Optimise insurance coverage across the Group	• Conducted a gap review of the Group's BCM programme and identified measures to bridge those gaps with the primary intention of standardising BCM across the Group • Performed a strategic review to optimise the Group's insurance coverage against key risk exposure	• Developing a road map to identify the medium to longer term strategies required to enhance the Group's overall BCM programme
Tools & Techniques	• Innovative tools & techniques for more effective risk assessment, quantification and analysis	• Developed customised risk assessment methodology and approach that cater specifically for the Group's businesses	• Explore other relevant tools and techniques to enhance risk assessment processes

RISK MANAGEMENT

OUR TOP TEN RISKS

By understanding and managing risk, we provide greater certainty and confidence to all our stakeholders. Successful risk management can be a source of competitive advantage. Our risks are viewed and managed on a Group-wide basis. The diversification of our portfolio of businesses is a key element in our ERM approach. ERM is embedded in our critical business activities, functions and processes.

The following are details relating to the key risks faced by the Group and how we manage them:

KEY RISK	DESCRIPTION & IMPACT	KEY MITIGATION MEASURES
MACROECONOMIC RISK **Uncertainty in global economic factors and regulatory changes**	**Description** We are susceptible to global macroeconomic and geopolitical factors, particularly in Australia and China where a significant portion of our business operations are located. Change of laws and regulations within the regions we operate in, volatility of key commodities such as oil, coal and steel, and key global events like the ongoing trade conflict between US and China may affect key markets and industries we operate in. **Impact** Volatility in demand for our products and services. Possible anti-US sentiment may impact demand for Caterpillar products and its market share. Volatility in pricing of our products and services. This could be due to additional tariffs imposed on certain parts and materials used in our operations, particularly those imported from the US. Other factors that could influence pricing include the fluctuation of major currencies used in our operations, particularly the Malaysian Ringgit and Chinese Renminbi.	• We continuously monitor key geopolitical and macroeconomic developments that may expose our business to any systemic risks. • Our strategy blueprint and reviews take into account macroeconomic risk factors and we have strategic plans to diversify our business to mitigate over-concentration on one single country or industry. • We undertake specific hedging mechanisms, such as forward contracts, to mitigate forex exposure when necessary.
COMPETITORS **Intense price competition and innovative product offerings by competitors**	**Description** Competition remains intense for our product and service offerings across all our businesses. **Impact** Cheaper parts and products offered by our competitors particularly in China will have a significant impact on our Industrial business. In our Motors business, new model line-up from competitors coupled with attractive prices for their Completely Knocked Down (CKD) models, may erode our market share amidst a slowing automotive industry in the key markets we operate. In our Logistics business, competition remains intense amidst price competition from nearby ports and the advent of alternative modes of transportation.	• We have diversification strategies in place to alleviate concentration on individual brands or products. • We closely monitor our competitors' strategy. • Our strategic expansion plan includes extension of our business into new territories and new product lines. • We have developed a digitalisation strategy and cost optimisation initiatives to enhance our competitiveness. • We work with our key principals to enhance our pricing competitiveness.

RISK MANAGEMENT

KEY RISK	DESCRIPTION & IMPACT	KEY MITIGATION MEASURES
TECHNOLOGY DISRUPTION **Risk of technology disruption leading to disintermediation of our businesses**	**Description** We are exposed to the risk of disintermediation amidst the rise of a new digital ecosystem that is progressively reshaping the automotive and heavy equipment industries, particularly in China. This comes as new and emerging non-traditional competitors such as online and social media players progressively build multiple platforms to enhance mobility, connectivity and autonomy across the value chain. **Impact** In the medium to longer term, this could potentially displace our dealership and after-sales service businesses.	• We have developed business transformation initiatives and digital proofing strategies to counter the threat of digitalisation. • We continuously seek and explore mergers and acquisition opportunities with digital partners. • We leverage on digitalisation as an opportunity to develop new product offerings.
KEY PRINCIPALS **Dependence on key principals or joint venture partners**	**Description** Our dealership businesses are highly dependent on two key principals, Caterpillar and BMW. Our business is heavily dependent on their performance. **Impact** Any loss or termination of dealership by our key principals would adversely impact our financial position.	• We continuously engage and maintain strong relationships with key principals. • We strive to comply with and support our principals' initiatives and programme. • We seek to diversify our business to spread the risk of concentration on key principals, but not at the expense of affecting our relationship with them.
ACQUISITIONS, DIVESTMENTS & PROJECTS **Risk of being unable to generate expected return from investments or divestments, or failure to effectively manage key projects**	**Description** Our pursuit of business expansion via mergers and acquisitions may not add significant value if this occurs without effective planning and integration. Failure to manage our key projects may lead to undesirable outcomes and could significantly impact our growth strategy. **Impact** Low return on investments, project cost overrun and delays	• We conduct due diligence reviews of our key investment proposals and projects. • Board oversight, review and approval of key acquisitions or divestments based on the Group Policies and Authorities. • The RMC periodically reviews the status of key projects and investments.
JOINT VENTURE PARTNERS **Risk of not having appropriate governance and oversight on the selection and management of our JV partners leading to financial loss in the JV business**	**Description** The Group is increasingly operating its businesses via partnerships with other entities in the form of joint ventures. Inappropriate governance over the selection and management of our joint venture partners may result in the lack of protection of SDB's interests. **Impact** Financial loss in JV	• We ensure that the Board has oversight and receives periodical reporting on the performance of JV businesses. • We ensure stringent partner selection criteria and guidelines including appropriate governance arrangements. • We conduct regular engagements and dialogues with partners to ensure alignment of objectives.

RISK MANAGEMENT

KEY RISK	DESCRIPTION & IMPACT	KEY MITIGATION MEASURES
CASH FLOW & FUNDING **Growth initiatives giving rise to significant capital expenditure and cashflow requirements**	**Description** The Group is at risk of not generating adequate cash flow to meet Capital Expenditure (CapEx) funding and working capital requirements. This risk is contained given the Group's healthy cash and gearing position. **Impact** Inability to meet financial obligations on a timely manner affecting implementation of our strategic and operational initiatives.	• Our strategy blueprint and portfolio reviews take into account intertemporal analysis of portfolio returns and cash requirements. • We have established a Group Policies and Authorities framework, which guides investment and financing activities. • We have access to a diverse range of funding sources and are able to ensure maintenance of sufficient credit facilities. We also enforce stringent working capital measures. • We do regular reviews of cash projections and funding plans.
PEOPLE: DEVELOPMENT & PERFORMANCE **Absence or lack of people with required skills, knowledge and expertise to execute the Group's strategy**	**Description** We may not have the right people with the required skills, knowledge and expertise to execute the Group's strategy. This could be caused by the loss of key talents due to attrition or retrenchment, or the lack of succession planning. **Impact** Our productivity and operational effectiveness may not be at the desired level to drive the Group's strategic initiatives.	• We have developed a comprehensive human resources plan to recruit critical and strategic positions which the Group currently lacks. • We make succession planning part of the KPI of key positions. • We have continuous training and development programmes to enhance employee skills and knowledge.
CYBER SECURITY **Risk of IT security breach**	**Description** The risk of cyberattacks and unauthorised exploitation of our systems, network and technologies such as intrusion, Distributed Denial of Service (DDOS), malware, ransomware, are becoming more imminent as we build higher reliance on the Internet and digital platforms to run our operations. **Impact** • Unauthorised leakage of confidential or personal data could lead to penalty or litigation issues. • Breakdown of key systems and applications could potentially disrupt our operations.	• We have installed IT security tools (firewall, antivirus software). • We have installed a system which detects intrusion and sends notifications on any breaches. • The monitoring of our IT security exposures are managed by DXC Technology, an external service provider. • Our IT security tools and controls in place (firewall, antivirus, threat detection tools).
REGULATORY ENVIRONMENT **Changes in regulatory regime in the markets we operate in that may expose the business to higher compliance cost and scrutiny**	**Description** We have operations in a number of countries around the globe, where new and/or changes in existing government policies and regulations can have an impact on our profitability. Regulatory regimes within the markets we operate are now driven towards environment-friendly and anti-pollution themes. **Impact** In the medium to longer term, this could drastically change the operating environment of our businesses and potentially lead to higher compliance costs if we fail to adapt to such changes.	• Continuous monitoring of changes in requirements and ensuring adherence is a key feature of our approach. • We have developed a regulatory compliance programme to undertake a comprehensive assessment of the Group's compliance efforts in regard to regulatory requirements. This is intended to provide reasonable assurance that the Group's operations and activities are conducted in line with key regulatory requirements.

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

FY2019 marked Sime Darby Berhad's first full year as a pure-play organisation focused on becoming a leading Motors and Industrial player in the Asia Pacific region.

I am pleased to report that the Group's financial results were strong. This was led by our Industrial business which benefitted from increased equipment sales in both Australia and China.

TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH
Chairman

CHAIRMAN'S STATEMENT

"Comprehensive plans have been drawn up to ensure that the value we deliver to our stakeholders is sustainable and that our businesses continue to operate responsibly."

Buoyed by growing demand, especially for metallurgical coal, sales of our equipment and after-sales service to our mining customers in Australia was extremely robust. And in China, infrastructure spend drove demand for heavy equipment.

The Motors business posted encouraging results too, despite the challenging industry landscape. In China, although the market size for motor cars contracted in the past year, demand for luxury cars remained relatively solid. Meanwhile, our Malaysian operations benefitted from the "tax-free" period after the abolishment of GST to post an encouraging set of results.

I am also pleased to see that many of the initiatives laid out in our Value Creation Plan (VCP) have been successfully implemented by Management. The acquisition of the Gough Group is especially positive as it provided us with a rare opportunity to enhance our relationship with Caterpillar and gain exposure in the construction and forestry industries in New Zealand.

We are also cognisant of evolving markets and disruptive shifts, especially in the automotive space. The gradual move from internal combustion engines to electric vehicles, "Uberisation", the development of omni-channel sales and the advancements in autonomous vehicles mean that the traditional "brick and mortar" car dealership will likely look very different in the next five to ten years. To prepare ourselves for this changing future mobility landscape, we are developing new competencies, engaging with potential mobility partners and have undertaken initiatives to increase our online presence and digital touchpoints with our customers.

Today, we stand out as a leader in the heavy equipment and automotive space in the Asia Pacific region and look forward to our vision of becoming the leading Motors and Industrial player in Asia Pacific.

▲ *The acquisition of the Gough Group provided us with an opportunity to gain exposure in the construction and forestry industries in New Zealand*

While these strategies to create greater value for our shareholders are pursued, we are mindful of the societal and environmental impact of our operations. Comprehensive plans have been drawn up to ensure that the value we deliver to our stakeholders is sustainable and that our businesses continue to operate responsibly, with a steadfast commitment to operational excellence, high performance standards and good corporate governance.

CHAIRMAN'S STATEMENT

Net Profit

RM**948** million

Revenue

RM**36.2** billion

Further Reading:

Financial Statements:
pages 123 to 281

Share Price Movement:
pages 108 to 109

Corporate Governance:
pages 82 to 109

Creating Sustainable Value:
pages 70 to 81

Statement on Risk Management and Internal Control:
pages 110 to 117

Today, we stand out as a leader in the heavy equipment and automotive space in the Asia Pacific region and look forward to our vision of becoming the leading Motors and Industrial player in Asia Pacific.

FINANCIAL PERFORMANCE

I am pleased to report that Sime Darby Berhad recorded a revenue of RM36.2 billion, an increase of 6.9% from last year. Net profit grew to RM948 million, a significant 53% increase from last year. Our financial position as at 30 June 2019 remains healthy with a gearing level of about 17%, which provides us with ample debt headroom for expansion.

SHARE PRICE PERFORMANCE AND DIVIDEND

In FY2019, our share price was affected by the ongoing US-China trade conflict. Investors appeared to be anxious about the potential impact of the conflict on the general economic situation in the Asia Pacific economies in which we operate. Consequently, our share price did not reflect the strong fundamentals of the Group. Our share price reduced by 7% year-on-year to RM2.26 (as at 28 June 2019).

The Group's policy is to distribute a dividend of not less than 50% of net profit each financial year. For FY2019, we are pleased to have declared a total dividend of 10 sen per share, including the first interim dividend of 2 sen per share paid in May 2019. The total dividend pay-out for FY2019 was RM680 million, equivalent to 72% of our net profit for the year.

COMMITMENT TO 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 governance is essential in supporting the business in executing its strategy and in generating long-term shareholder value, and we ensure that our corporate governance standards are always aligned with global best practices.

The Board is supported by three committees which assist in discharging its statutory duties and fiduciary responsibilities, in the areas of governance and audit, nomination and remuneration, and risk management.

The Governance & Audit Committee is responsible for reviewing significant matters involving financial reporting, key judgements by Management, and unusual events or transactions. In FY2019, the Committee lent its counsel on the acquisition of Heavy Maintenance Group Pty Ltd, specifically in determining the fair value of its assets and goodwill. It also reviewed Management's assessment on impairments, including those of the Industrial division's Australian operations and Weifang Port Services Co. Ltd.

Development of talent is critical to the successful execution of our VCP, and essential to the long term sustainability of the Group. In this regard, the Nomination & Remuneration Committee focused much of its work during the year on succession planning, which saw customised talent assessments conducted with senior leaders in critical positions. The Committee also worked with Management to review the Group's remuneration framework, to ensure its continued relevance and alignment to business growth plans, and in attracting and retaining talent.

The Risk Management Committee, in its commitment to maintain a robust risk management framework to support our business objectives, developed a five-year Risk Management Blueprint during the year. The blueprint outlines the key success factors and priorities for the effective management of risk across the Group. The Committee also facilitated in the establishment of a set of risk appetite statements, which provides guidance on the nature and extent of risk the Group is prepared to accept, in pursuit of its strategic objectives. In working with Management, the Committee assisted the Board with risk monitoring and oversight, through the identification of principal risks and key trends, as well as the deliberation of strategic action to mitigate such risks.

CHAIRMAN'S STATEMENT

SUSTAINABILITY

Sime Darby Berhad has always held strongly to the belief that it is not enough for us to deliver value to our stakeholders, but that the value we derive from our business must be sustainable. To do so, there is a need to ensure that our organisation operates in an economically, socially and environmentally sustainable manner.

In FY2019, we undertook a materiality assessment to identify the issues most relevant in ensuring the sustainability and continuity of our business. The top three issues of the highest significance to the Group are, Business Growth & Performance, Quality & Customer Satisfaction, and Technology & Innovation. These issues are being addressed constantly and consistently in the execution of our VCP and incorporated into our business strategies.

Specific Sustainability Roadmaps are being developed at Group and Division levels, and will be finalised in FY2020.

RISK MANAGEMENT

As we move forward, it is imperative that we determine the key risks potentially affecting our operations and our ability to meet our strategic objectives.

The rise of new digital ecosystems in the automotive and heavy equipment industries has become an area of particular concern for us. The Group, aware of our exposure to the risk of disintermediation, has developed business transformation initiatives and digital proofing strategies during the year.

As we continue to expand, regulatory compliance in the different markets we operate in, is critical, particularly given the increasingly stringent requirements for environment-friendly products and practices. To mitigate this risk and to provide assurance of compliance, we have developed programmes to conduct comprehensive assessments of the Group's compliance with all regulatory requirements.

▲ *We recognise that good governance is essential in supporting the business in executing its strategy*

ACKNOWLEDGEMENTS

I would like to take this opportunity to record my appreciation to Dato Sri Lim Haw Kuang and Tan Sri Mohamed Azman Yahya for their invaluable service to Sime Darby Berhad during their tenure. Dato Sri Lim, who expressed his intention to retire as Senior Independent Non-Executive Director at the forthcoming Annual General Meeting, joined the Board of Sime Darby Berhad on 26 August 2010. Tan Sri Azman joined the Board of Sime Darby Berhad as an Independent Non-Executive Director on 1 December 2017, and retired on 30 June 2019.

We also welcomed to the Board, Encik Mohamad Idros Mosin in November 2018, who joined us as a Non-Independent Non-Executive Director.

As announced earlier, I will be retiring from the Board at the end of October 2019, after five years as a Director, and as Chairman for the last two years. Dato' Abdul Rahman Ahmad, who joined the Board as a Non-Independent Non-Executive Director in September 2019, will assume the role of Chairman upon my retirement.

I am privileged to have been a part of the transformation of Sime Darby Berhad from a conglomerate to three independent focused pure-play companies. And to have led the new growth journey of Sime Darby Berhad. Under the leadership and guidance of Dato' Abdul Rahman, I am confident that Sime Darby Berhad will continue to prosper and deliver sustainable value to all our stakeholders. I am excited for the future of the organisation.

On behalf of the Board of Directors, I would like to thank all our valued shareholders for their continued trust, loyalty and support towards the organisation. I would also like to recognise the contributions and performance of the Management team and all members of the Sime Darby Berhad team around the globe in driving the Group's ambitions. I am grateful for the unwavering support during my tenure as Chairman.

TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH
Chairman

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

DEAR VALUED SHAREHOLDERS,

Sime Darby Berhad developed a Value Creation Plan or VCP in FY2018. I am pleased to report that, during the year under review, we have largely followed through and delivered on the action plans that we had put into place.

DATO' JEFFRI SALIM DAVIDSON
Group Chief Executive Officer

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

OPERATIONS REVIEW

Sime Darby Berhad delivered a strong set of financial results in FY2019. We saw a 6.9% increase in revenue to RM36.2 billion, while net profit rose to RM948 million, a significant 53% increase from last year.

The Group's results for FY2019 were largely driven by the performance of our Australia and China Industrial operations. The Motors division also posted a strong set of results, despite industry-wide challenges.

Industrial

A solid uptick in the Australian mining sector and increased investments in China's construction sector supported the robust performance of the Industrial division during the year under review.

Sustained by global demand, the price of metallurgical coal remained resilient. This created strong demand from our mining customers for our equipment and service, whilst increased infrastructure investment in China led to a rise in spending on construction equipment. Other markets delivered stable earnings despite the overall slowdown in the global economy. As a result, the Division saw a 30% increase in PBIT to RM798 million in FY2019, as compared to RM612 million in FY2018.

Motors

Despite a challenging industry landscape, the Motors division delivered stronger results in FY2019, reporting a 16% increase in PBIT year-on-year to RM628 million. The positive results were partly due to the improved performance of our China and Malaysia operations. In China, the Division enjoyed higher profits from the super luxury segment and from BMW, despite the overall weaker sentiment in the local car industry. The Malaysian operations saw increased contributions from all areas of its business including importation, assembly, retail and rental. This was supplemented by increased sales during the zero-GST period in 2018.

Logistics

The Logistics division reported a lower PBIT of RM2 million in FY2019, due to our share of loss and impairment for Weifang Port Services (a 37% owned joint venture) amounting to RM119 million. The impairment was mainly due to projections of lower throughput as a result of the ongoing trade tensions between the United States and China, as well as uncertainties surrounding a nationwide port consolidation exercise. This was partly mitigated by a RM78 million gain on the disposal of Weifang Water.

"Sime Darby Industrial saw a 30% increase in PBIT to RM798 million in FY2019, as compared to RM612 million in FY2018."

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

The Value Creation Plan provides a clear blueprint to improve our business and boost growth whilst creating sustainable value for our stakeholders.

The ongoing nationwide port consolidation exercise has changed the dynamics of the ports business in China and created significant downside risks to obtaining a strong valuation. In view of this, we made a strategic decision to delay the divestment of our ports until the port consolidation exercise is completed, at which time divestment is expected to be more beneficial to the Group.

Healthcare

Our joint venture, Ramsay Sime Darby Health Care (RSDH), delivered better operating results in FY2019 than the previous financial year. Both the Malaysian and Indonesian operations saw higher revenues, with Malaysian hospitals being the key contributors. However, the joint venture posted a lower share of profit contribution to Sime Darby Berhad in FY2019, at RM49 million, mainly due to higher tax expenses.

STRATEGIC REVIEW

The year under review saw significant progress in the execution of the VCP. The VCP provides a clear blueprint to improve our business and boost growth whilst creating sustainable value for our stakeholders. I am pleased to report that we are on track to achieve our targets.

- **Business Expansion**

  We announced three major acquisitions during the year.

  The first, was the acquisition of Heavy Maintenance Group Pty Ltd (HMG). HMG manufactures or refurbishes hydraulic cylinders and protective surface coating for the mining, oil & gas and other heavy industries. The business, based in Brisbane, complements our existing chroming operations in Mackay.

  The second was the acquisition of the Gough Group in New Zealand. The acquisition paves the way for the expansion of our Caterpillar operations to New Zealand and adds premium global brands to our Motors division's commercial transport and materials handling business across Australia and New Zealand.

▲ *In October 2018, we announced the acquisition of Heavy Maintenance Group Pty Ltd*

We also announced the proposed acquisition of three Trivett dealerships in Parramatta, Sydney which carry the BMW, MINI, Jaguar, Land Rover and Volkswagen marques. This acquisition is very much aligned with our Motors division's strategy of expanding in the Australian retail luxury segment, and will strengthen our presence and brand visibility in Parramatta, one of Sydney's most recognised automotive retail locations.

During the course of the year, we also added a Rolls-Royce dealership in Brisbane, a BMW dealership in Yunnan province in China, and have taken the first steps to represent Chinese electric

Further Reading:

Divisional Operations Review:
pages **44 to 69**

Value Creation Plan:
pages **16 to 17**

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

▲ *In July 2019, Sime Darby Motors began retailing BYD electric passenger vehicles in Singapore*

vehicle manufacturers by setting up a new Singulato brand experience centre in Chongqing, a new NIO 2S centre in Shenzhen, and in July 2019, began retailing BYD electric passenger vehicles in Singapore. We view our entry into the electric vehicle segment as a necessary part of our future proofing strategy.

During the year under review, RSDH opened a Day Surgery Centre in Hong Kong's Central district as part of its expansion in Asia, while brownfield initiatives have been implemented to upgrade existing hospitals.

- **Revenue Enhancement**

The Industrial division saw higher deliveries of equipment and increased product support sales from the Caterpillar business. Its digitalisation initiatives provided significant additional uplift to revenue, allowing operations to prioritise on improving customer experience by providing insights on equipment maintenance and facilitating online parts purchase.

And to manage the risks posed by business and commodity cycles, there has been an increased focus to provide end-to-end services to customers such as component reclamation, labour hire and rental, in line with our aim of improving customers' uptime and productivity.

The Motors division sold 86,906 cars during the year under review, over 6% more than last year, as a result of the team's relentless commitment to increase sales.

And the renewed emphasis on after-sales saw significant improvements in work bay utilisation, following the streamlining of processes to drive additional throughput. The used cars operations leveraged on its strong brand name to expand its existing network to source vehicles, including through the participation in online auctions.

"Sime Darby Motors sold 86,906 cars during the year under review, over 6% more than last year, as a result of the team's relentless commitment to increase sales."

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

▲ *Our people are the heartbeat of our business*

Further Reading:

Occupational Health and Safety:
pages 71 to 73

People:
pages 76 to 80

Environmental Sustainability:
page 75

In RSDH, higher utilisation of two of the joint venture's newer hospitals in Malaysia; Ara Damansara Medical Centre and Park City Medical Centre, contributed positively to its revenue, and subsequently, to the Group's share of profits.

- **Cost Optimisation**

Our cost optimisation initiatives in the Industrial division, through digitalisation, branch network rationalisation, as well as warehouse and freight optimisation saw our core PBIT margins improve from 3% in FY2018 to 6%.

Meanwhile, turnaround efforts on under-performing units in the Motors division, involving business restructuring initiatives and reduction of overheads, have shown positive results.

- **Portfolio Rationalisation**

In the year under review, we divested several non-core businesses including Weifang Sime Darby Water Management Co. Ltd, our water treatment plant operations in Weifang, and our shared services business, Sime Darby Global Services Centre Sdn Bhd. We also exited the Fiat and Alfa Romeo marques in Australia.

PEOPLE

Our people are the heartbeat of our business. In order to achieve our goals, it is imperative that we continue to nurture and develop a motivated and engaged workforce to execute our strategy and plans across the Group.

One of the major initiatives we undertook during the year was to review the Group's remuneration structure and framework to ensure that it has remained relevant with industry benchmarks and in alignment with the needs of a growing business with a diverse workforce.

We prioritised talent development across the Group to meet our future business needs. Talent assessments were conducted on senior leaders, as well as those in critical positions, to determine our "bench strength" for future succession.

And we continued to invest in various training and development programmes to upskill our talent at middle management and junior levels to ensure a robust talent pipeline throughout all levels of the organisation.

Training programmes for all executives have been customised while specific technical programmes have been rolled out at the Industrial and Motors divisions to further develop competencies at the operational level. For frontline functions such as sales and customer service, a series of upskilling programmes have been implemented to refine and develop skills, and to access the latest trends and developments in their respective fields.

Today, we have almost 20,000 employees globally, with over 5,000 in Malaysia. While our workforce is ethnically diverse,

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

we are cognisant of the work we have to do to increase the representation of female employees, particularly at senior levels of the Group.

We anticipate that investments in new mines and in new mining fleets in Queensland and the Northern Territory will continue, and subsequently, demand for our products and support services will remain strong.

ENVIRONMENT, SAFETY AND HEALTH (ESH)

Safety, as always, is a priority for us. Sadly, there were two fatalities during the year, in two separate incidences involving external contractors at our Inokom plant in Kulim and at our port in Weifang, China. These incidents are unacceptable. We are obliged to take a harder look at our current health and safety practices. As a Group committed to upholding the highest safety standards throughout our businesses, I view these incidents very seriously, and have personally engaged the operations team to ensure that additional measures are taken to prevent a recurrence.

We remain committed in ensuring that our employees work in safe and secure environments, and continue to strive towards achieving "No Harm" in all our operations, by enhancing safety practices to meet the increasingly stringent requirements of our operations. To that end, Division specific plans have been put in place, with clear targets set and initiatives identified towards achieving our goals.

In delivering sustainable futures for all our stakeholders, we take all necessary steps to ensure that any risk of potential harm to the environment is minimised. We are mindful of climate change and the global depletion of natural resources, and are doing our part by operating in an environmentally responsible manner through the responsible management of our carbon emissions, energy and water consumption and waste generation. During the year under review, we established reduction targets for these critical areas across all operations.

OUTLOOK

Looking ahead, we are optimistic that global demand for metallurgical coal will remain strong. We anticipate that investments in new mines and in new mining fleets in Queensland and the Northern Territory will continue, and subsequently, demand for our products and support services will remain strong. We also expect that, with the Government's continuing investment in infrastructure, the hydraulic excavator market in China will remain buoyant. And in Malaysia, our operations stand to benefit from ongoing infrastructure and construction projects.

We are also excited about the prospects of new model launches from BMW, including the X7, the 3-Series, the facelifted 7-Series and the X5, which are expected to boost sales and expand market share in the luxury segment.

However, we continue to keep a close watch on the ongoing trade conflict between the United States and China, and remain cautious of its impact on consumer sentiments in the Asia Pacific markets that we operate in.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my sincere gratitude to Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah and Dato Sri Lim Haw Kuang, for the guidance and counsel they have provided over the years. Tan Sri Wan Abdul Aziz, who joined the Group in 2012 as a Director and took on the role of Chairman in 2017, will be stepping down as Chairman and member of the Board of Directors of Sime Darby Berhad on 31 October 2019. Dato Sri Lim joined us on 26 August 2010 and is retiring as Senior Independent Non-Executive Director at the upcoming Annual General Meeting, after serving on the Board for nine years.

I am pleased to welcome Dato' Abdul Rahman Ahmad, who joined Sime Darby Berhad as a Non-Independent Non-Executive Director in September 2019, and who will assume the position of the Group's new Chairman on 31 October 2019. Dato' Abdul Rahman needs no introduction. He brings with him an enormous amount of experience having helmed numerous corporate entities in Malaysia over the past decade. I look forward to working with Dato' Abdul Rahman.

On behalf of the Management team, I would like to express our thanks to members of the Board of Directors. My deepest gratitude goes to our shareholders for their continued support and belief. I would also like to record my sincere appreciation to all my colleagues across our Group who have dedicated their time and effort throughout the year to ensure the Group continues to deliver on our promises to our stakeholders.

DATO' JEFFRI SALIM DAVIDSON
Group Chief Executive Officer

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

THE GROUP ACHIEVED GROWTH IN ITS CORE PROFIT AND REVENUE AGAINST A BACKDROP OF CONTINUING UNCERTAINTIES IN THE GLOBAL ECONOMY.

DEAR VALUED SHAREHOLDERS,

It gives me great pleasure to present to you Sime Darby Berhad's financial results for the financial year ended 30 June 2019.

MUSTAMIR MOHAMAD
Group Chief Financial Officer

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

"The Group registered a net profit of RM948 million compared to a net profit from continuing operations of RM618 million in FY2018, a significant increase of 53.4% year-on-year (y-o-y)."

The upturn in the mining cycle in Australia was a key driver of the Group's performance in FY2019.

In FY2019, the Group remained steadfast in delivering results amidst an economic environment dominated by trade tensions between the United States and China, as well as political unrest in Hong Kong.

Despite continuing uncertainties in certain key markets, the Group achieved growth in its core profit and revenue. These were mainly driven by the Industrial division, which continued to benefit from the upturn in the mining cycle in Australia and the strong demand in the construction sector in China. The Group registered a net profit of RM948 million compared to a net profit from continuing operations of RM618 million in FY2018, a significant increase of 53.4% year-on-year (y-o-y).

The discussion on the Group's financial results will focus on our current operations and exclude the results of discontinued operations (Sime Darby Plantation Berhad and Sime Darby Property Berhad) that were partly included in the overall FY2018 results.

MFRS 9 - FINANCIAL INSTRUMENTS

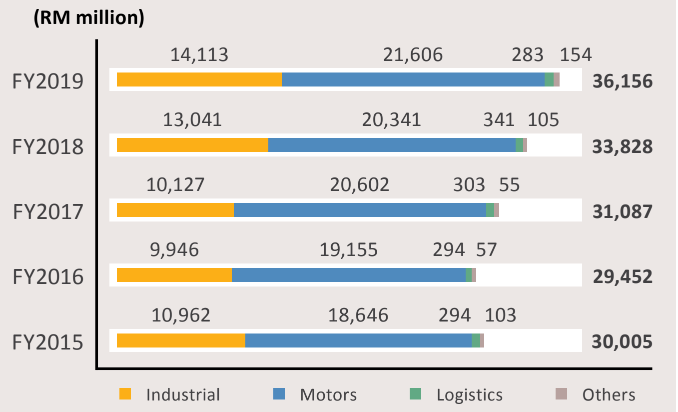
FY2019 saw the Group adopt MFRS 9 – Financial Instruments. The main impact of the adoption of MFRS 9 is the introduction of the expected credit loss model on impairment of receivables, which replaced the incurred loss impairment model of the previous accounting standard (MFRS 139). The adoption of MFRS 9 did not materially impact the Group's FY2019 results as the impact on initial adoption was taken to opening reserves (RM22 million, net of tax).

KEY FINANCIAL PERFORMANCE INDICATORS

The Group's key financial performance 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 indicators to manage the businesses and measure the Group's performance against set targets.

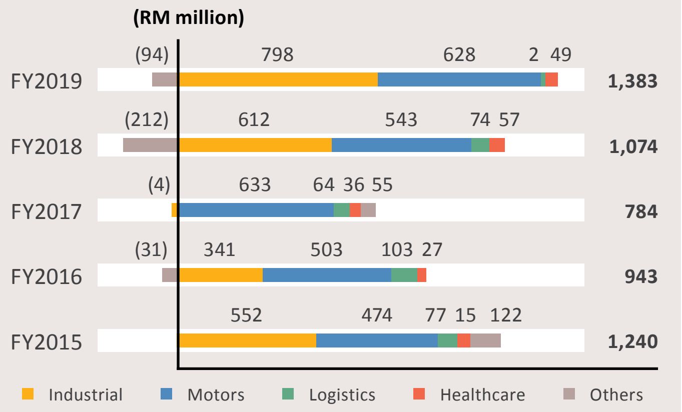
GROUP CHIEF FINANCIAL OFFICER'S REVIEW

REVENUE



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



The Group's revenue grew to RM36.2 billion in FY2019, a 6.9% increase from the previous financial year. Our Industrial division recorded an 8.2% increase in revenue to RM14.1 billion, mainly driven by higher equipment sales to the Australian mining sector. Revenue for the Motors division increased by 6.2% to RM21.6 billion despite challenging market conditions, particularly in Singapore, Australia and Hong Kong. The increase in revenue was underpinned by increased sales of BMW and super luxury vehicles in China as well as higher sales of BMW and Ford in Malaysia from July to August 2018 during the GST-free period. The Logistics division reported a 17% reduction in revenue at RM283 million following the sale of Weifang Water, and due to lower throughput at our ports.

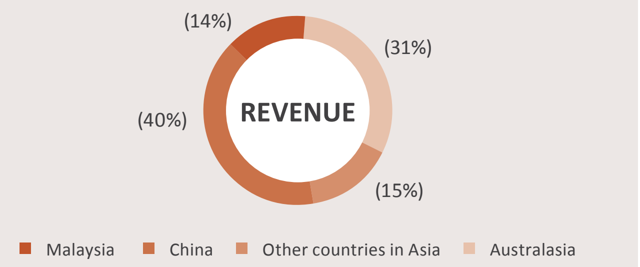
By geographical breakdown, 86% of the Group's revenue for FY2019 was generated outside Malaysia, with 40% coming from our China* operations, 31% from Australasia+ and 15% from other countries in Asia.

* *China includes China, Hong Kong, Macau and Taiwan*
\+ *Australasia includes Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands*

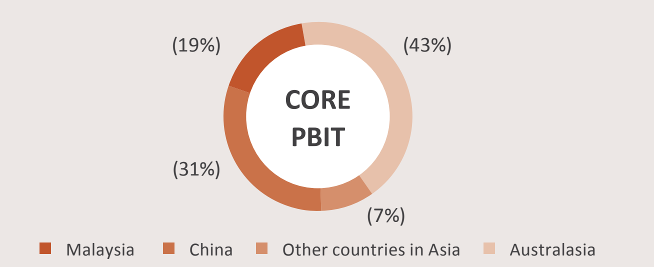
In FY2019, the Group's PBIT increased by 28.8% to RM1,383 million from RM1,074 million in the previous financial year. Excluding one-off items (mainly gain on disposals and impairments), the Group's core PBIT increased by 22.1% y-o-y to RM1,499 million compared to RM1,228 million in FY2018.

About 81% of the Group's core PBIT was derived from operations outside Malaysia, compared to 78% in FY2018. Of this, 43% was from Australasia, 31% from China and 7% from other countries in Asia.

FY2019 REVENUE BY GEOGRAPHICAL LOCATION

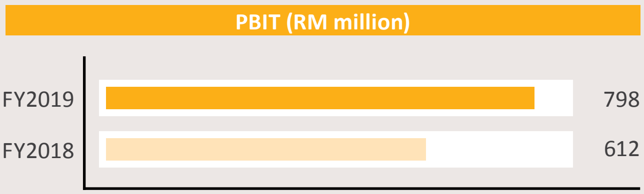


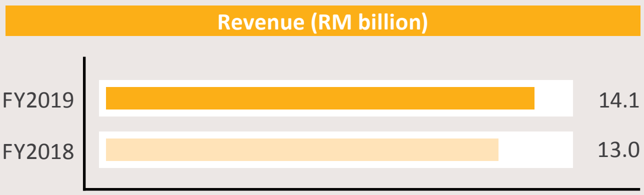
FY2019 CORE PBIT BY GEOGRAPHICAL LOCATION



GROUP CHIEF FINANCIAL OFFICER'S REVIEW

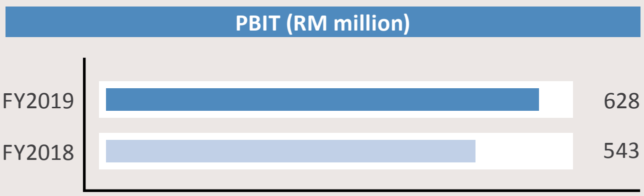
INDUSTRIAL

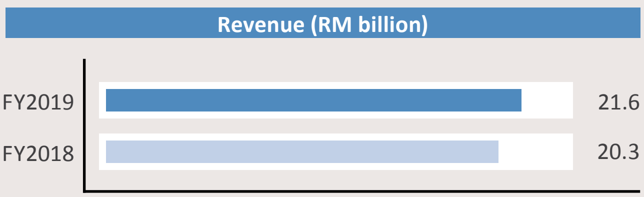




The Industrial division recorded higher profits with a 30% y-o-y increase in FY2019 to RM798 million, as compared to RM612 million in FY2018. The profits included gains of RM18 million from the disposal of properties and RM10 million for the disposal of the Group's 53% equity stake in Sime Kubota, respectively. It also incorporates a RM47 million fair value loss on the loan to Mine Energy Solutions due to the longer than expected commercialisation process. Excluding these items, core profit for the Division grew by 88% to RM817 million in FY2019 from RM434 million in FY2018. This is a testament to the strength of the continued momentum in the mining sector in Australia and the robust engine and product support sales, as well as increased spending on construction equipment in China.

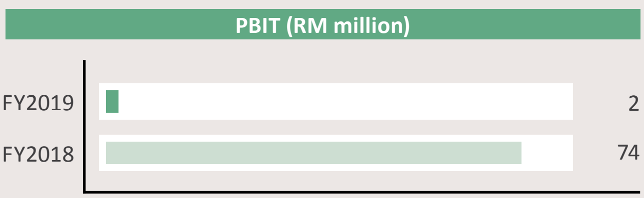
MOTORS

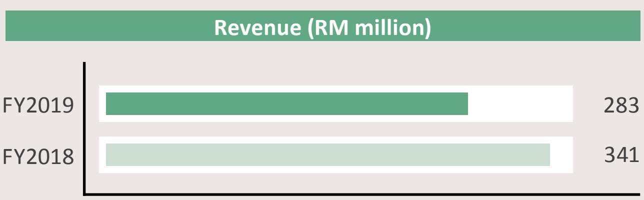




Profits for the Motors division increased by 16% y-o-y in FY2019 to RM628 million, largely attributable to the significant one-off items in FY2018. The FY2018 results were impacted by losses incurred in Vietnam of RM199 million, gain from land compensation in China of RM41 million and a branch compensation in Malaysia of RM9 million. FY2019's results included a profit of RM12 million from the Vietnam operations. Excluding these items, core profit for the Division decreased by 11% to RM616 million in FY2019 from RM692 million in FY2018, primarily due to strong competition and lower sales in Singapore, Hong Kong and Australia.

LOGISTICS

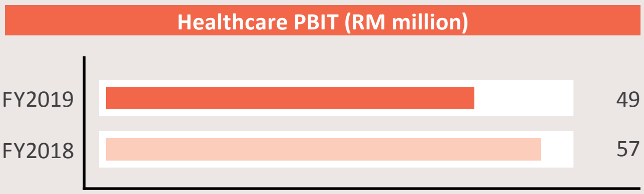




The Logistics division reported a PBIT of RM2 million compared to RM74 million in the previous financial year. The lower PBIT was due to the recognition of the Group's share of loss (inclusive of share of impairment of assets) in Weifang Port Services (a 37% owned joint venture) of RM119 million. The impairment arose mainly from projections of lower throughput as a result of the ongoing trade tensions and uncertainties surrounding the government initiated port consolidation exercise in the Bohai Bay area. This however, was partly mitigated by a RM78 million gain from the disposal of Weifang Water. Excluding one-off items, the Division's core PBIT was RM43 million, 42% lower y-o-y, mainly due to lower throughput at Jining ports and foreign exchange losses.

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

HEALTHCARE & OTHER BUSINESSESS



In the Healthcare division, the Group's share of profit from the Ramsay Sime Darby Healthcare joint venture decreased by 14% y-o-y to RM49 million in FY2019, mainly due to higher tax expenses.

Included in the results for the Group's other businesses for FY2019 are the share of loss (inclusive of impairment) of the Group's investment in Eastern & Oriental Berhad of RM117 million (FY2018 - loss of RM87 million), arbitration award received for the ONGC Wellhead project of RM26 million as well as a gain from disposal of trademark of RM17 million.

FINANCE INCOME AND COSTS

Finance income for the Group decreased to RM32 million in FY2019 from RM104 million in FY2018, which included RM48 million interest income from the discontinued operations. Finance costs increased in FY2019 due to higher average borrowings during the year. The weighted average cost of borrowings declined slightly to 3.5% from 3.7% in FY2018.

TAXATION

The Group recorded a lower tax expense of RM281 million in FY2019 mainly due to the recognition of deferred tax credit arising from the change in Real Property Gains Tax (RPGT) rates in Malaysia. As a consequence, the Group's effective tax rate (excluding share of results from associates and joint ventures) for FY2019 was 19.4% as compared to 34.8% in FY2018. Excluding deferred tax credit of RM129 million, the effective tax rate was 28.3% against an applicable tax rate of 24.9%, due to the effects of non-deductible expenses and underprovision of prior year taxes.

NET PROFIT & ROE

The Group's ROE from continuing operations improved from 4.3% to 6.5% as a result of higher net profit. Our aim is to increase our ROE to more than 8% over the medium term.

STATEMENT OF FINANCIAL POSITION

The Group's borrowings of RM2.6 billion as at 30 June 2019 comprised largely of short term debt which reflects the trading nature of our business. However in FY2019, total borrowings decreased by RM314 million, mainly due to repayment of borrowings at the Logistics division utilising proceeds from the disposal of Weifang Water. This has reduced our Debt/Equity ratio to 17% which provides debt headroom for the Group to gear up for future expansions.

RM million	FY2019	FY2018
Non current assets	10,346	10,412
Other assets excluding bank and cash	13,447	12,789
Bank and cash	1,723	1,672
Total Assets	**25,516**	**24,873**
Borrowings	2,575	2,889
Other liabilities	7,823	7,225
Total Liabilities	**10,398**	**10,114**
Share capital	9,299	9,299
Reserves	5,414	5,071
Shareholders' equity	**14,713**	**14,370**
Non controlling interests	405	389
Total Equity	**15,118**	**14,759**
Total Equity and Liabilities	**25,516**	**24,873**

The Group has assessed the impact of the adoption of MFRS16 - Leases, in FY2020, on key financial ratios.

The adoption of MFRS 16 is expected to result in the recognition of additional lease liabilities of between RM1.7 billion to RM1.9 billion.

In anticipation of the adoption of this standard, the Group revised the ratios used to measure gearing. Two ratios are now being used to monitor the Group's gearing:

- Total Debt (including leases) divided by Total Equity (FY2019 estimate - 29%)
- Total Debt (including leases) divided by Adjusted EBITDA (FY2019 estimate - 1.7x)

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

INVESTED CAPITAL & ROAIC

The performance of the Divisions is also measured in terms of return on average invested capital (ROAIC). Invested capital is a measure of capital employed in the respective businesses.

	ROAIC (%)		Invested capital (RM million)	
	FY2019	FY2018	FY2019	FY2018
Industial	10.4	7.8	7,626	7,700
Motors	10.4	9.3	6,235	5,896
Logistics	0.1	3.2	1,989	2,334
Healthcare	6.5	8.1	784	730
Others	-	-	795	718
SDB	**7.9**	**6.0**	**17,429**	**17,378**

CASH FLOW

RM million	FY2019	FY2018
Operating cash flow	1,352	677
Interest received	25	87
Capital expenditure, acquisitions and investments	(632)	(549)
Proceeds from disposals	352	451
Other investing cash flows	9	(108)
Finance costs paid	(143)	(131)
Free cash flow	**963**	**427**

The Group's operating cash flow increased significantly to RM1,352 million in FY2019 from RM677 million in FY2018 due to a combination of higher operating profit and increased focus on working capital management improvement.

Capital expenditure in FY2019 was lower than that of FY2018 but this was offset by higher amounts spent on acquisitions. In FY2019, the Group completed the acquisition of Heavy Maintenance Group Pty Ltd (HMG), a chroming business in Australia and a BMW dealership in Yunnan. Both acquisitions have contributed positively to the Group's profitability. The proceeds from disposals in FY2019 were primarily from the disposal of Weifang Water (RM253 million, net of cash balances deconsolidated) while in FY2018, the proceeds were mainly from the disposal of properties in Australia.

More information is provided in our Cash Flow Statement on pages 145 to 147.

DIVIDENDS

The Group's dividend policy is to distribute a dividend of at least 50% of net profit of each financial year. For FY2019, the Group declared a total dividend payout of 72% of net profit or 10 sen per share. This consisted of a first interim dividend of 2 sen per share (RM136 million) paid in May 2019 and a second interim dividend of 7 sen per share (RM476 million) and a special dividend of 1 sen per share (RM68 million) to be paid in October 2019. The special dividend was declared in consideration of the completion of the disposal of Weifang Sime Darby Water in FY2019.

OUTLOOK

Global growth is expected to moderate, although several central banks in the Asia Pacific region have anticipated impending economic slowdown and have taken proactive action recently in cutting interest rates to mitigate the potential negative effects on spending.

Since June 2019, the Group has announced two sizeable acquisitions – the acquisition of the Caterpillar dealership and transport business of the Gough Group in New Zealand for approximately RM572 million and the acquisition of three luxury motor dealerships in Sydney for approximately RM321 million. Both acquisitions are part of the Group's growth strategies and are expected to further enhance the Industrial and Motors divisions. The Gough Group acquisition was completed on 30 September 2019, while the Sydney Motor dealerships are expected to be completed by December 2019.

The Industrial division's results moving forward will be underpinned by the strong momentum in the mining sector and increasing infrastructure spend as the Australian government attempts to drive growth back to trend.

The Motors division expects the regional automotive market to remain competitive although the outlook for its Malaysian operations remains positive with more certainty expected after the revised National Automotive Policy 2019 is released.

FY2020 FINANCE PRIORITIES

Financing plans have been put in place for both the Gough and Motors acquisitions. The Group is also undertaking a review of its corporate structure and the capital structure of its subsidiaries to ensure it remains efficient in maximising shareholder value. This review is also in light of more stringent regulatory and reporting requirements being introduced by various jurisdictions globally.

Working capital management remains a priority as the Group needs to be flexible and agile in the face of challenging and uncertain business conditions. The finance function will be focused on supporting the Group's operations by ensuring availability of key decision making information and managing its funding capacity.

Further insights into SDB's FY2019 financial performance are contained in the Financial Statements included from pages 123 to 281.

MUSTAMIR MOHAMAD
Group Chief Financial Officer

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

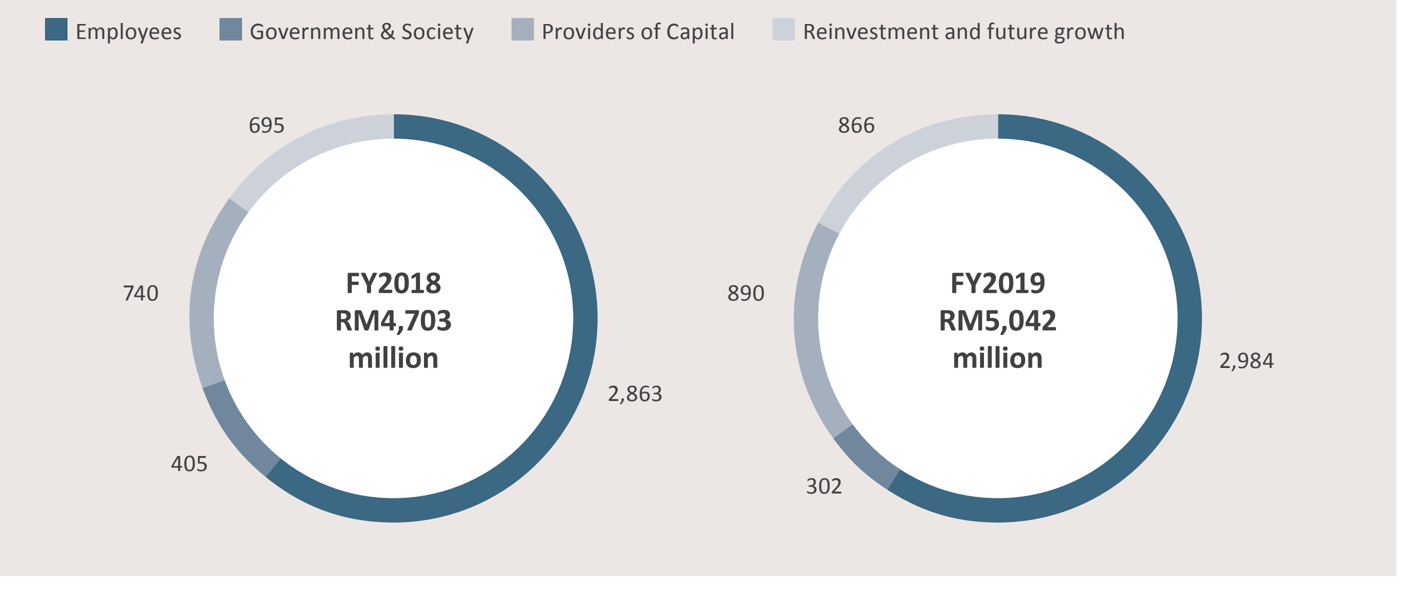
VALUE DISTRIBUTION

The value that Sime Darby Berhad creates for its stakeholders can either be in the form of financial returns or in non-financial or intangible forms. The Statement of Value Added illustrates how Sime Darby Berhad'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 & Amortisation and Staff Cost.

RM million	FY2018	FY2019
Directors and employees	2,863	2,984
Government and society[1]	405	302
Providers of capital		
Dividends[2]	544	680
Finance costs[3]	129	148
Non-controlling interest	67	62
Reinvestment and future growth	695	866
Total Distributed	**4,703**	**5,042**

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



GROUP CHIEF FINANCIAL OFFICER'S REVIEW

5-YEAR FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 30 JUNE (RM MILLION)	2015[1]	2016[2]	2017	2018	2019
FINANCIAL RESULTS					
Revenue*	30,005	29,452	31,087	33,828	**36,156**
Profit before interest and tax*	1,240	943	784	1,074	**1,383**
Profit before tax*	1,250	1,046	1,007	1,065	**1,291**
Profit after tax*	1,042	864	795	685	**1,010**
Non-controlling interests and perpetual sukuk*	(26)	(72)	(180)	(67)	**(62)**
Profit attributable to owners of the Company					
- continuing operations	1,016	792	615	618	**948**
- discontinued operations	1,414	1,626	1,823	1,301	**-**
- Total	2,430	2,418	2,438	1,919	**948**
FINANCIAL POSITION					
Share capital and share premium	4,901	5,766	9,299	9,299	**9,299**
Reserves other than share premium	25,668	26,629	28,044	5,071	**5,414**
Shareholders' equity	30,569	32,395	37,343	14,370	**14,713**
Perpetual sukuk	-	2,230	2,230	-	**-**
Non-controlling interests	1,003	965	976	389	**405**
Total equity	31,572	35,590	40,549	14,759	**15,118**
Borrowings[3]	18,209	15,968	3,205	2,889	**2,575**
Liabilities associated with assets held for distribution	-	-	17,290	-	**-**
Other liabilities	12,457	12,951	6,636	7,225	**7,823**
Total equity and liabilities	62,238	64,509	67,680	24,873	**25,516**
Non-current assets	36,307	39,826	10,853	10,412	**10,346**
Current assets excluding Cash	21,730	21,162	12,286	12,789	**13,447**
Assets held for distribution	-	-	42,469	-	**-**
Cash	4,201	3,521	2,072	1,672	**1,723**
Total assets	62,238	64,509	67,680	24,873	**25,516**
FINANCIAL RATIOS					
Operating margin (%)*	4.2	3.1	2.4	3.3	**4.3**
Return on average shareholders' equity (%)	8.2	7.7	7.0	7.4	**6.5**
Debt/Equity (%)[4]	57.7	44.9	32.4	19.6	**17.0**
SHARE INFORMATION					
Basic earnings per share (sen)	39.6	38.5	36.7	28.2	**13.9**
Net assets per share attributable to owners of the Company (RM)	4.9	5.1	5.5	2.1	**2.2**
Net dividend per share (sen)	25	27	23	8	**10**

Notes:
1 The comparatives have not been restated following the first-time adoption of MFRS framework and early adoption of MFRS 15 - Revenue from Contracts with Customers
2 Restated following adoption of the MFRS framework and early adoption of MFRS 15
3 Borrowings include finance leases
4 Debt includes borrowings under liabilities associated with assets held for distribution
* The financial results have been restated to exclude discontinued operations

DIVISIONAL OPERATIONS REVIEW

SIME DARBY INDUSTRIAL

Business activities:

Heavy Equipment Sales – New and Used

Power Systems Sales

Product Support

Equipment Rental

Industrial Solutions

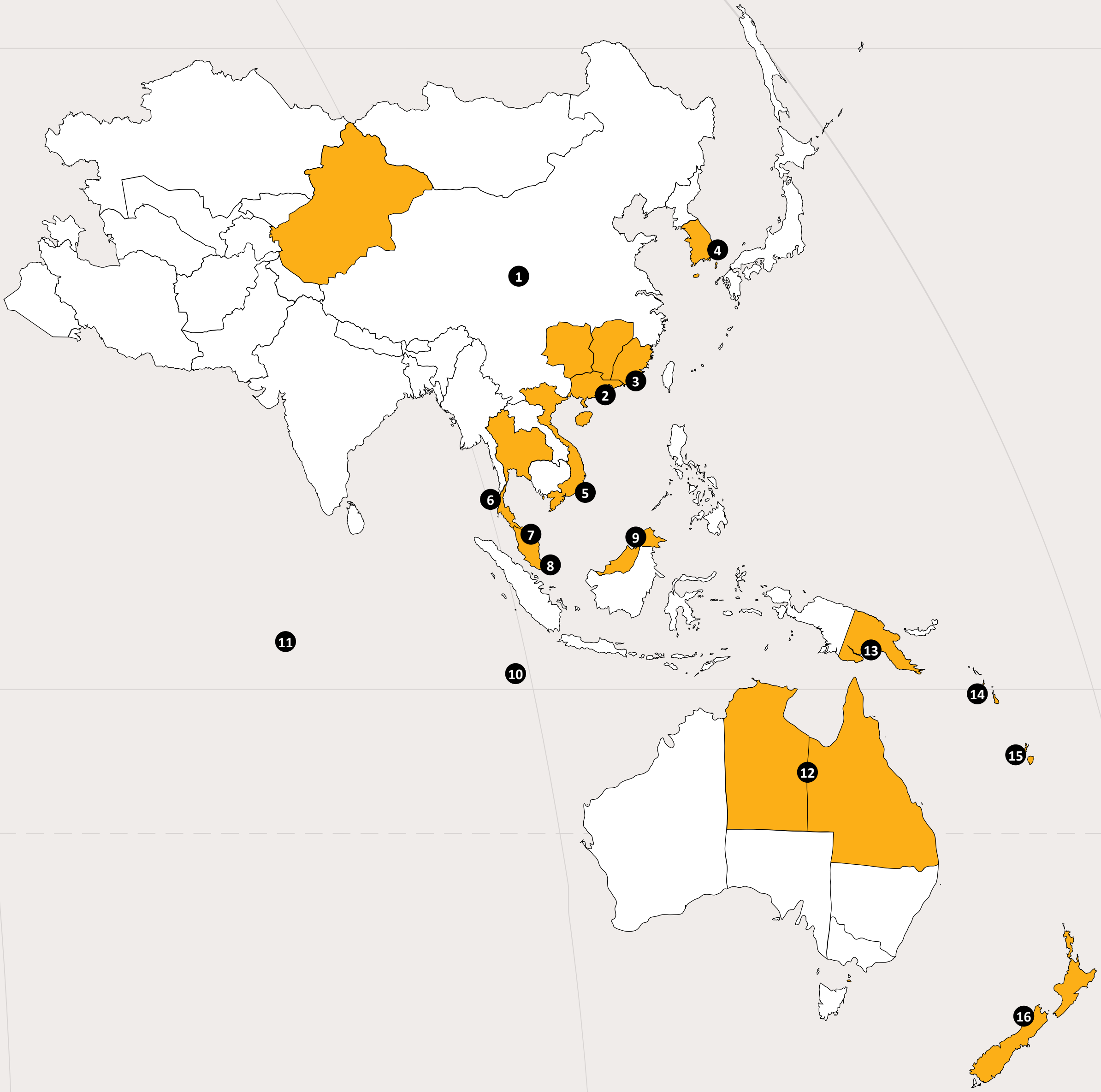
Scan the QR code for more information.

▲ *Sime Darby Industrial, the oldest CAT dealer in Asia*

Sime Darby Industrial (SDI) is one of the world leaders in the heavy equipment business. Its partnership with Caterpillar Inc (CAT), spanning 90 years has continued to grow and strengthen since 1929. Ranked among the world's largest CAT dealer groups, SDI also represents other world renowned premium brands including New Holland, Terberg, and Perkins.

SDI's core businesses are in the sale and rental of heavy equipment and power systems, providing after-sales product support, and developing innovative industrial solutions for customers in the mining, construction, power generation, forestry, marine, agricultural and oil & gas sectors.

DIVISIONAL OPERATIONS REVIEW



Locations

1	China#	7	Malaysia	13	Papua New Guinea
2	Macau	8	Singapore	14	Solomon Islands
3	Hong Kong	9	Brunei	15	New Caledonia
4	South Korea*	10	Christmas Island	16	New Zealand
5	Vietnam	11	Maldives		
6	Thailand	12	Australia+		

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

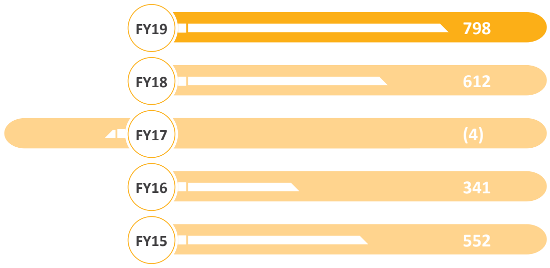
DIVISIONAL OPERATIONS REVIEW

Key Highlights

The Australian mining sector in FY2019 enjoyed strong commodity prices. SDI benefitted from this, and saw a surge in equipment deliveries to the mining and construction sectors, with revenue increasing by 8% in FY2019 to RM14.1 billion. Profit Before Interest and Tax (PBIT) improved to RM798 million, higher than previous year. Excluding one-off items, SDI's PBIT margins improved to 6% in FY2019, from 3% in FY2018. Australasia remained SDI's largest contributor, followed by China and Malaysia.

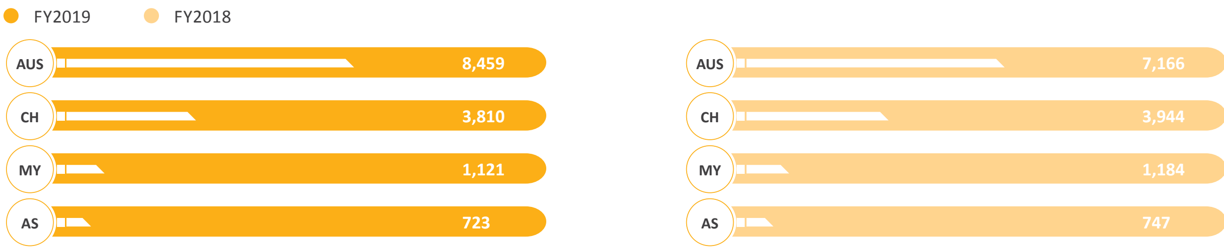
Revenue (RM million)

PBIT* (RM million)

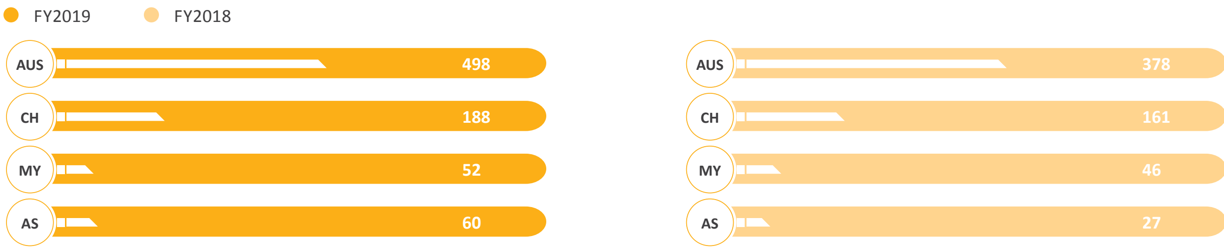


* Including one-off items

Revenue by Region (RM million)

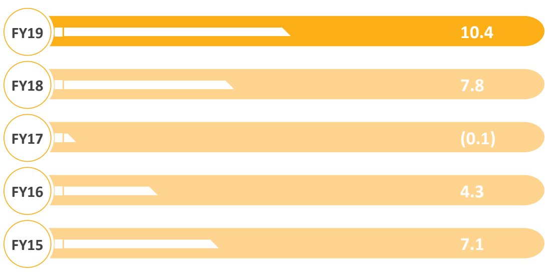


PBIT by Region* (RM million)



* Including one-off items

Return on Average Invested Capital (%)



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

DIVISIONAL OPERATIONS REVIEW

FY2019 OPERATIONS REVIEW

In the year under review, SDI remain guided by the strategic initiatives outlined in the Group's five-year Value Creation Plan, as it continued to expand, enhance revenue and optimise costs while a comprehensive review of its assets and non-core businesses was undertaken to identify potential areas for monetisation.

SDI acquired Heavy Maintenance Group Pty Ltd (HMG) in Australia, a specialist provider in the manufacturing, refurbishment and surface finishing of hydraulic equipment used in heavy industrial environments, such as resources, oil & gas, shipping, lift and shift, and in transport and manufacturing. Based in Southern Queensland, its operations mirror and complement those of Austchrome, SDI's wholly-owned subsidiary, also located in Queensland.

With the addition of HMG to SDI's portfolio, SDI's market share in the Australian East Coast reclamation and chroming market rose to 16% from 7%, making it the second largest entity in the market. The acquisition also diversified and increased SDI's customer base and has already contributed positively to SDI, with a PBIT contribution of RM15 million for the financial year.

SDI's market share in the Australian East Coast reclamation and chroming market rose to 16% from 7%, making it the second largest entity in the market.

▲ *Sime Darby Industrial's growth is mainly driven by high deliveries for both equipment sales and product support for its CAT business*

In October 2019, SDI expanded its footprint to New Zealand with the acquisition of Gough Group Limited, a New Zealand company whose business interests include the New Zealand Caterpillar dealership. This deal reinforces SDI's footprint in the Asia Pacific region.

While much of SDI's incremental revenue achieved in FY2019 was driven by high deliveries for both equipment sales and product support from the CAT business, its Allied and Industrial Solutions also recorded solid revenue growth of 19% in FY2019, partly aided by the newly acquired HMG. Additional uplift came from SDI's digital initiatives, which contributed approximately 8% to SDI's revenue. SDI's efforts in developing digital solutions is supported through its relationship with Caterpillar; and helps improve customer experience by providing insights on equipment maintenance and facilitating online parts purchases.

"The acquisition of Gough Group Limited will strengthen SDI's position as a Caterpillar Dealer, reinforcing SDI's footprint in the Asia Pacific region."

DIVISIONAL OPERATIONS REVIEW

To better manage the risks posed by business and commodity cycles, SDI took steps to provide complementary and end-to-end services to customers.

To better manage the risks posed by business and commodity cycles, SDI took steps to provide complementary and end-to-end services to customers, such as reclamation, labour hire and equipment rental. In Australia, the Haynes Group offers on-site labour hire services to meet customer demand, while HMG offers hydraulic and hardchroming reclamation works, which will help customers reduce cost. Malaysia on the other hand, is growing its rental business to provide customers with comprehensive equipment solutions.

Throughout the year in review, SDI continued with its cost optimisation efforts which included reducing and optimising its branch network. These efforts played a role in increasing the Division's productivity and efficiency, and were reflected in the improvement of core PBIT margin to 6% as compared to 3% in FY2018. SDI's revenue per headcount also increased by 6% from FY2018.

As part of ongoing rationalisation of non-core assets and businesses in FY2019, SDI disposed of Sime Darby Industrial Power Systems Sdn Bhd (SDIPS) for RM16.5 million. SDIPS owned and operated a 1.6MW biogas power generation plant under the Sustainable Energy Development Authority Feed-in Tariff system.

Australasia

Operations in Australasia delivered a strong performance in FY2019, with a PBIT of RM498 million on the back of RM8.5 billion in revenue. This was derived from higher sales in both equipment and product support.

The strong performance principally reflected the increased activity in the coal mining sector and investment in new mining fleets by coal mining customers in Queensland. The price of metallurgical coal remained resilient sustained by global commodity demand, while the construction sector stayed strong, as the increase in mining royalties underpinned investments in mining-related infrastructure. The contribution from Sime Darby Industrial's Pacific Island dealerships has also seen a solid improvement, reflecting strong mining activity throughout the year.

With the mining market expanding by 185% during the year, Hastings Deering was able to strengthen its market share and maintain its leadership position within its dealership territories.

▲ *Sime Darby Industrial remains guided by the Group's Value Creation Plan*

China

SDI's China operations saw PBIT increase to RM188 million on the back of RM3.8 billion in revenue in FY2019, sustained by both equipment and parts sales.

While the overall market size had increased during the year in review, local Chinese brands have been more aggressive as compared to previous years. This has seen a slight reduction of China Engineers Limited's (CEL) market share in its territories in China. Throughout the year, there was a continuing shift towards smaller equipment models. Customers also showed

> "With the mining market expanding by 185% during the year, Hastings Deering was able to strengthen its market share and maintain its leadership position within its dealership territories."

In Sime Darby Industrial, Customer Experience and Employee Experience go hand in hand

an increased interest in either renting new equipment or buying used equipment. Nonetheless, CEL closed the year holding the leading position among foreign brands in its territories, and remained one of the top three heavy equipment brands across its dealership territories.

Malaysia

SDI's Malaysia operations achieved a PBIT of RM52 million, on the back of RM1.1 billion in revenue in FY2019.

The continued slowdown in the construction sector dampened customer sentiment and spending, mainly due to the suspension or reduction in scope of large infrastructure projects, following project reviews and cost rationalisation initiatives. Despite the challenging market conditions, Sime Darby Industrial Sdn Bhd (SDISB) successfully secured significant equipment packages for the Baleh Dam project and is currently ranked second in the market.

With an eye on the future, SDISB has taken the initiative to align itself with the push towards Industry 4.0, marked by the signing of a Memorandum of Understanding between Terberg Tractors Malaysia and Pelabuhan Tanjung Pelepas Sdn Bhd to develop autonomous terminal tractors. This initiative is expected to be a springboard towards automation at the national level, a policy supported by both SDI and the Royal Dutch Terberg Group.

Singapore

Profits from SDI's Singapore operations and other operations in Asia (excluding China and Malaysia) improved in FY2019 with a PBIT of RM60 million on the back of RM723 million in revenue. This achievement was principally driven by higher engine and product support sales.

While the market size contracted in FY2019, SDI's Singapore operations leveraged on the strength of its CAT engine business in standby power application and benefitted from investments by major data centre players in the region. This also helped offset the sluggish demand for engine sales from the oil & gas industry.

"Sime Darby Industrial Sdn Bhd has taken the initiative to align itself with the push towards Industry 4.0, marked by the signing of a Memorandum of Understanding between Terberg Tractors Malaysia and Pelabuhan Tanjung Pelepas to develop autonomous driving terminal tractors."

DIVISIONAL OPERATIONS REVIEW

RISKS TO OUR BUSINESS

KEY RISK	DESCRIPTION	KEY MITIGATION MEASURES
Cyclical Market	The cyclical nature of the mining and oil & gas sectors can cause large variations in spending by customers in those sectors.	• To mitigate the effects of the cyclical market, SDI endeavours to continue diversifying its products and expanding geographical areas, while building businesses adjacent to its core activities. • Establishing a downturn strategy that better predicts the timing of cyclical downturns and provides specific actions to protect both profitability and the balance sheet will also allow SDI to minimise the impact of downturns. During the year under review, SDI implemented continuous cost management and operational efficiency initiatives throughout its operations.
US-China Trade Conflict	The ongoing trade conflict between the US and China resulted in further restrictions placed by China on coal imports from Australia.	• To date, the business impact of these restrictions has been minimal to SDI. Many of our customers are actively broadening their export base to more effectively diversify their risk profile.
	The ongoing US-China trade conflict also poses risks of negative sentiments towards US branded products including Caterpillar.	• Although there has been no observable impact from negative sentiments, SDI is working diligently with Caterpillar on strategies to maintain its market position.
Foreign Exchange Risk	SDI is exposed to foreign exchange risks in all territories through the purchase of inventory in USD. The strengthening of the USD against all regional currencies could adversely impact sales margins, due to higher purchase costs.	• In the short-term, this risk will be mitigated by hedging and continued monitoring of currency movements. • In the longer term, SDI will continue to work with Caterpillar to maintain competitive pricing and control and reduce operational costs through Operational Excellence initiatives to maximise margins.

OUTLOOK

SDI remains cautiously optimistic about its prospects moving forward, with the Australasian market showing resilience based on generally strong commodity prices. China, Malaysia and Singapore will present more challenging macro-economic conditions. However, there are always market opportunities for SDI to focus on to grow the business further.

In Australia, Queensland's annual economic growth is forecasted to accelerate to 3% by 2019-2020, 0.5% higher than the projected 2.5% annual growth for the country. Economic growth is expected to remain solid due to strong LNG and coal exports and potential royalties revision for coal. Queensland state budgets are anticipated to have net operating balance through the next five years, which will aid their AUD49 billion capital works programme until at least 2022.

Although prices of metallurgical coal have been on a downward trend since 2017, it is expected to remain above the investment threshold. Prices for thermal coal are likely to face ongoing pressure as much of the world switches their energy source from coal to gas and renewables. Risks from changes in China's coal import policies and practices also create uncertainty in the thermal coal market.

▲ *Sime Darby Industrial will continue to build its core business while growing businesses adjacent to its core activities*

SDI is bracing itself for a more challenging year ahead.

In China, medium to long-term economic growth is projected to remain resilient. The strength of China's Hydraulic Excavator market had been very encouraging on the back of demand for equipment used in domestic infrastructure projects. However, coupled with probable tariff increases on replacement parts and some diesel engines, SDI is preparing for the possibility of a more challenging year in these segments.

For Malaysia, economic growth is expected to remain slow in the coming year on the back of lower commodity prices and reduced infrastructure spending. The CAT business in Malaysia will be focused on infrastructure projects in rural parts of Malaysia, in line with the government's emphasis to develop these areas. The Pan Borneo Highway project in Sarawak and Sabah is anticipated to proceed as planned, and this should underpin the Product Support business for the coming year. With the Sarawak state elections expected within the next two years, a number of infrastructure projects will be rolled out in the near future. Should other larger infrastructure projects recommence, the outlook will improve significantly.

Plantation customers in Malaysia are expected to diversify their crops, in view of low palm oil prices. This will present an opportunity for SDI to increase and diversify its machine population for other crops. Continued strong iron ore prices have resulted in some mining activity recommencing in Peninsular Malaysia and this will also help to diversify and grow our business.

In Singapore, the economy is expected to face challenges on the back of global economic uncertainty, partly caused by trade tensions between the United States and China. The shortage of imported sand for reclamation projects in Singapore had slowed down many projects and affected machine purchases across the industry. This situation is expected to persist in the short-term. Public projects are going ahead as planned but may face financing delays. Large data centre customers are establishing and expanding in Singapore and around the region, creating a positive outlook for the Electric Power segment over the next few years.

The oil & gas market in Singapore remains subdued in tandem with weakened oil & gas prices and as a result, major shipyards are shifting their focus to specialised retrofitting jobs and newbuilds of merchant vessels, with reduced requirements for new diesel engines.

DIVISIONAL OPERATIONS REVIEW

SIME DARBY MOTORS

Business activities:

- **Assembly**
- **Distributor/Importer**
- **Retail of New & Used Cars**
- **After-Sales**
- **Rental**

Scan the QR code for more information.

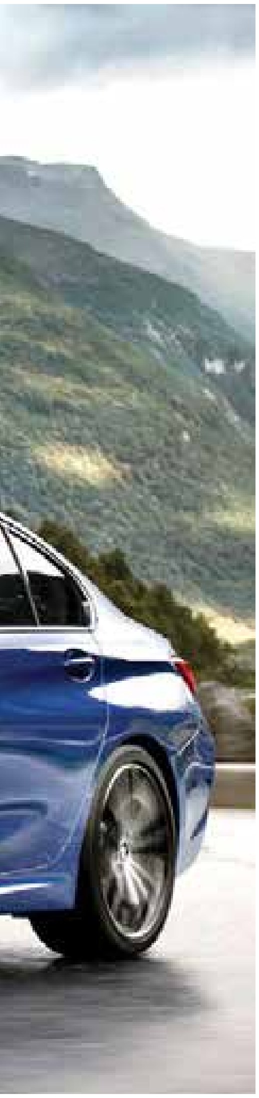
▲ *All-new BMW 3 Series Sedan*

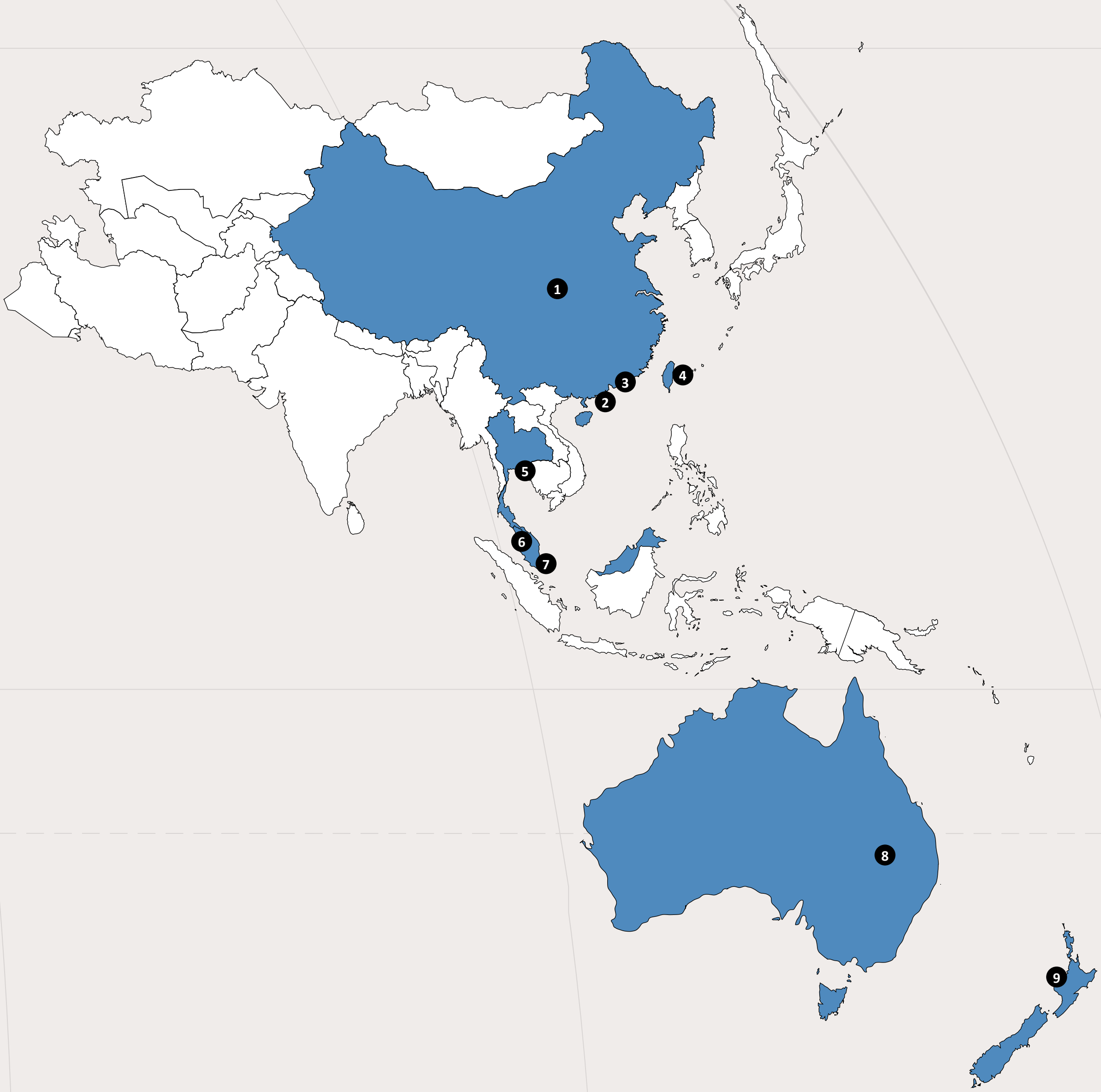
Sime Darby Motors (SDM) is an automotive player with operations across the entire value chain of assembly, importation, distribution, retail of new and used cars, after-sales service and rental.

It is primarily a luxury marque player representing luxury brands such as BMW, Jaguar, Land Rover, and Porsche among others, as well super-luxury marques including Rolls-Royce, Lamborghini and McLaren. Besides that, SDM also represents broad-appeal market brands such as Hyundai and Ford, and trucking names such as Fuso, Mack, Hino and Volvo, and more recently, electric vehicle brands such as BYD, Nio and Singulato.

With an attractive brand portfolio and a strong geographical footprint across nine markets in the Asia Pacific region, SDM prides itself as a partner of choice, having built long standing relationships with some of the world's renowned automotive players.

DIVISIONAL OPERATIONS REVIEW





Markets					
1	China	4	Taiwan	7	Singapore
2	Macau	5	Thailand	8	Australia
3	Hong Kong	6	Malaysia	9	New Zealand

DIVISIONAL OPERATIONS REVIEW

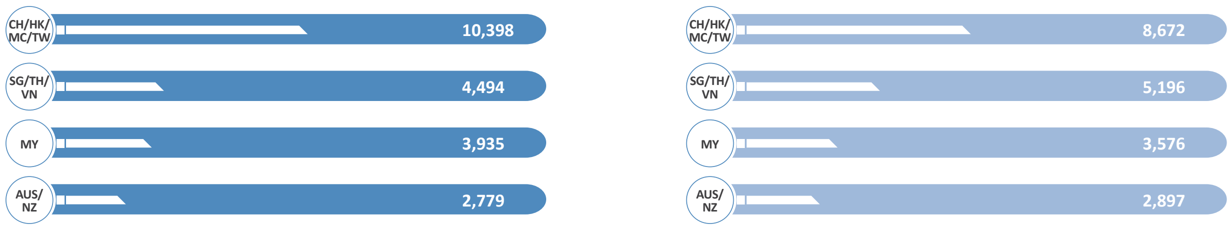
Key Highlights

SDM recorded a PBIT of RM628 million in FY2019, a 16% increase from the previous financial year. This was despite challenging economic conditions in most of the markets it operates in, with automotive sectors in China and Australia recording overall contraction in vehicle sales. Much of SDM's positive performance was attributed to better year-on-year (y-o-y) performance by its Malaysia and China operations and its exit from the loss-making operations in Vietnam. SDM's China operations remain its largest contributor to revenue.

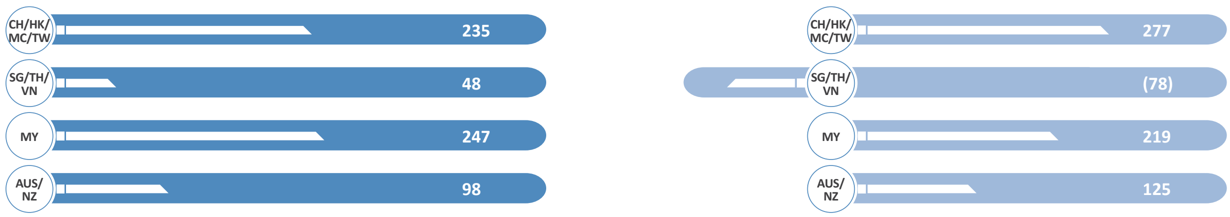
Revenue (RM million)

PBIT* (RM million)

Revenue by Region (RM million)



PBIT by Region* (RM million)



Return on Average Invested Capital (%)

Unit Sales

* Including one-off items

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

DIVISIONAL OPERATIONS REVIEW

▲ *Porsche 911 Carrera*

"The Division expanded its network during the year under review, with the opening of a new Rolls-Royce branch in Australia, acquisition of a new BMW dealership in China, as well as new dealerships for electric vehicles in China and Singapore."

Sime Darby Motors leveraged on its strong brand name and network to enhance its product offering and to grow the business.

FY2019 OPERATIONS REVIEW

In the year under review, SDM, guided by the strategic initiatives outlined in the Group's five-year Value Creation Plan, directed its focus on driving its After-sales and Used Cars segments of the business to enhance revenue.

Its After-sales operations underwent strategic streamlining of processes which saw improvements in work-bay utilisation, driving additional throughput and shorter lead times.

Additionally, SDM had conducted a review of its under-performing businesses with the intention of turning around, or if necessary, exiting them, to ensure that the Division continues to perform at an optimum level. This review led to the Division exiting from its Vietnam operations and terminating its Fiat and Alfa Romeo businesses in Australia.

Meanwhile, the Division expanded its network during the year under review, with the opening of a new Rolls-Royce dealership in Australia, acquisition of a new BMW dealership in China, as well as new dealerships for electric vehicles in China and Singapore.

DIVISIONAL OPERATIONS REVIEW

▲ *Ford Ranger Raptor*

"Sime Darby Motors' Malaysian operations registered strong results, delivering a PBIT of RM247 million on the back of higher revenue from all areas of the business."

On the digital front, the Division continued its effort to improve customer experience with the following initiatives:

- Launched online merchandise storefronts for selected marques in Malaysia such as BMW, Porsche and MINI, in collaboration with online sales portal, Lazada.
- Introduced online sale of service packages and customised extended warranty programmes.
- Successfully deployed Sales Funnel Management Application that helps track sales leads more efficiently, capture more customer information, and better manage customer relationships and operational efficiencies.
- Piloted a Smart Showroom that has the potential of revolutionising how cars are sold. Located at BMW Chengdu Baoyue, it features interactive digital facilities such as virtual reality car tours for customers and digital back-end solutions to help improve dealer capabilities.

Malaysia

Malaysia recorded a total industry volume (TIV) of 598,714 units in 2018, an increase of 3.8% compared with 2017, despite a slowdown in the economy in 2018.

SDM's Malaysian operations registered strong results, delivering a PBIT of RM247 million on the back of higher revenue from all areas of operation. The Malaysian operations registered a 1.6% y-o-y increase in total units sold to 16,872 units for the year.

The growth in unit sales is mainly attributed to the increased vehicle sales during the "tax holiday period" following the zero-rating of the 6% Goods and Services Tax from June to August 2018. The Division's engine assembly business also saw marked improvement in the volume of BMW engines assembled for FY2019.

Additionally, the vehicle assembly operations in Inokom has started producing the BMW 5-Series and MINI Countryman for export to the Philippines, and the MINI Countryman for the Thailand market.

China

TIV in China fell for the first time in 20 years in 2018, declining by 2.8% to 28.1 million units. This is likely the result of the overall slowdown of the Chinese economy, due to the ongoing US-China trade conflict, fuelling uncertainties. To add, consumer sentiment dampened following the reintroduction of the automotive purchase tax in 2018, and the adoption of the new stage-6 emission standards in major cities and provinces that began on 1 July 2019, affecting existing stock.

Despite these challenges, the Division's China operations delivered strong results due to higher sales of vehicles in the luxury segment, delivering a PBIT of RM207 million. Overall, the China operations achieved an outstanding 28% y-o-y growth in units sold to 33,646 units in FY2019 from 26,265 in FY2018.

During the year under review, the Division acquired a BMW dealership in Qujing in the Yunnan province, and obtained its first electric vehicle marque in China, Singulato, with the opening of a brand experience centre in Chongqing in June 2019.

China operations achieved an outstanding 28% y-o-y growth in units sold from 26,265 to 33,646 units in FY2019.

▲ *Range Rover Velar*

Hong Kong and Macau

Overall TIV in 2018 for both Hong Kong and Macau fell by 3.1% to 42,287 units and 13.7% to 14,509 units respectively, with the decline in new registrations of vehicles. As a result, SDM's operations in both markets delivered poorer results during the year under review. The weakening consumer spend due to rising interest rates and a soft housing market, as well as uncertainties surrounding the US-China trade conflict, also contributed to the lacklustre performance.

Taiwan

Taiwan's total car sales contracted by 2.1% in 2018 amid economic uncertainties in the second half of 2018, and the ongoing US-China trade conflict. TIV in Taiwan fell to 435,135 units in 2018 from 444,469 units in 2017. However, sales of imported cars, which makes up 45.3% of the market, increased by 6.3% y-o-y. In line with this trend, the Division's Taiwan operations saw an increase of units sold by 10.9% from FY2018 to 2,572 in FY2019.

Singapore

The effects of the Singapore government's efforts to cut vehicle growth to zero percent effective February 2018 were felt, resulting in an 18% y-o-y reduction in Singapore's TIV to 95,243 units in 2018, from 116,148 units in 2017. In line with this, SDM's Singapore operations recorded a 14% decline in units sold to 9,898 in FY2019, contributing to its weaker performance, and a PBIT of RM26 million.

Nevertheless, in July 2019, SDM was appointed the exclusive retailer of BYD electric passenger cars in Singapore, and opened its first BYD showroom on Alexandra Road.

New Zealand

The New Zealand automotive industry experienced a slowdown in 2018, with vehicle sales growth tempering to 1%, to 161,765 units, from 160,115 units in 2017. During the year under review, the Division's New Zealand overall passenger vehicle unit sales declined to 5,380 from 5,724 despite selling higher number of commercial vehicles. Consequently, the New Zealand operations delivered a lower PBIT of RM71 million.

In October 2019, SDM acquired the transport and material handling business of Gough Group Limited, which complements its commercial vehicle business, enabling growth in after-sales operations and broadening its suite of franchises, essentially strengthening SDM's position in Australasia.

Australia

In Australia, total car sales fell by 3% to 1.15 million units in 2018 compared to 1.19 million in 2017, due to the tightening of the lending market and a slowdown in the economy. Sales in almost every segment of the market was lower in 2018. Notably, the sales of Sport Utility Vehicles (SUVs) continued to outpace passenger cars.

The Division's Australian operations achieved a PBIT of RM27 million, a contraction from the last financial year, mainly due to lower sales and reduced margins from the luxury cars business.

In February 2019, SDM was appointed as a dealer for Rolls-Royce with the opening of a branch in Brisbane, and in September 2019, it announced the acquisition of three dealerships in Sydney, representing the BMW, MINI, Volkswagen, Jaguar and Land Rover marques.

Thailand

TIV in Thailand grew by 19.2% y-o-y to 1.04 million units, boosted by improved economic growth, introduction of new models and greater investments into the sector. However, the Division's Thailand operations, affected by stiff competition, sold fewer vehicles during the year under review, posting a decline of 12.9% to 7,497 units. This resulted in a lower contribution to the Division's PBIT of RM10 million for FY2019.

DIVISIONAL OPERATIONS REVIEW

RISKS TO OUR BUSINESS

SDM operates in nine markets across the Asia Pacific region and the performance of its businesses may be affected by fluctuations in multiple areas. These include foreign exchange, local government regulations, uncertain economic conditions, consumer confidence levels and hire purchase financing policies. The overall growth of the automotive sector in the region hinges largely on the impact of the US-China trade conflict, as well as on China's economic growth.

KEY RISK	DESCRIPTION	KEY MITIGATION MEASURES
US-China Trade Conflict	The US-China trade conflict would directly affect a variety of markets SDM is present in, including China, Hong Kong, Macau and Taiwan.	SDM is largely shielded from the trade tariffs as 75% of BMW's sold in China are manufactured locally, protecting them from any tariffs that may be imposed. Despite the economic slowdown in China, the demand for luxury cars remains robust due to the growing affluent population. The introduction of new models with additional specifications at competitive prices will help to improve sales. To further drive sales, the Division aims to utilise sales campaigns, special promotions and car shows, supported by special financing offers and trade-in programmes.
Impact of Technology Disruption	Digitalisation, increasing automation, and new business models are giving rise to four disruptive trends in the automotive sector: Autonomous, Connected, Electrified, and Shared (ACES). Autonomous vehicles and/or mobility solutions may replace vehicle ownership as the preferred model. Electrification of drivetrains may affect after-sales income as electric vehicles have fewer moving parts. The digitalisation of the customer journey, and growth of online customer platforms presents new risks around data protection, maintenance of standards and customer engagement.	SDM has developed strategies to capitalise on these trends and to future-proof its business against ongoing disruptions in the sector. The Division is focused on fleet management services as well participating in the pilot of new technologies. The Division has a diversified portfolio and is working closely with Original Equipment Manufacturers (OEMs) to include different vehicle types and technologies. SDM is also designing digital and in-store experiences to improve customer service across different channels and platforms.
Principal	Potential loss of contracts with key OEM partners if performance does not meet Principal's expectations or terms of agreements are not complied with.	SDM is focused on delivering on volume aspirations and maintaining close relationships with all Principals to ensure that both the Principals' and the Division's interests are aligned. In addition, SDM has a diversified brand portfolio.

The Asia Pacific automotive sector will continue to face macroeconomic headwinds either as a result of cyclicality, or fiscal and policy changes that affect consumer confidence.

▲ *Sime Darby Auto Engineering (SDAE) Engine Assembly Facility in Kulim, Kedah*

"Moving forward, the Chinese government's plans to stimulate the economy and its move to relax car ownership restrictions in larger cities, are expected to revive growth in the automotive market."

OUTLOOK

The Asia Pacific automotive sector will continue to face macroeconomic headwinds either as a result of cyclicality, or fiscal and policy changes that affect consumer confidence. One of the most pressing concerns across the markets that SDM operates in, is the ongoing trade conflict between the United States and China, which continue to weigh on the global economy, dampening growth and increasing pessimism.

Automotive sales in China continue to decline, with the slump in demand showing no signs of easing, largely due to the cooling economic growth, the weakening Renminbi, Beijing's nationwide implementation of a more stringent emission standard and the ongoing trade tensions. Despite weakening car sales, the strong and growing higher-income population in China is expected to be positive for the outlook on demand for luxury cars. Moving forward, the Government of China's plans to stimulate the economy and its move to relax car ownership restrictions in larger cities is expected to revive growth in the local automotive market. This will bode well for SDM.

In Malaysia, the weakening Ringgit will add pressure on consumer spending ability and growth in new automotive sales. Persistent high levels of household debt will limit credit growth and spending power, which in turn will moderate demand for new vehicles. However, the weaker Ringgit is also expected to have a positive impact on SDM's assembly business, as it will support the country's automotive export potential. The Inokom assembly plant has models lined up for the export and domestic markets, and will continue exploring opportunities with existing and new partners to increase its assembly volume.

In Australia and New Zealand, SDM expects to continue benefitting from a recovery in the mining and construction sectors which will boost its sales for commercial vehicles. In Thailand, the prevailing credit-friendly environment is expected to support vehicle sales momentum. In Taiwan, Hong Kong and Macau, which are more directly affected by the US-China trade conflict, lower overall vehicle sales are anticipated. Meanwhile in Singapore, the government's zero percent car growth policy will continue to constrain vehicle sales in the foreseeable future.

SDM is generally confident that sales of luxury and super-luxury vehicles will continue to grow, albeit at a slower pace. These markets have remained resilient and are forecasted to grow at low double digits this year, despite the slowdown in the overall passenger vehicle market.

RAMSAY SIME DARBY HEALTH CARE

▲ *Ara Damansara Medical Centre, Malaysia*

Business activities:

Hospital Operations

Day Surgery Centre

Healthcare Education

Scan the QR code for more information.

The Group's healthcare business consists of Ramsay Sime Darby Health Care (RSDH), a 50:50 joint venture between SDB and Ramsay Health Care formed in 2013. The joint venture operates three hospitals in Malaysia and Indonesia respectively, a Day Surgery Centre in Hong Kong as well as a nursing college in Malaysia, Ramsay Sime Darby Healthcare College.

RSDH focuses on providing first rate care to all its patients across its hospitals, providing world-class facilities, utilising state-of-the-art medical technology combined with high quality clinical practices by a team of experienced doctors and medical professionals. As a testament to RSDH's commitment to exceptional healthcare, the joint venture has won numerous regional accolades for its service and quality excellence.

DIVISIONAL OPERATIONS REVIEW

Locations

1 Malaysia

2 Indonesia

3 Hong Kong

DIVISIONAL OPERATIONS REVIEW

Key Highlights

The Group's share of profit from RSDH has more than tripled since FY2015, from RM15 million to RM49 million in FY2019. The share of profit was lower in FY2019 compared to RM57 million in FY2018 mainly due to higher tax expense. At the RSDH joint venture level, RSDH recorded higher revenue and PBIT in FY2019 compared to FY2018, with both Malaysian and Indonesian operations reporting improved operating results.

Profit contribution from RSDH JV (RM million)

FY2019 OPERATIONS REVIEW

In the year under review, RSDH continued to drive improvements across its operations through better utilisation of hospital assets, optimisation of cost, upgrade of existing hospitals and recruitment efforts focused on hiring skilled specialists and nurses to meet patient needs.

RSDH is focused on driving stronger growth from its core hospital operations. Some of the initiatives undertaken during the period under review include public private collaborations with government hospitals in Malaysia and increasing utilisation of existing services such as diagnostics.

▲ *RSDH Day Surgery Centre, Hong Kong*

As part of the continued expansion of its footprint in Asia, RSDH established a Day Surgery Centre in Hong Kong in November 2018. The Centre offers outpatient or ambulatory surgery, for procedures not requiring overnight stays. Its effective treatments combined with attractive pricing allows for fast patient turnover.

The company also saw improved operational efficiencies following enhancements to workforce planning, and investment into employee training and development. In the year under review, labour workforce reengineering was implemented, leading to a reduction in labour hours. Contract renegotiations with vendors were also undertaken in FY2019, to further drive cost savings.

"In the year under review, RSDH continued to drive improvements across its operations through better utilisation of hospital assets, optimisation of cost, upgrade of existing hospitals and recruitment efforts focused on hiring skilled specialists and nurses to meet patient needs."

RISKS TO OUR BUSINESS

KEY RISK	DESCRIPTION	KEY MITIGATION MEASURES
Talent Management	Ability to provide exceptional patient centric care is dependent on the availability of skilled & qualified specialists and nurses.	• Offer competitive remuneration packages, development and training opportunities to retain and attract skilled healthcare professionals.
Regulatory & compliance	Ensure operations and business activities are in compliance with applicable legal and regulatory requirements.	• Regularly engage with governments, regulators and authorities to remain up to date. Any potential adverse impacts of proposed regulatory changes are understood and where possible, mitigated.
Competitive Landscape	Increasingly competitive healthcare landscape with private and public healthcare providers and digital healthcare start-ups.	• Continuous effort to develop and retain talent. • Enhance patient centric care and service to gain competitive advantage in the marketplace. • Implementation of business process improvement to enhance efficiency and lower operating costs.

In Malaysia, the growing medical tourism sector was encouraged by an allocation of RM20 million to the Malaysia Healthcare Tourism Council for the promotion of the country's medical tourism industry.

▲ *Premier Bintaro Hospital, Indonesia*

OUTLOOK

The outlook for the healthcare segment in Asia continues to be positive with the rising demand for quality healthcare in a region driven by rising income levels, aging populations and growing prevalence of lifestyle diseases.

It is forecasted that over 20% of the world's population will be over 60 years old by 2050, while healthcare expenditure in Asia is projected to reach USD2.3 trillion by 2026. Another trend supporting growth in the healthcare sector is the increasing popularity of universal healthcare insurance coverage. Private healthcare insurance premiums in Asia are expected to reach USD100 billion by 2020, signalling an expectation of greater demand for high quality private healthcare services in the future.

In Malaysia, the growing medical tourism sector was encouraged by an allocation of RM20 million to the Malaysia Healthcare Tourism Council for the promotion of the country's medical tourism industry.

As part of RSDH's strategy of growing in Asia, it is keeping a lookout for growth opportunities through greenfield and brownfield investments, as well as acquisitions.

Source: WHO, ICP Global Results, EIU, BMI.

SIME DARBY LOGISTICS

Business activities:

- **Loading and Discharging**
- **Tallying and Tugging**
- **Container Related Services**
- **Sorting and Repackaging**
- **Stack Yard**
- **Storage**

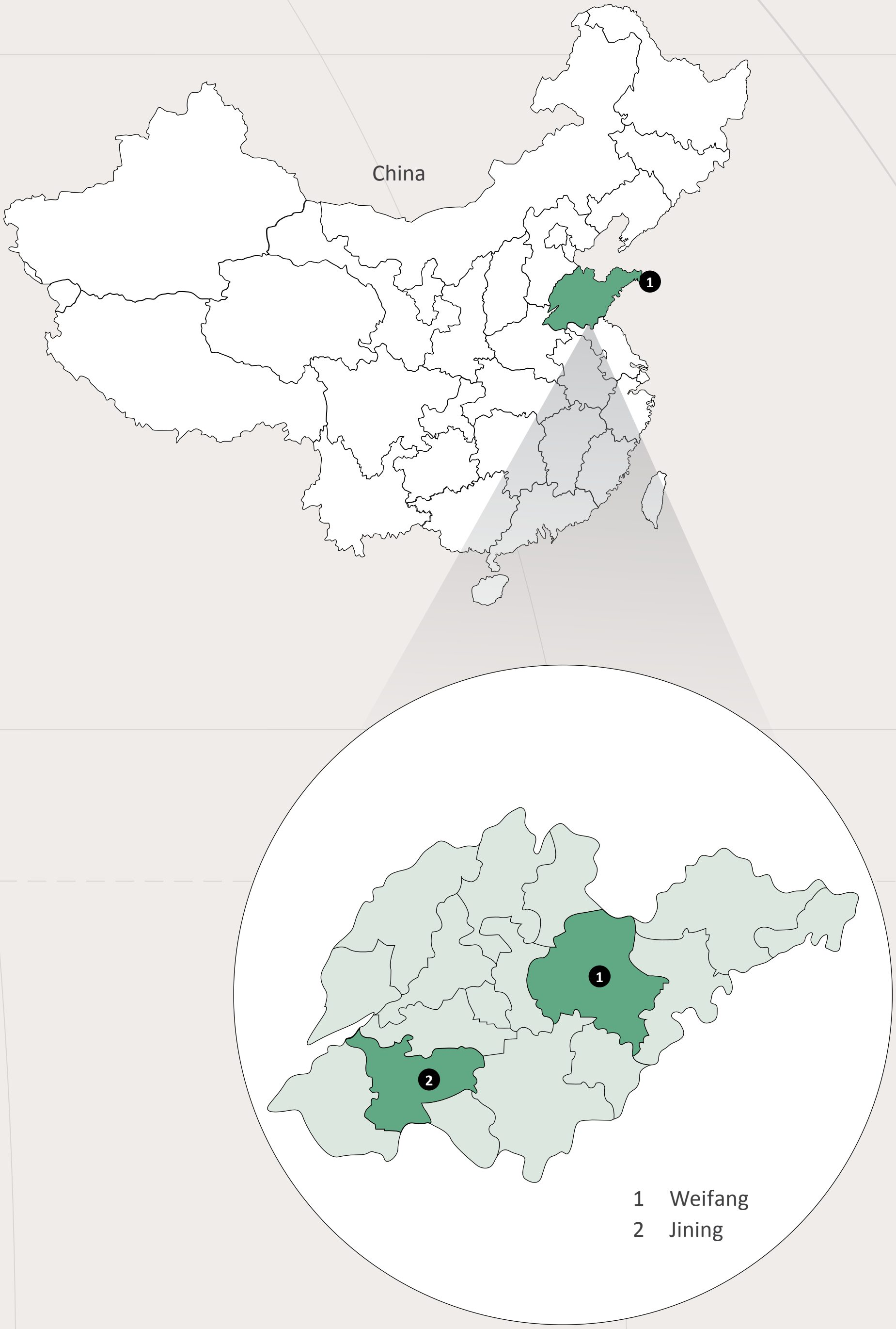
Scan the QR code for more information.

▲ *Dry bulk and container berths in the east operating area of Weifang Sime Darby Port*

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

SDL's primary activities are the loading and unloading of containers, dry bulk, break bulk, general and liquid cargo as well as storage services for the ports' customers. Other value-adding services include tallying and tugging of ships, container-related services, sorting and repackaging of general cargo, managing stack yard operations as well as washing and blending of coal.

DIVISIONAL OPERATIONS REVIEW



Location
1 Shandong Province, China

DIVISIONAL OPERATIONS REVIEW

Key Highlights

SDL reported a lower revenue of RM283 million, following the divestment of Weifang Sime Darby Water Management Co. Ltd. (Weifang Water), its water treatment and distribution business during the year. Revenue was also affected by lower bulk cargo throughput, which fell 7% to 30.3 million tonne in FY2019. Container operations, however, grew 13% from 240,536 TEU in FY2018 to 272,435 TEU this year.

SDL reported a Profit Before Interest and Tax (PBIT) of RM2 million compared with RM74 million in the previous year. The reduced PBIT was largely due to the share of loss and impairment of Weifang Port Service, totalling RM119 million. Excluding one-off items, the Division's core PBIT was RM43 million, 41.9% lower year-on-year.

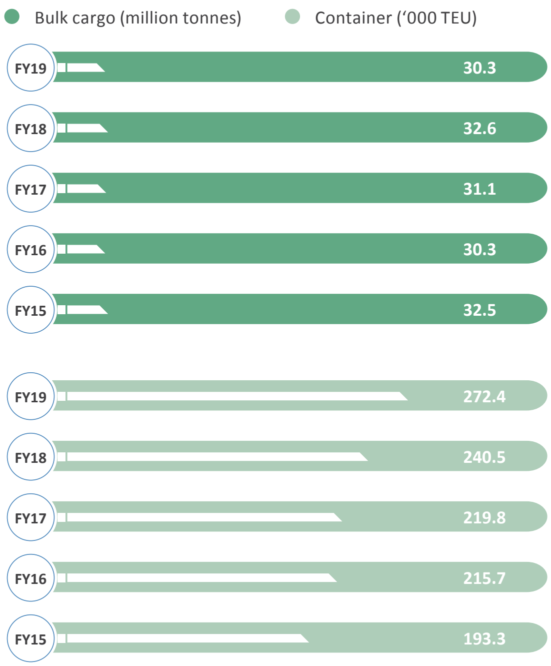
In FY2019, SDL successfully completed the divestment of Weifang Water for approximately RM283 million in September 2018, recognising a gain on disposal of RM78 million in FY2019.

Revenue (RM million)

PBIT (RM million)

Return on Average Invested Capital (%)

Port Throughput



DIVISIONAL OPERATIONS REVIEW

▲ *Jining Sime Darby Port*

▲ *Large dry and breakbulk terminal in the west operational area of Weifang Sime Darby Port*

Sime Darby Logistics will continue to enhance the ports' efficiency and productivity, to maximise returns from its investment in the ports.

FY2019 OPERATIONS REVIEW

SDL was identified as a non-core business. The Group had announced plans to divest the operations within the next five years, but the divestment exercise has had to be deferred as a result of the uncertainties arising from the port consolidation exercise as well as the unfavourable business conditions arising from the trade conflict with the United States. The government had announced a major exercise to consolidate all the ports in the Shandong province into four large port groups. This exercise is ongoing.

In view of this, the Group has made a strategic decision to defer its divestment plan until the port consolidation exercise has been completed. SDL will now focus on enhancing the efficiency and productivity of the port's operations.

In the year under review, macroeconomic challenges, as well as the demanding operating environment continued to weigh on the Division. SDL's port operations, nevertheless, remain resilient in the face of heightening competition and the reduced coal throughput.

In FY2019, all three river ports in Jining were awarded "Green Port" status after port facilities were upgraded to comply with the latest environmental protection regulations. This allowed SDL greater operational flexibility which contributed to improved throughputs.

"Sime Darby Logistic's port operations, remain resilient in the face of heightening competition and the reduced coal throughput."

DIVISIONAL OPERATIONS REVIEW

RISKS TO OUR BUSINESS

KEY RISK	DESCRIPTION	KEY MITIGATION MEASURES
Macroeconomic	The ongoing US-China trade conflict has adverse implications on China's international trade and its domestic manufacturing activities.	SDL will focus on operational improvements while developing services that match domestic logistics demand.
Competition	Competition remains intense with nearby ports undercutting prices, and alternative modes of transportation. Uncertainties arising from the US-China trade conflict and China's port consolidation exercise will intensify competition as ports attempt to gain market share and stay competitive.	SDL will focus on providing reasonably priced, high quality port handling services and extend its value proposition by offering end-to-end logistics services. SDL is actively exploring strategic collaboration opportunities with other ports and expanding origin/destination network and coverage for customers.
Environmental Restrictions	The Chinese government's clampdown on polluting manufacturers and industries will adversely impact the demand for raw materials, such as coal. Suspension of coal mine operations and other coal related operations during environmental inspections will adversely impact the Division's throughput.	SDL has upgraded port facilities to be compliant with environmental protection regulations. It anticipates less operational disruptions in the near term with ports in Jining being conferred Green Port status.
Infrastructure	The ownership and responsibilities for maintenance of the channel and other public infrastructure is expected to be transferred to the local government following the ports consolidation exercise. And until the transfer is completed, there is a risk of potential delays to the periodic maintenance of the main channel which could affect the channel depth and hence adversely impact the port's throughput.	SDL has been working closely with the local government and related parties to expedite the resolution of the issue. SDL has also allocated sufficient budget to temporarily maintain the channel to ensure its port operations are not affected. The Division will recover the costs by offsetting future channel usage fee.

▲ *Jining Sime Darby Port*

DIVISIONAL OPERATIONS REVIEW

▲ *Liquid Terminal at the west operation area of Weifang Sime Darby Port*

"The government's commitment to clamp down on over-capacity and polluting raw material industries...may give rise to opportunities for cleaner port operations such as the handling of break bulk, general cargo and containers."

OUTLOOK

China's GDP expanded 6.4% year-on-year in Q1 2019, matching Q4 2018's performance and surpassing the 6.3% market estimate. This is in view of the accelerating industrial output growth and the strengthening consumer demand, amid the government's pro-growth policies. The market expects the government to adopt a cautious approach and to continue taking the necessary steps to ensure stability and sustainable growth.

The impact of the ongoing trade conflict on local industrial activity and the government's commitment to clamp down on over-capacity and polluting raw material industries, will continue to impact the throughput of dry bulk raw material cargo. However, this may give rise to opportunities for cleaner port operations such as the handling of break bulk, general cargo and containers.

In the coming financial year, SDL will continue to focus on operational efficiencies, business development efforts and a pragmatic spending approach to improve throughput and financial performance. Efforts will be made to extend the scope of its end-to-end logistics services to existing and new customers, in order to strengthen collaborative relationships and customer loyalty, while securing additional income for the business. Developing cleaner and higher value break bulk, general cargo and containers will be prioritised.

SDL is also working on improving yard utilisation and attracting customers to develop storage facilities on the logistics park land. These initiatives are expected to improve SDL's asset turnover and reduce its capital investment while also securing bulk volume and building customer loyalty.

Reference: Focus Economics, China Q1 GDP Growth Beats Estimates, 17 April 2019; Trading Economics, Economic Growth Stabilizes in Q1 2019 as Policy Stimulus Kicks in; The Economist Intelligence Unit, The Economic Outlook for China in 2019

COMMITMENT AND GOVERNANCE

WE STRIVE TO DO OUR UTMOST TO STRIKE A MEANINGFUL BALANCE BETWEEN OUR ECONOMIC ASPIRATIONS AND OUR SOCIAL AND ENVIRONMENTAL OBLIGATIONS.

▲ *We remain vigilant of the economic, social and environmental impact of our actions*

OUR COMMITMENT

We strive to do our utmost to strike a meaningful balance between our economic aspirations and our social and environmental obligations. This Sustainability Report details our continuous efforts to ensure that as we pursue growth in profits and expansion of our operations, we remain vigilant of the economic, social and environmental impact of our actions.

SUSTAINABILITY GOVERNANCE

The Group's Sustainability Strategy is governed by Sime Darby Berhad's Board of Directors and supports the Group's efforts in delivering sustainable value to our stakeholders.

The reporting structure ensures that the Board of Directors are updated in a timely manner and at regular intervals on all sustainability related matters.

In FY2018, a Materiality Assessment was undertaken to identify and assess the issues that are most relevant and material to the sustainability of our Group.

For more information on our Material Issues, please see pages 18 to 20.

OCCUPATIONAL HEALTH
& SAFETY(OHS)

The safety and health of our employees, partners and local communities has always been a top priority. We have implemented proactive measures to prevent incidents and to minimise risks.

We are saddened to report however, that there were two fatalities during the year; an accident involving an overturned forklift at our Inokom automotive assembly plant and another involving a stevedore loading containers onto a ship at our Weifang Port in China.

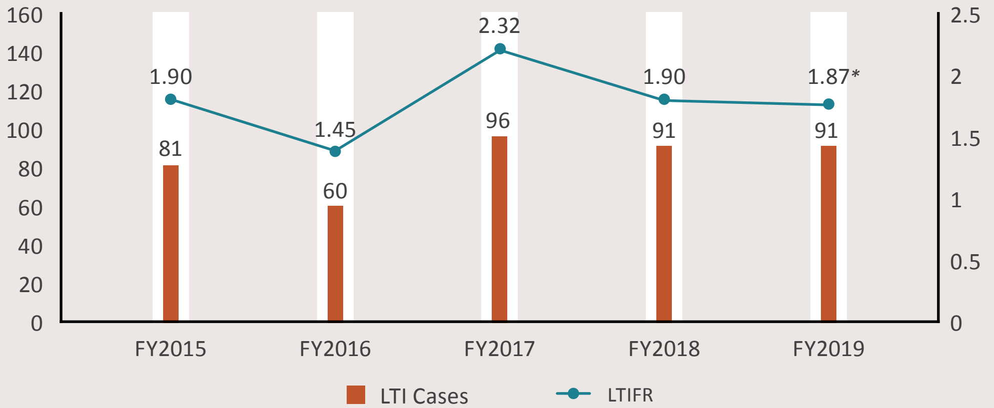
Any fatality is unacceptable. We are determined to enhance the safety culture across all of our operations Group-wide to prevent the recurrence of such incidents.

For the year under review, the Group reported a total of 91 Lost Time Injury (LTI) cases across our operations, with a Lost Time Injury Frequency Rate (LTIFR) of 1.87. One LTI case at Sime Darby Logistics, resulted in a permanent disability.

We maintain our focus on promoting "No Harm" through safety leadership and culture programmes across the Group, as well as enhancements on lead indicator reporting, further capabilities building, delivery of programmes and audits, to target high risk activities and the implementation of critical controls.

▲ *We maintain our focus on promoting "No Harm" through safety leadership and culture programmes*

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



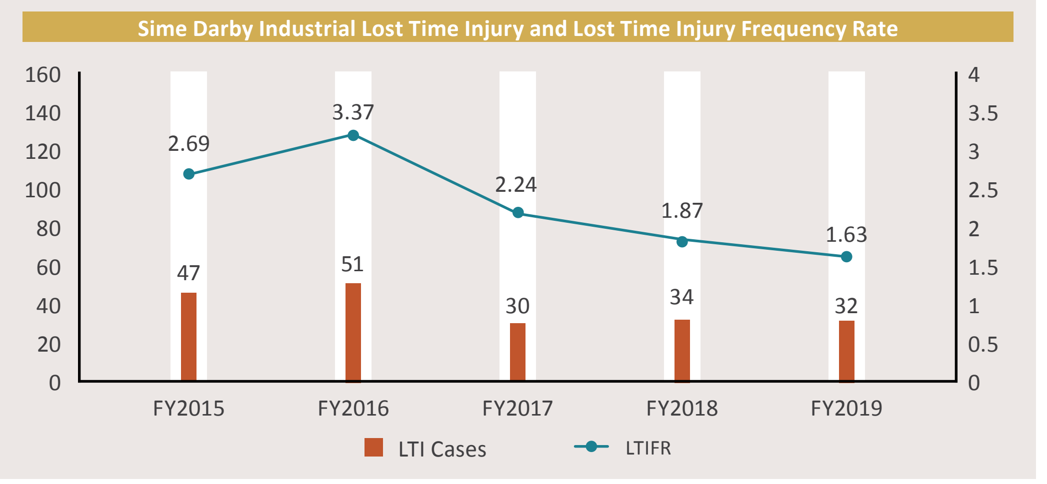
** The Sime Darby Berhad LTIFR data has been assured by a third party. Read the Independent Assurance Report on page 302.*

LTIFR = incidents per million man-hours worked

OCCUPATIONAL HEALTH & SAFETY

"Sime Darby Industrial's deployment of the Felt Leadership programme across the Division has been fundamental in challenging and shifting beliefs and behaviours in relation to safety, and developing the safety culture."

SIME DARBY INDUSTRIAL (SDI)



In FY2019, Sime Darby Industrial (SDI) lowered its LTIFR from 1.87 in FY2018 to 1.63.

SDI's deployment of the Felt Leadership programme across the Division has been fundamental in challenging and shifting beliefs and behaviours in relation to safety, and in developing the safety culture.

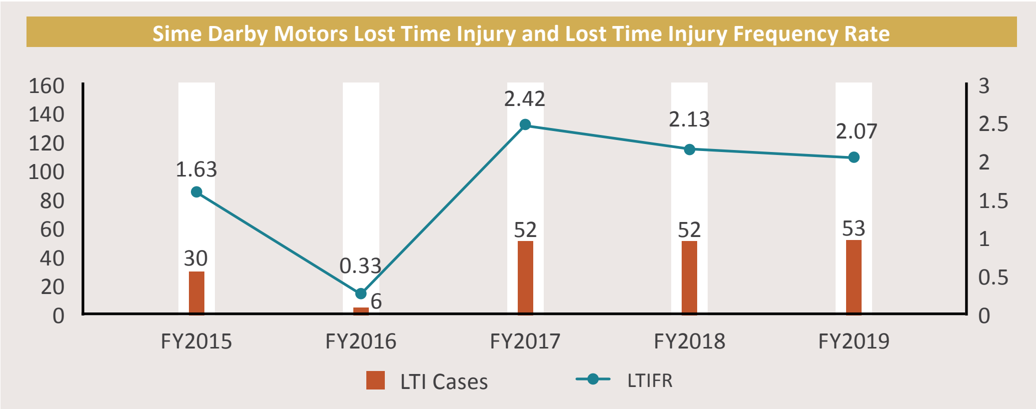
SDI maintained its focus on minimising critical hazards within work processes throughout FY2019. Following the successful roll-out of the Division's Life Saving Commitments in FY2018, the programme is being deployed across the Division's Asian operations. Standardised controls developed to support the Life Saving Commitments will be incorporated into Safety Management Systems across the Division. This in turn will be supported by baseline health and safety audits and action plans to address any gaps.

Following the successful deployment of an incident recording and reporting software in the Division's Australia operations, the Division plans to cascade its implementation across the rest of its operations, to ensure standardisation in incident recording, reporting and investigation standards.

RECOGNITION OF SAFETY COMMITMENT AND PERFORMANCE

SDI received several accolades for its efforts on promoting safety. The Caltrac operations in New Caledonia was recognised for its commitment to safety by the local authorities. SDI's operations in Kuantan, Ipoh and Klang Valley in Malaysia were awarded the Gold Class 1 by the Malaysian Society for Occupational Safety & Health (MSOSH), for its proven and outstanding Occupational Safety records.

SIME DARBY MOTORS (SDM)



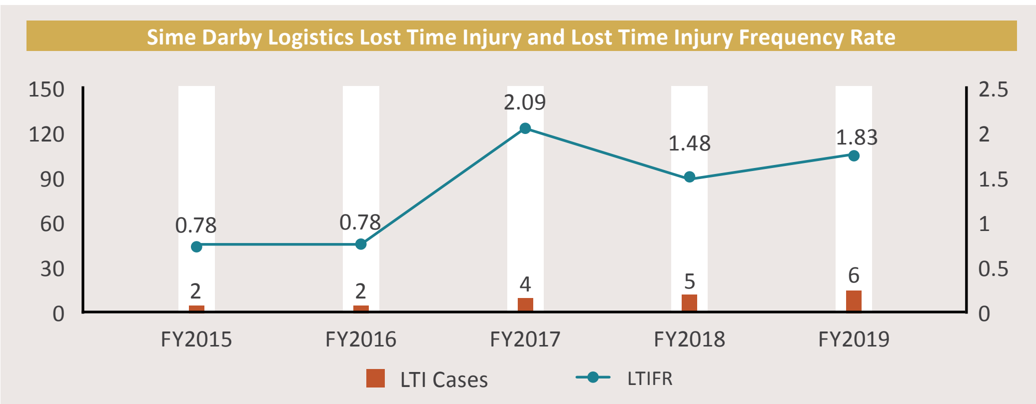
"In FY2019, Sime Darby Motors successfully reduced its LTIFR to 2.07 incidents per million man-hours worked from 2.13 in the previous year."

In FY2019, Sime Darby Motors (SDM) successfully reduced its LTIFR to 2.07 incidents per million man-hours worked from 2.13 in the previous year. This is reflective of the Division's commitment in encouraging a safety culture within its operations, which included efforts to encourage and increase Concerned Positive Reporting.

To further enhance safety leadership practices, a review of the Division's organisation structure was undertaken in FY2019, along with Occupational Health and Safety (OHS) training for the Division's senior leadership team in China. An assessment on the management and handling of chemicals at key operations in Malaysia was also conducted.

The Division organised a Road Safety Awareness Programme for its employees at its head office in Malaysia, which encouraged a shift in mindsets towards safety, and included tips on how to be a good driver, hazard identification, and other strategic, tactical and operational skills. This programme served as a teaser prior to the launch of the Division's Road Safety Campaign, with a key area of focus on defensive driving, across its operations.

SIME DARBY LOGISTICS (SDL)



"Sime Darby Logistics has implemented a structured programme to improve safety practices to further improve its safety culture."

In FY2019, LTIFR at Sime Darby Logistics (SDL) increased to 1.83 incidents per million man-hours worked, from 1.48 incidents per million man-hours worked in the previous year. SDL also experienced one fatality and one serious injury case. A structured programme to improve safety practices was implemented across the Division to address the increase in LTIFR and improve safety culture. These include, among others, identification of areas for improvement, standardisation of processes, improvement of communication and better management of contractors.

QUALITY & CUSTOMER SATISFACTION

Quality and customer satisfaction are the tenets of our operating philosophy. In order to consistently maintain a high level of customer satisfaction across all our operations, we focus on driving continuous improvement through regular customer engagements and feedback channels.

Customer satisfaction at Sime Darby Industrial is tracked and analysed through the Caterpillar Net Loyalty Score process, whilst Sime Darby Motors utilises an internally-developed Customer Satisfaction Index to measure satisfaction rates for sales and after-sales service.

CUSTOMER EXPERIENCE AT HASTINGS DEERING

Customer Experience (CX) has been an area of focus for the business, and a key pillar in delivering on our strategic plan. The intent of the CX initiative was to simplify interactions with customers and to ensure that Hastings Deering remains a trusted and preferred partner.

The first phase of Hastings Deering's CX journey was to transition to a coordinated approach to CX across the company. Four focus areas were identified:

- Rebuild Customer Trust – to deliver a simplified yet superior experience that exceeds customer expectations.
- Customer Driven Solutions – to ensure that the voice of the customer is considered across all processes.
- Digital Solutions – to make it faster, easier and for the quality of interaction with the company to be more consistent.
- Multi-channel Excellence – to enable customers to reach the company faster and easier via all their preferred channels.

Hastings Deering's ensuing CX journey will focus on increased standardisation across the business, optimisation with more digital solutions, simplified processes, increased capability in data analytics and advanced digital technologies.

HDADVANTAGE™ BY HASTINGS DEERING

In FY2019, Hastings Deering introduced HDAdvantage™, an engagement programme specific for customers in the construction industry. HDAvantage™ was implemented to boost parts sales to customer base, improve planned maintenance offerings and enhance the value of the connectivity of the customers' assets. An enterprise portal provides customers with information on their assets.

The programme features a fully automated system which generates preventative maintenance alerts. It has been a resounding success with 1,700 connected assets and a 96% Customer Service Agreement sign-up rate. The company also saw a 94% renewal rate to the HDAdvantage™ Fleet Programme.

SREP AT SIME DARBY MOTORS

Since the launch of the Sime Darby Motors Retail Excellence Programme (SREP) in FY2017, the Division's sales and after-sales performance have improved. The SREP process began with a 360-degrees process scan to analyse all processes, KPIs and customer satisfaction indices, followed by interactive workshops to identify internal pain points and their root causes. This led to the identification of new standards and targets for improvement.

With coaching from experienced managers, employees were able to develop solutions to ensure that the newly established standards and targets are achievable and sustainable. The programme has been deployed to 13 dealers, including the BMW operations in China, through a series of collaborative workshops and coaching programmes, including:

- Development of a customer-oriented dealership strategy with shared vision, mission and strategic objectives.
- CX improvements such as new omni-channel customer journeys with digital touchpoints, personalised services and mobility solutions. Examples include, virtual reality presentations, pick-up and delivery services, on-site customer feedback survey, 24-hour service and enhanced communications on social messaging platforms.
- Enhanced quality and standards for sales and after-sales services.

Within six months, six BMW dealerships in China have seen a 34% increase in number of orders for MINI, 6% increase of orders for BMW, and a 1% increase in retention rate.

The Division plans to deploy SREP to more dealers across its operations, following the successful outcomes.

WAREHOUSE DIGITALISATION PROJECT AT INOKOM

In FY2019, Inokom introduced the Warehouse Digitalisation Project to improve the quality of service delivery to customers. The company then automated the parts defect claim and the consumable management processes.

The initiative resulted in savings of approximately RM137,000 in the year under review, and more importantly, increased Inokom's competitive advantage with improvements in the overall efficiency and quality of its assembly process, in the following ways:

- Full visibility of stock for parts throughout the supply chain.
- Maximisation of free storage at the port and mitigation of demurrage charges risks.
- Reduction of manual form filling.
- Real time updates on the receipt of cases.
- Reduction of time spent on unpacking and loading of parts to trolleys prior to production line.

ENVIRONMENTAL SUSTAINABILITY

CARBON & ENERGY MANAGEMENT

Sime Darby Berhad is committed to reducing its carbon and energy footprint by 5% in 2023, from its 2018 baseline of CO_2 emission of 127,958 tonnes and energy consumption of 917,646 gigajoules (GJ).

All Divisions are focused on reducing the use of purchased electricity, as it is the most significant component of the Group's carbon emissions footprint. In FY2019, all three Divisions introduced more energy saving and environmentally-efficient programmes into operations:

SOLAR PANEL INSTALLATION

Sime Darby Industrial installed Solar PV systems capable of producing 300kWs, across its Australia and China operations. To date, the systems have generated nearly 500 MWh of solar electricity.

LED LIGHTING

Tractors Singapore Limited, Hastings Deering's Mackay operations and Inokom's automotive assembly plant are progressively converting to LED lighting across their operations.

PROVISIONAL GBI CERTIFICATION FOR MOTORS NEW HQ

The new Sime Darby Motors headquarters, currently under construction in Ara Damansara, Selangor, has achieved a provisional Green Building Index certification, nationally recognised by Pertubuhan Akitek Malaysia and the Association of Consulting Engineers Malaysia in FY2019.

EMISSION REDUCTION AT LOGISTICS JINING PORT

Sime Darby Logistics replaced its coal-fired boiler at Jining Yuejin Port, resulting in reduced emissions and lower energy consumption at the port.

▲ *Solar PV Systems installed at China Engineering Limited*

WASTE & EFFLUENT MANAGEMENT

The Group manages all its domestic, industrial and scheduled waste in accordance with respective national or local legislations.

We are prioritising the reduction target for scheduled waste. The Group has commenced the process of monitoring scheduled waste generated for our Industrial, Logistics and Malaysian Motors operations to identify our baseline. In 2018, the Group's total scheduled waste generated was 6,321 tonnes. The Group aims to expand its waste monitoring initiative to cover its Motors operations outside Malaysia in FY2020.

Some of the initiatives implemented by our operations to reduce waste are as follows:

Sime Darby Industrial has started improvements on its reporting and tracking processes for regulated waste streams across the region. Its Australian operations has engaged a waste management specialist to undertake an annual review of its waste generation. It currently recycles 60% of Hazardous Waste (Scheduled Waste) generated during CY2018.

Tractors Singapore Limited has initiated a programme to migrate its documents into digital formats to reduce printing.

Sime Darby Logistics installed closed conveyor system at its three ports in Jining, Shandong to reduce coal dust in the areas surrounding the ports.

Water Management

Sime Darby Berhad is developing guidelines to measure both water consumption and the water-saving initiatives across all our operations. Total water consumed across the Group in 2018, excluding our Motors operations outside of Malaysia, was 1,195,552 m^3. For future reporting, we will also disclose water consumption in all countries of operations for Sime Darby Motors.

PEOPLE

Our people are at the core of our Value Creation Plan. With approximately 20,000 employees, we focus on fostering a dynamic and inclusive culture to empower leaders, expand talent capabilities and engage employees in supporting the delivery of our business strategies.

In order to be agile and responsive to the unique and changing needs of the different industries and countries we operate in, flexibility is provided to the Divisions to manage their day-to-day Human Resources (HR) operations and capability building needs. Strategic direction and guidance from the Group are concentrated in areas such as Leadership Development, Performance Management, Rewards, Talent Management and Succession Planning, to ensure equitability and consistency across the Group in key strategic HR matters.

Sime Darby Berhad considers two issues material to our people, namely **Fair Employment Practices** and **Employee Training and Development**. We believe that a diverse workforce brings value through varied skills, experiences and viewpoints, as well as flexibility in adapting to fluctuating market and customer demands. Through our equal opportunity and non-discriminatory hiring policy, we aim to provide equal employment to all, regardless of gender, race, disability, nationality, religion or age. Employee Training and Development on the other hand is crucial in ensuring that we future proof the skills and capabilities of our workforce to make the best out of the emerging challenges in an ever-changing business landscape, and to mitigate the potential impact of disruptive technologies on our operations.

▲ *A diverse workforce brings value through varied skills, experiences and viewpoints*

We keep abreast of compliance requirements for employment practices through engagements with external HR groups, including HR-related associations, federations and interest groups. Regular meetings among HR Heads are held to align ourselves against industry peers, formally via benchmark reports, and informally, through our networks to stay in touch with emerging trends potentially impacting our operations. We also participate in annual remuneration surveys to benchmark ourselves against industry best practices in areas such as Compensation and Benefits. This goes towards ensuring that our remuneration packages, employee benefits and work culture remain competitive, allowing us to retain the best talents in the respective industries and countries.

In FY2020, we plan to conduct an employee engagement survey to identify other key focus areas related to employment practices that can be improved.

"We believe that a diverse workforce brings value through varied skills, experiences and viewpoints, as well as flexibility in adapting to fluctuating market and customer demands."

OVERVIEW OF SIME DARBY BERHAD EMPLOYEES (AS AT 30 JUNE 2019)

Total Employees by Country/Territory

19,909
100%

Malaysia	China	Australia	Hong Kong	Singapore	New Zealand	Thailand	Others
5,849	**5,746**	**3,637**	**1,191**	**1,072**	**808**	**706**	**900**
(29.4%)	(28.9%)	(18.3%)	(6.0%)	(5.4%)	(4.1%)	(3.5%)	(4.4%)

Total Employees by Gender

Male	Female
14,997	**4,912**
(75%)	(25%)

Total Employees by Generation Group

Baby Boomers (1962 & earlier)	Gen-X (1963 - 1979)	Gen-Y (1980 - later)
1,028	**5,876**	**13,005**
(5%)	(30%)	(65%)

Breakdown of Employees by Position and Gender

Management Category	Female	(%)	Male	(%)	Total
Top Management	2	22%	7	78%	9
Senior Management	18	17%	87	83%	105
Middle Management	115	22%	407	78%	522
Junior Executives	995	31%	2,169	69%	3,164
Non Executives	3,705	28%	9,328	72%	13,033
Workers	77	3%	2,999	97%	3,076

PEOPLE

▲ *Most of the Group's training efforts focus on enhancing the technical and job specific skills of employees in customer facing roles*

FAIR EMPLOYMENT PRACTICES

Our remuneration, promotion, recruitment and selection processes are based on merit and do not discriminate against age, race, gender, religion or marital status. This serves as a good baseline practice which is adapted and adopted across the Group's operations, keeping in mind that the policies must adhere to the respective domestic laws and regulations. For example in Australia, this policy is reflected in Hastings Deering's Flexibility and Inclusion Initiative, "Together as One" which was designed to create an environment where all our people feel a sense of belonging.

As part of our efforts to build a talent pipeline for critical positions, we have established structured training programmes while we continue to work closely with institutes of higher learning to grow and identify future employees. This year, to grow a pool of talent for Customer Service Officers, Service Advisors and Technicians, the Malaysian operations of Sime Darby Motors visited more than seven different universities and colleges all over the country to explore various forms of collaboration, which included the development of degrees, diplomas and skills related courses and the supply of top students and graduates.

EMPLOYEE TRAINING AND DEVELOPMENT

In the year under review, we continued our work on Talent Development through the design of external training courses and tailored programmes such as Core Executive Programme (CEP). Over the next few years, we will be refining and realigning CEP's curriculum for Executives and above, with each Division looking to embed customised content to meet their specific capabilities and operational needs.

With operational excellence being a key factor in enhancing customer experience, most of the Group's training efforts focus on enhancing the technical and job specific skills of employees in customer facing roles. In FY2019, Sime Darby Industrial Sdn Bhd ran a new Technician Training Programme between October 2018 to May 2019 to incorporate the latest technical requirements for the new Next Generation Cat® Excavators, as well as a safety culture. In Hastings Deering, a review of current Parts and Service capabilities and learning priorities was conducted via electronic survey across the company to develop a six-step ongoing learning programme. A total of 89 frontline Parts team members across Brisbane, Toowomba, Mackay and Rockhampton attended the Parts Customer Excellence programme, while the pilot programme for Service Customer Excellence is expected to be completed at the end of September 2019 with deployment to start in October 2019.

We are also looking into e-learning modules to promote self-learning among our employees. Such platforms enable access to bite-sized, personalised and on-the-go content, as well as experiences that immediately fulfil knowledge gaps and learning needs of employees. Some of the targeted programmes involve nascent and fast changing areas, such as digital and social media marketing, big data analytics and leadership development programmes with insights from thought leaders in their respective fields with understanding of emerging trends.

In the year under review, we continued our work on Talent Development through the design of external training courses, and tailored programmes such as Core Executive Programme.

Additionally, selected Executive Education programmes have been prioritised for Management as platforms to develop our current and future leaders. These programmes are intended to provide a balance of theory, research, and real-world applications to refresh, refine and expand their leadership knowledge, perspective and skills.

For FY2019, 77% of the training accorded to employees were job specific, 21% were on personal effectiveness, 1% on leadership and management, while another 1% comprised other types of training.

▲ *In FY2019, Sime Darby Industrial Sdn Bhd ran a new Technician Training Programme*

In FY2019, our employees around the globe were recognised for excellence and performance in their respective field of work.

Hastings Deering's Tom Bourne was named Caterpillar's Top Apprentice of the Year for Australia, Pacific Islands, New Zealand and Indonesia, while Danielle Weston was highly commended as an Outstanding Australian Tradesperson in the 2018 Women in Resources National Awards.

Sime Darby Motors' Rolls-Royce dealerships in Hong Kong and Macau were named Dealer of the Year and Service Dealer of the Year for APAC.

Auto Bavaria Sungai Besi achieved the highest Growth Rate for the BMW 7 Series, the first APAC dealer outside of China, to receive the recognition.

Continental Cars was announced as the Top Ferrari Showroom and is the first Australasian dealer to win the honour. Continental Cars' employees were also named 6th Top Sales Executive and 8th Top Technician during the Awards.

Hastings Deering received the Caterpillar Recognition for excellence in Technician Development, with an overall score 93%. It is the first ANZ Dealer and the 8th Dealer worldwide to achieve this recognition.

Truckstops in New Zealand, a subsidiary of Sime Darby Motors was recognised as the HINO Service Department of the Year.

PEOPLE

▲ *The Group Chief Executive Officer held eight formal engagement sessions with employees of the Group's Divisions across the region*

▲ *We have introduced staggered working hours and a crèche at our Group Head Office*

EMPLOYEE ENGAGEMENT AND WELL-BEING

Frequent town hall sessions with the Management team continue to be the basis of the Group's approach to employee engagement. In the year under review, the Group Chief Executive Officer (GCEO) held eight formal engagement sessions with employees of the Group's Divisions across the region, as well as at the Group Head Office. During these sessions, the GCEO shared the Group's targets and achievements, took questions, and views on the Group's strategic direction. Informal sessions and gatherings were held throughout the year, to encourage openness, camaraderie and unity among employees. The Group's leadership in the various operations across the region are also encouraged to hold formal and informal engagement sessions with employees.

Further to the above, the Group remains committed in ensuring that the work-life environment of our employees are in the best possible condition for their growth and personal well-being. In Malaysia, we have introduced staggered working hours and provided a gym and a crèche at our Group Head Office. Our various operations around the globe have also established their own work-life integration policies that take into consideration their own regulations and cultural requirements. In our Industrial operations in Singapore, a policy on staggered work hours and job sharing for eligible employees was established to offer greater flexibility in managing their work and personal lives.

Through YSD, we offer the children of our employees the opportunity to gain quality education and learning experiences through scholarships and bursaries. We also provide opportunities to our employees to play meaningful roles in their communities through the YSD Huluran Kasih programme, an employee volunteer programme that allows our employees to participate in environmental conservation, community and educational projects in their communities and in the Group's areas of operations.

"The Group remains committed in ensuring that the work-life environment of our employees are in the best possible condition for their growth and personal wellbeing."

COMMUNITY CONTRIBUTION & DEVELOPMENT

▲ *Yayasan Sime Darby is dedicated to making a sustainable impact in the lives of Malaysians*

The Group contributes RM20 million per annum to Yayasan Sime Darby (YSD) to support its efforts towards community development in Malaysia.

YSD is the philanthropic arm of Sime Darby Berhad, Sime Darby Plantation Bhd and Sime Darby Property Bhd, dedicated to leading and making a sustainable impact in the lives of Malaysians. It focuses on five pillars, namely Education, Environment, Community & Health, Sports and Arts & Culture. For more information on the activities of YSD, please refer to YSD's FY2019 Annual Report, or visit www.yayasansimedarby.com.

In addition to our contribution to YSD, our operations across the region continue to support many worthy causes and play meaningful roles in their local communities. Some of the initiatives being undertaken are as follows:

DEVELOPING YOUNG GRADUATES

Sime Darby Berhad supports the Malaysian Government's initiative in providing opportunities to graduates to develop commercially-useful skills and to expose them to valuable work experience. In FY2019, we trained a total of 370 graduates under the Skim Latihan 1Malaysia (SL1M) programme. In FY2020, we continued to support the programme, which has been rebranded as Professional Training and Education for Growing Entrepreneurs, or PROTÉGÉ.

In Queensland, Hastings Deering partners with Queensland Minerals & Energy Academy to run a highly successful programme placing students from more than 60 schools across Queensland, into the resources engineering industries.

In Kulim, Kedah, Inokom Corporation Sdn Bhd, through its Inokom Education Programme which began in FY2017, provides educational classes and other programmes for local youths in its surrounding area.

COMMUNITY & HEALTH

Our operations in Papua New Guinea (PNG) supports the Tuberculosis Awareness Programme to help eradicate tuberculosis in the country. PNG has one of the highest rates of tuberculosis in the world, and we support programmes aimed at educating local communities about the signs or symptoms of tuberculosis, as well as the appropriate response towards colleagues or family members.

Hastings Deering partners with the Clontarf Foundation to improve the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal and Torres Strait Islander men in Queensland and the Northern Territory Australia, enabling them to participate more meaningfully in society.

"In FY2019, we trained a total of 370 graduates under the Skim Latihan 1Malaysia (SL1M) programme. In FY2020, we continue to support the programme, which has been rebranded to Professional Training and Education for Growing Entrepreneurs, or PROTÉGÉ."

BOARD OF DIRECTORS

TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH
Chairman &
Non-Independent Non-Executive Director

Malaysian	Age 67	Male

DATO' ABDUL RAHMAN AHMAD
Non-Independent Non-Executive Director

Malaysian	Age 50	Male

TAN SRI SAMSUDIN OSMAN
Non-Independent Non-Executive Director

Malaysian	Age 72	Male

A COMMITTED

DATO SRI LIM HAW KUANG
Senior Independent Non-Executive Director

Malaysian	Age 65	Male

DATUK WAN SELAMAH WAN SULAIMAN
Independent Non-Executive Director

Malaysian	Age 64	Female

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ
Independent Non-Executive Director

Malaysian	Age 62	Male

Former Directors' and their Meeting Attendance

DATIN PADUKA KARTINI HJ ABDUL MANAF[1]
BOD: 5/5
NRC: 2/2

TAN SRI DATO' MOHAMED AZMAN YAHYA[2]
BOD: 7/10
NRC: 5/5
RMC: 7/7

Note:
1. Retired on 15 November 2018
2. Resigned on 30 June 2019

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 Berhad:
   (i) The Nominee Directors of Permodalan Nasional Berhad are as follows:
      (a) Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah
      (b) Dato' Abdul Rahman Ahmad
      (c) Dato' Lawrence Lee Cheow Hock
      (d) Mohamad Idros Mosin
   (ii) Tan Sri Samsudin Osman is the Nominee Director of Employees Provident Fund Board

BOARD OF DIRECTORS

DATO' AHMAD PARDAS SENIN
Independent Non-Executive Director

Malaysian | Age 66 | Male

THAYAPARAN SANGARAPILLAI
Independent Non-Executive Director

Malaysian | Age 64 | Male

DATO' LAWRENCE LEE CHEOW HOCK
Non-Independent Non-Executive Director

Singaporean | Age 65 | Male

BOARD

MOY PUI YEE
Independent Non-Executive Director

Malaysian | Age 52 | Female

MOHAMAD IDROS MOSIN
Non-Independent Non-Executive Director

Malaysian | Age 47 | Male

DATO' JEFFRI SALIM DAVIDSON
Executive Director &
Group Chief Executive Officer

Malaysian | Age 55 | Male

2. None of the Directors have any conflict of interest with Sime Darby Berhad.
3. Other than traffic offences, none of the Directors have any conviction for offences within the past five (5) 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 the Board of Directors are available on the Sime Darby Berhad website at http://www.simedarby.com/company/board-of-directors.

BOARD OF DIRECTORS

TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH

Chairman &
Non-Independent Non-Executive Director

Date of Appointment: 10 December 2012
(Appointed as Chairman of Sime Darby Berhad on 1 December 2017)

Length of Service: 6 years 10 months
(as at 30 September 2019)

Area of Expertise:
Public Administration and Economics

Relevant Experience:
Held various senior positions in the Malaysian Government, notably, the Secretary General of Treasury in the Ministry of Finance. Former Alternate Executive Director of World Bank Group, representing the South East Asia Group, and former Executive Director of the Islamic Development Bank and Islamic Trade Finance Corporation. Former Chairman of Malaysia Airports Holdings Berhad.

Academic/Professional Qualification/ Membership(s):
- Bachelor of Economics (Hons) in Applied Economics, University of Malaya
- Master of Philosophy in Development Studies, Institute of Development Studies, University of Sussex
- PhD in Business Economics, School of Business and Economic Studies, University of Leeds
- Advanced Management Programme, Harvard Business School

Present Directorship(s):
Listed Entity:
Nil

Other Public Companies:
Nil

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
8/10	-	-	-

DATO' ABDUL RAHMAN AHMAD

Non-Independent Non-Executive Director

Date of Appointment: 1 September 2019

Length of Service: 1 month
(as at 30 September 2019)

Area of Expertise:
Economics, Finance and Fund Management

Relevant Experience:
Started his career at Arthur Andersen in London. Served as Special Assistant to the Executive Chairman of Trenergy (M) Berhad and Turnaround Managers Inc (M) Sdn Bhd. Joined Pengurusan Danaharta Nasional Berhad as a unit head. Former Executive Director of SSR Associates Sdn Bhd, Group Managing Director & Chief Executive Officer of Malaysian Resources Corporation Berhad and Media Prima Berhad, Chief Executive Officer of Ekuiti Nasional Berhad, President & Group Chief Executive Officer of Permodalan Nasional Berhad (PNB).

Academic/Professional Qualification/ Membership(s):
- Master of Arts in Economics, Cambridge University
- Member, Institute of Chartered Accountants in England and Wales
- Member, Malaysian Institute of Accountants

Present Directorship(s):
Listed Entity:
Velesto Energy Berhad

Other Public Companies:
- Permodalan Nasional Berhad
- Amanah Saham Nasional Berhad
- Pelaburan Hartanah Nasional Berhad

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
	N/A		

TAN SRI SAMSUDIN OSMAN

RMC

Non-Independent Non-Executive Director

Date of Appointment: 19 December 2008

Length of Service: 10 years 9 months
(as at 30 September 2019)

Area of Expertise:
Public Administration and Fund Management

Relevant Experience:
Held various senior positions in the Malaysian Government, including Secretary General for the Ministry of Home Affairs and Ministry of Domestic Trade and Consumer Affairs, and Chief Secretary to the Government of Malaysia. Former President of Perbadanan Putrajaya. Current Chairman of the Employees Provident Fund Board.

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

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
10/10	-	-	7/7

DATO SRI LIM HAW KUANG

NRC RMC

Senior Independent Non-Executive Director

Date of Appointment: 26 August 2010
(Appointed as Senior Independent Non-Executive Director of Sime Darby Berhad on 1 December 2017)

Length of Service: 9 years 1 month
(as at 30 September 2019)

Area of Expertise:
Oil & Gas and Power & Water, Utilities

Relevant Experience:
Served 34 years with Shell in various senior positions including Executive Chairman of Shell Companies in China, Chairman of Shell Companies in Malaysia and Managing Director of Shell Malaysia Exploration & Production. Former President of the Business Council for Sustainable Development Malaysia and Director of BG Group Plc as well as ENN Energy Holdings Limited. Former International Council Member of the China Council for International Cooperation on Environment and Development.

Academic/Professional Qualification/ Membership(s):
- Bachelor of Science (Computing Science), Imperial College, University of London
- Master of Business Administration in International Management, IMI Switzerland

Present Directorship(s):
Listed Entity:
Ranhill Holdings Berhad
Jinxin Fertility Group Limited, Hong Kong

Other Public Companies:
Nil

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
10/10	5/5	-	5/7

DATUK WAN SELAMAH WAN SULAIMAN

GAC

Independent Non-Executive Director

Date of Appointment: 15 January 2016

Length of Service: 3 years 8 months
(as at 30 September 2019)

Area of Expertise:
Accounting and Finance

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

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:
Prasarana Malaysia Berhad

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
10/10	-	7/7	-

DATO' SRI ABDUL HAMIDY ABDUL HAFIZ

GAC NRC

Independent Non-Executive Director

Date of Appointment: 1 December 2017

Length of Service: 1 year 10 months
(as at 30 September 2019)

Area of Expertise:
Finance and Fund Management

Relevant Experience:
Has over 30 years of banking experience in the fields of finance, commercial, investment and Islamic banking. Formerly Chief Executive Officer/Managing Director of Pengurusan Danaharta Nasional Berhad, Affin Bank Berhad and Kuwait Finance House (Malaysia) Berhad. A Director of Sime Darby Motors Sdn Bhd and Sime Darby Industrial Holdings Sdn Bhd from 2010 to 2017.

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

Present Directorship(s):
Listed Entity:
Nil

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

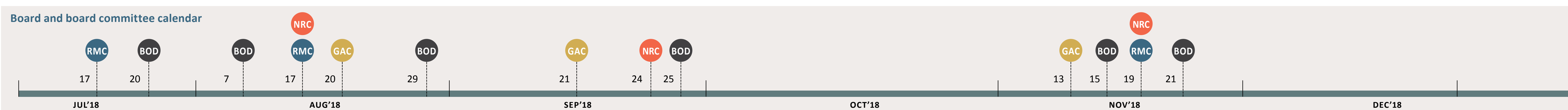
Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
9/10	N/A	7/7	-

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

BOD Board of Directors NRC Nomination & Remuneration Committee GAC Governance & Audit Committee RMC Risk Management Committee ● Chairman ● Member N/A Not Applicable

Board and board committee calendar



DATO' AHMAD PARDAS SENIN

GAC NRC

Independent Non-Executive Director

Date of Appointment: 1 December 2017

Length of Service: 1 year 10 months
(as at 30 September 2019)

Area of Expertise:
Business, Accounting and Management

Relevant Experience:
Has more than 41 years' experience in the corporate sector, including 23 years at board level. Formerly the 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. Served on the Board of Sime Darby Energy Sdn Bhd and Sime Darby Industrial Holdings Sdn Bhd from 2010 to 2017.

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

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

Other Public Companies:
Nil

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
10/10	5/5	6/7	-

THAYAPARAN SANGARAPILLAI

GAC RMC

Independent Non-Executive Director

Date of Appointment: 1 December 2017

Length of Service: 1 year 10 months
(as at 30 September 2019)

Area of Expertise:
Audit, Business and Corporate Finance

Relevant Experience:
Began his career with Price Waterhouse (now known as PricewaterhouseCoopers PLT) 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 and manufacturing sectors. Led assignments on financial due diligence, mergers & acquisitions, initial public offerings, finance function effectiveness reviews and other advisory work.

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:
Alliance Bank Malaysia Berhad

Other Public Companies:
AIG Malaysia Insurance Berhad

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
9/10	-	7/7	N/A

DATO' LAWRENCE LEE CHEOW HOCK

RMC

Non-Independent Non-Executive Director

Date of Appointment: 1 March 2018

Length of Service: 1 year 7 months
(as at 30 September 2019)

Area of Expertise:
Automotive, Accounting and Management

Relevant Experience:
Formerly the Managing Director of Sime Darby Motors and has served the Sime Darby Group in various capacities for 36 years during which he oversaw the growth of the Motors division.

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

Present Directorship(s):
Listed Entity:
Nil

Other Public Companies:
Nil

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
10/10	-	-	5/6

MOY PUI YEE

RMC

Independent Non-Executive Director

Date of Appointment: 2 July 2018

Length of Service: 1 year 3 months
(as at 30 September 2019)

Area 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.

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

Present Directorship(s):
Listed Entity:
Nil

Other Public Companies:
Nil

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
10/10*	-	-	5/6*

MOHAMAD IDROS MOSIN

NRC

Non-Independent Non-Executive Director

Date of Appointment: 15 November 2018

Length of Service: 10 months
(as at 30 September 2019)

Area of Expertise:
Finance and Business Administration

Relevant Experience:
Currently the Senior Vice President, Strategic Investment, Division of PNB. His role focuses on the formulation and implementation of value creation plan initiatives involving public listed strategic and core investee companies of PNB. Has been involved in various assignments including, development and evaluation of value enhancement strategies for strategic investment in automotive, chemical, infrastructure, logistics, oil & gas, plantation, property and pharmaceutical sectors.

Academic/Professional Qualification/ Membership(s):
- Bachelor 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
- PNB-IMD Leadership Development Programme, International Institute for Management Development
- Malaysia-China Economics Programme, Tsinghua University School of Economic and Management

Present Directorship(s):
Listed Entity:
Nil

Other Public Companies:
Nil

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
5/5*	2/2*	-	-

DATO' JEFFRI SALIM DAVIDSON

Executive Director &
Group Chief Executive Officer

Date of Appointment: 1 December 2017

Length of Service: 1 year 10 months
(as at 30 September 2019)

Area of Expertise:
Accounting, Finance and Management

Relevant Experience:
Began his career with Coopers & Lybrand, London, 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 SDB. Has also served in senior finance roles in NS Water Konsortium Sdn Bhd, Cahya Mata Sarawak Berhad and Putrajaya Holdings Sdn Bhd.

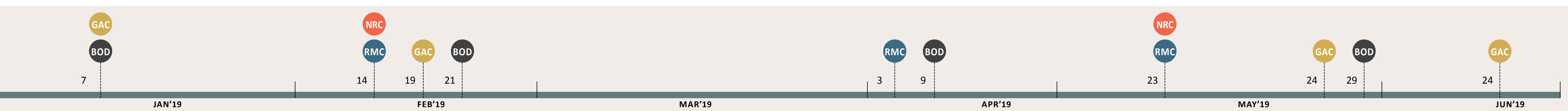
Academic/Professional Qualification/ Membership(s):
- Bachelor of Science in Geology, University College London
- Associate Member, Institute of Chartered Accountants in England & Wales
- Advanced Management Programme, Harvard Business School

Present Directorship(s):
Listed Entity:
Nil

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

Meeting Attendance in FY2019:

BOD	NRC	GAC	RMC
10/10	-	-	-



EXECUTIVE LEADERSHIP

1

DATO' JEFFRI SALIM DAVIDSON
Group Chief Executive Officer
55, Male, Malaysian

Date of Appointment:
21 November 2017

Relevant Experience:
Began his career with Coopers & Lybrand, London, 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 Berhad. 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
- Associate Member, Institute of Chartered Accountants in England & Wales
- Advanced Management Programme, Harvard Business School

2

MUSTAMIR MOHAMAD
Group Chief Financial Officer
47, Male, Malaysian

Date of Appointment:
21 November 2017

Relevant Experience:
Formerly the Head of Group Finance for Sime Darby Berhad. He joined the Sime Darby Group in September 2005 as Manager, Value Management in Group Strategy, following a seven year stint in Bank Negara Malaysia (BNM) from 1999 to 2005. He was Manager of Investment Operations and Financial Markets at BNM. In September 2007, he moved to Sime Darby Plantation, to head the EVP Office prior to the completion of the merger of Sime Darby, Golden Hope Plantations and Kumpulan Guthrie. He began his career with PricewaterhouseCoopers, London in 1995.

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

3

DATUK THOMAS LEONG YEW HONG
Group Chief Strategy Officer
47, Male, Malaysian

Date of Appointment:
1 December 2017

Relevant Experience:
Joined the Sime Darby Group as the Head of Group Strategy and Corporate Finance in 2016. Previously the Executive Vice President and the Head of Maybank Group's Strategy and Business Development. He also held senior positions as a management consultant in Accenture and Deloitte Consulting, based in Australia, Hong Kong and Malaysia.

Academic/Professional Qualification/Membership(s):
- Bachelor of Science in Software Engineering, Australian National University
- MBA (Corporate Finance), University of Sydney

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ROSELAINI FAIZ
Group Chief Human Resources Officer
54, Female, Malaysian

Date of Appointment:
1 August 2018

Relevant Experience:
Formerly the Director, Human Capital & Communications at Danajamin Nasional Berhad. Prior to that, she was the Head, Human Resources at Hong Leong Bank Berhad. She has held various senior positions in the human resources field including as Director, 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 Malaysia Berhad and Vice President, Compensation and Benefits at Citibank Berhad.

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

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 Berhad.
2. None of the Executive Leadership has any conflict of interest with Sime Darby Berhad.
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 Sime Darby Berhad Group, if any, are disclosed in the Executive Leadership section at http://www.simedarby.com/company/executive-leadership.
5. The full profiles of the Executive Leadership are available on the Sime Darby Berhad website at http://www.simedarby.com/company/executive-leadership.

EXECUTIVE LEADERSHIP

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SCOTT CAMERON
Managing Director,
Industrial Division
61, Male, Australian

Date of Appointment:
1 October 2007

Relevant Experience:
Began his career with Price Waterhouse in Brisbane, Sydney and New York before joining Hastings Deering (Australia) Limited as the Finance Director in June 1992. Currently, he is the Dealer Principal of the Hastings Deering Group.
He was appointed the Executive Vice President – Industrial Division on 1 October 2007 and re-designated to Managing Director, Industrial Division in September 2015.

Academic/Professional Qualification/ Membership(s):
- Degree in Commerce, University of Queensland
- Fellow, Institute of Chartered Accountants, Australia
- Fellow, Australian Institute of Company Directors
- Advanced Management Programme, Harvard Business School

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ANDREW BASHAM
Managing Director,
Motors Division
53, Male, Australian

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/logistics and later assumed senior executive management roles in various automotive companies.

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

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TIMOTHY LEE CHI TIM
Managing Director,
Logistics Division
54, Male, Chinese (HKSAR) and Canadian

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 Sime Darby Berhad, he held the position of Operations Manager – 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

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PETER HONG KAH PENG
Managing Director,
Healthcare Division
47, Male, Malaysian

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 in Economics (Accounting), Monash University
- Member, CPA Australia
- Member, Malaysian Institute of Accountants

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NOOR ZITA HASSAN
Group Secretary
53, Female, Malaysian

Date of Appointment:
21 November 2017

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

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

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

A ROBUST GOVERNANCE FRAMEWORK AND HEALTHY CORPORATE CULTURE ARE ESSENTIAL TO THE SUCCESSFUL DELIVERY OF THE GROUP'S STRATEGY AND THE CREATION OF SUSTAINABLE LONG TERM VALUE FOR OUR STAKEHOLDERS.

DEAR SHAREHOLDERS,

One of my key responsibilities as Chairman is to ensure that the Board delivers effective leadership in securing the long-term success and sustainability of the Group, and the creation of long-term value for our stakeholders. The Board recognises that sustainable business success is not possible without a clear corporate purpose and sound corporate governance, and that good governance is not just about compliance with rules and regulations; it is also about culture, behaviour and how we conduct our business. The Board is therefore committed to ensuring that the Group's purpose, values, culture and standards are set from the top and embedded throughout the Group. The Group Chief Executive Officer (GCEO) and Management play an integral role in this, by promoting positive behaviour and encouraging commonly held values of Integrity, Respect & Responsibility, Excellence and Enterprise, are put into practice every day. I believe that this, together with our robust governance framework, allows the Board to lead the Group in the right direction as we develop and pursue our future strategy, whilst ensuring that good governance principles and practices are adhered to.

Our governance principles provide a clear and robust framework within which decisions are made. The Board is supported by the Governance & Audit, Nomination & Remuneration and Risk Management committees. The work they undertook in FY2019 is further discussed in this section of the Annual Report.

BOARD OPERATIONS AND CULTURE

As Chairman, I hold a specific responsibility for the Board's performance and its ability to govern the Group effectively.

The composition of the Board is kept under ongoing review, to ensure there is a balance of expertise and experience necessary to oversee a growing, international and increasingly focused Group. The time commitment by each Director, and the effectiveness of individuals and the Board as a whole, are regularly assessed as part of the annual Board evaluation process.

How the Board operates and interacts with Management also plays a role in the Group's performance. We ensured sufficient time for thorough discussions on key matters at formal Board meetings and during informal exchanges, and made sure that each Director is actively engaged. Board decisions were made collectively, with input from each Director.

The aim of the Board of Directors is to encourage, support and challenge Management by adopting an open, direct, collaborative and respectful approach.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

There were high levels of interaction between the Board and Management. The Divisional Managing Directors presented topical matters at Board meetings, to ensure that the Board maintained a detailed understanding of operations and market trends, and met informally to encourage discussion on a broader range of issues. New Directors received thorough and relevant business inductions. Additionally, as Chairman, I worked closely with the GCEO to plan meeting agendas supplemented by discussions and exchanges to keep abreast of the latest market and Group developments.

The Board also recognises its role in setting high standards of conduct and fostering the desired culture within the Group, through our actions as well as our open, robust and effective debate in the Boardroom. We are committed to acting with integrity and transparency. This is the Board culture we foster at Sime Darby Berhad, and we shall continue to live this culture and promote it within our businesses.

SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROLS

An essential part of the Board's remit in promoting the long-term success of the Group, is to ensure that sound systems of risk management and internal controls are in place. The Risk Management Committee, alongside the Governance & Audit Committee, monitor the Group's risk management processes and internal controls for assurance that these are appropriate and in line with the risk appetite of the Group, and reports on this to the Board.

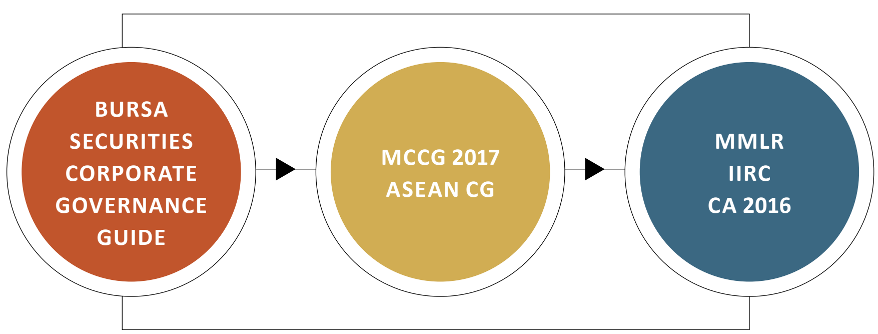
SHAREHOLDER ENGAGEMENT

The Group welcomes the opportunity to engage with our shareholders. Management regularly meets our investors through investor relations meetings and conferences, to update on our performance and share our strategies.

I am pleased to present our Corporate Governance Overview for FY2019, which describes how the Board functions, and the approach we took to ensure effective governance and oversight of the business. Our Corporate Governance narrative this year, is guided by Bursa Malaysia Securities Berhad (Bursa Securities) Corporate Governance Guidelines, 3rd edition. Our reporting premised on its three principles, namely Leadership and Effectiveness, Effective Audit and Risk Management, Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH
Chairman

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

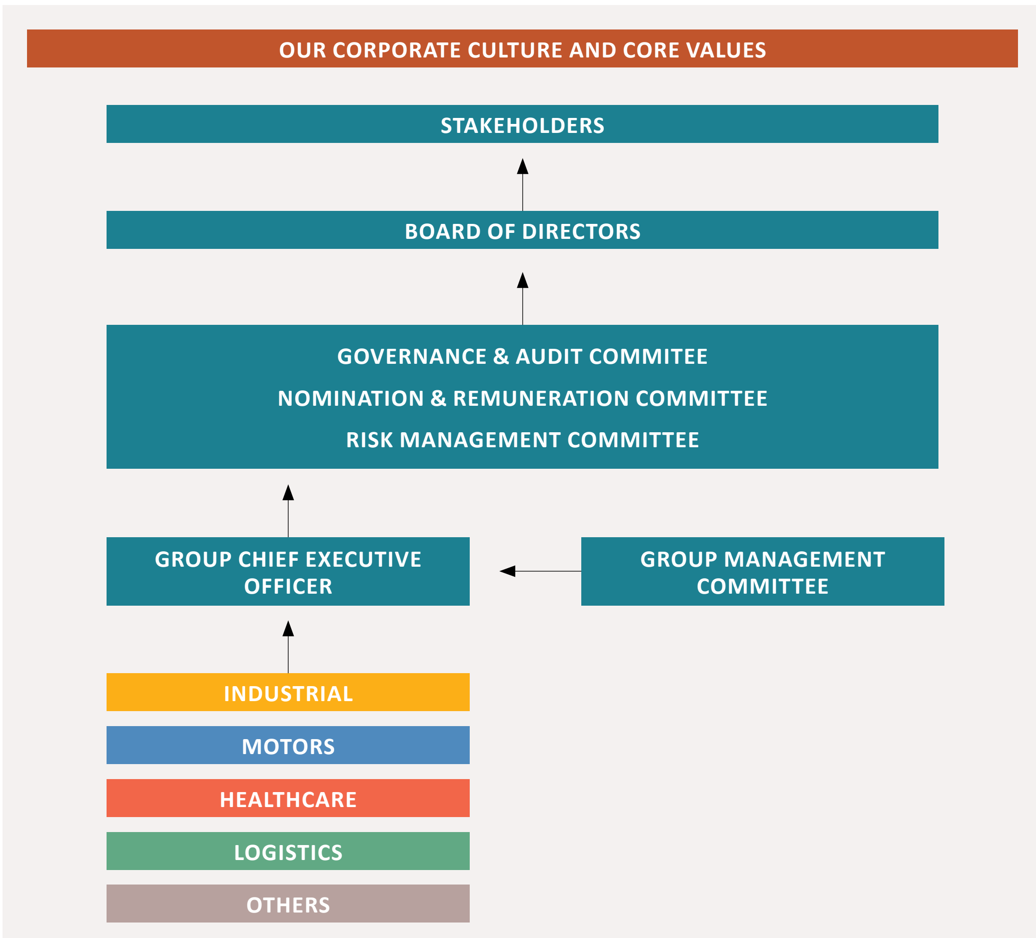
LEADERSHIP
& EFFECTIVENESS

CREATING THE RIGHT CULTURE THROUGH OUR GOVERNANCE FRAMEWORK

The Board is responsible for promoting the long-term sustainability of the Group and is accountable to shareholders to create and deliver sustainable value. Our corporate governance framework embeds what we believe are the right culture, values and behaviours throughout the Group and supports our role in determining strategic objectives and policies. In addition to setting the Group's strategy and overseeing its implementation, the Board is also responsible for ensuring that Management maintains an effective system of governance and internal controls, which should provide assurance of effective and efficient operations, internal controls and compliance with the relevant laws and regulations. In meeting this responsibility, we consider what is appropriate for the Group's businesses and reputation, the materiality of financial and other risks, and the relevant costs and benefits of implementing controls.

Our corporate governance framework is reflective of the way strategic and operational activities are managed and designed with the following principal aims:

1. Promotion of transparency, accountability and a responsive attitude.
2. Provision of operating autonomy to the various core business Divisions and the Group's companies, toward the achievement of business objectives while maintaining adequate checks and balance.
3. Cultivation of ethical business conduct and desired behaviours, based on the Group's core values and business principles.



LEADERSHIP & EFFECTIVENESS

The powers of the Chairman, Non-Executive Directors, Senior Independent Director and GCEO are set out in the Board Charter (Charter). The Board may exercise all powers conferred on it by the Charter, in accordance with the Companies Act 2016 and other applicable legislations.

The Charter is available online at http://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 have a blend of skills, experience and knowledge suited to the Company's needs.

BOARD AND COMMITTEE MEETING ATTENDANCE

The Board held ten meetings in FY2019. The Chairman also met separately with the Non-Executive Directors without the GCEO or other Management present. Debates and discussions at the Board and Board Committee meetings are open, challenging and constructive. Presentations by Management are conducted regularly. In the annual evaluation of the Board and Board Committees, Directors expressed satisfaction with the timing and quality of information provided to them.

INFORMATION AND SUPPORT FOR THE BOARD

The Chairman, with the assistance of the Group Secretary, ensures appropriate information flows to the Board and its Committees to facilitate their discussions and allow fully informed decisions to be made. Directors receive copies of meetings minutes of the Group Management Committee, Board Committees and monthly operating reports of the Divisions, Group Health, Safety and Environmental related matters and the Group's compliance with ethical and security standards. The Group Secretary attends all Board meetings and Directors have access to her advice and, if necessary, to independent professional advice at the Group's expense, to assist with the discharge of their responsibilities as Directors.

BOARD MATTERS AND DELEGATION

The Board has established a formal schedule of matters specifically reserved for its approval. It has delegated other specific responsibilities to its Committees and these are clearly defined within their terms of reference.

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

The Board Committees' terms of reference and other delegated authorities are formalised and reviewed from time to time, usually annually. The terms of reference are available for viewing on our website at http://www.simedarby.com/operating-responsibly/governance.

KEY AREAS OF FOCUS DURING THE YEAR

1. Reviewing and adopting a strategic plan for the Group, which includes setting the Group's long-term corporate strategy and budget as well as reviewing the challenges on the Group's business strategy and plan.
2. Overseeing the conduct of the Group's businesses, including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management.
3. Promoting good corporate governance culture within the Group, which reinforces ethical, prudent and professional behaviour.
4. Set the risk appetite within which Management is expected to operate in, and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
5. Manage the succession planning process, including development of talent within the Group.
6. Ensure the integrity of the Group's financial and non-financial reporting.

BOARD EFFECTIVENESS

A Board Effectiveness Assessment (BEA) is conducted annually to provide opportunities for increasing efficiency, maximising strengths and highlighting areas for improvement. Where applicable, professional consultants are engaged to conduct the assessment in alternate years. The BEA 2019 was conducted by professional external facilitators on the Board, Board Committees and their members and individual Directors. The BEA was performed through a series of structured one-on-one interview sessions between Directors and facilitators.

Interviews were also performed with selected individuals from the Management team to obtain feedback from Management's perspective. The areas covered were as follows:

1. Board composition, information, agendas and meetings, leadership, Board-Management relationship and processes such as succession planning, risk oversight and strategy oversight.
2. Board Committees' strengths, effectiveness, support, composition and communication.
3. Research on industry best practices.

LEADERSHIP & EFFECTIVENESS

The BEA 2019 concluded with a Board working session in August 2019. Areas for improvement identified were as follows:

1

To improve oversight on the Group's investment in joint ventures (JVs), particularly in Australia and China.

2

To ensure a proper governance structure is in place for JVs and to improve the reporting of information and issues to the Board.

3

To review the composition of the Board from time to time, to enhance the diversity of the Board by appointing Directors with relevant international, digital/technology or healthcare experience.

4

To ensure sufficient focus and deliberation by the Board on strategy, risk, digital economy and on environmental, social and governance matters.

Arising from the BEA, priority areas and key findings have been incorporated in the action plan to be addressed over the succeeding year.

BOARD INDUCTION AND DEVELOPMENT

The Group Secretary assisted in ensuring the Board's continued development by facilitating orientation of new Directors and coordinating internal and external training programmes for existing ones. Newly appointed Directors received comprehensive training through tailored induction programmes to familiarise themselves with the Group's businesses. They were given briefings by Managing Directors of Divisions on key areas of the business and operations; an overview of the Group's financial position; risk management processes; the internal audit function; innovation and technology advancements in the sectors relevant to the Group; policies and procedures, and the Group's corporate governance framework. On-boarding sessions will be regularly reviewed and improved to provide an effective experience for new Directors. As part of efforts to enhance the Directors' understanding and knowledge of the Group's operations and to keep abreast of latest technologies and developments, Directors participated in annual Board retreats and technical visits. During the year under review, the Board visited the Group's Australia operations for deeper understanding of the Industrial and Motors businesses there. They also met with the Management team on a regular basis, to understand their respective areas of responsibility.

During the year under review, Directors also participated in conferences, seminars and training programmes covering the areas of leadership, governance, financial, risk management, legal, information technology, social security and relevant industry updates. A summary of training courses attended by the Directors and the Group Secretary is set out below:

LIST OF TRAINING COURSES ATTENDED
Leadership
PNB Leadership Forum 2019
Winning in Uncertain Times
EPF Global Private Equity Summit
Thought Leadership Session: Future Fit 2019
Positive Autocracy: A Leadership Model for Industry
Would a Business Judgement Rule Help Directors Sleep Better at Night?
Industry 4.0 and Artificial Intelligence: Building Business Value
Rystad Energy Annual Summit
Global Trend & Market Strategy (Economic Prospects & Strategic Investment Decision 2019 Beyond)
Fireside Chat with Anthony Tan, Group Chief Executive Officer and Co-Founder of GRAB

LEADERSHIP & EFFECTIVENESS

LIST OF TRAINING COURSES ATTENDED

Governance
Introduction to Corporate Liability Provision: What It Is, How Will My Company Be Affected and What Do I Need To Put In Place By Way Of Safeguards
Back to Basics – Rethinking Corporate Governance
Non-Financial – Does It Matter?

Finance
Performance Measurement for Development Financial Institutions
Global Islamic Finance Forum 2018
10th International Conference on Financial Crime & Terrorism
Current State of the Global Economy
EPF Investment Seminar 2018
Nomura Islamic Asset Management Anniversary Investment Forum
MIA International Accountant Conference 2018
IBM THINK Malaysia
IBM Blockchain World WireTM: The New Normal in Global Payments

Risk Management
Enterprise Risk Management: The New Paradigm
Emerging Risks, the Future Board and Return on Compliance

Legal
Investing in Integrated Strata Development Briefing – Understanding Owner's Rights and Obligations Under The Strata Titles Act 1985 and Strata Management Act 2013
MACC Amendment Act
AMLATFPUAA 2001: The Law, Compliance & Case Studies
MICCI Talk on Corporate Liability Section 17A (MACC Act): Tips on Implementing Effective "Adequate Procedures" based on ISO 37001:2016 ABMS

Information Technology and Social Security
Cyber Threats
Social Security Conference: A Better Tomorrow
Digital Transformation & Social Security
Global Public Transport Summit 2019 – The Art of Public Transport
Industrialised Building System
IT Blueprint: Post – Visioning Workshop

NOMINATION & REMUNERATION COMMITTEE REPORT

NRC

DATO SRI LIM HAW KUANG

Chairman of the Nomination & Remuneration Committee

The Nomination & Remuneration Committee (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 Berhad. The NRC recommends candidates for appointments to the Board and Board Committees, and ensures appropriate assessment of Directors occurs on an ongoing basis. The NRC consists of three Independent Non-Executive Directors and one Non-Independent Non-Executive Director, and is chaired by Dato Sri Lim Haw Kuang.

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 Annual General Meeting (AGM) is considered by the NRC before it makes its recommendation to the Board for election, or re-election of the relevant Directors.

MAIN ACTIVITIES OF NRC IN 2019

During the year under review, the NRC undertook the following activities:

NOMINATION FUNCTION

- Reviewed and assessed performance and made recommendations to the Board with regards to Directors who seek election and re-election at the AGM.
- Reviewed the terms of office and performance of the Governance & Audit Committee.
- Reviewed the composition of the Board and Board Committees.
- Evaluated and recommended suitable candidates for appointments to the Board, Board Committees and Management of the Group.
- Oversaw the succession planning and performance evaluation of the Board, Board Committees and Management of the Group.

REMUNERATION FUNCTION

- Reviewed and recommended the remuneration framework for the Non-Executive Directors on the Board and Board Committees.
- Reviewed the Group's remuneration and salary structure for employees.
- 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 direct reports to the GCEO.
- Reviewed and recommended the renewal of fixed term contracts of key positions in the Group.
- Reviewed the parameters and eligibility criteria for the Long Term Incentive Plan (LTIP).

GOVERNANCE FUNCTION

- Refined the LTIP and its performance conditions.
- Reviewed the terms of reference of the Board Committees.
- Reviewed the GCEO's key performance indicators and scorecard for new financial year.
- Engaged external consultants to facilitate the conduct of the Board Effectiveness Assessment (BEA) 2019.

LEADERSHIP & EFFECTIVENESS

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 responsibility undertaken by the Non-Executive Directors concerned, the complexity of the Group's operations and the relevant industries. 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 breakdown of the Directors' remuneration is set out below:

	Salary & Other Remuneration (RM'000)	Directors' Fees Company (RM'000)	Directors' Fees Subsidiary (RM'000)	Benefits (RM'000)	PBESS^ (RM'000)	Total (RM'000)
Present Directors						
Executive Director+						
Dato' Jeffri Salim Davidson	5,135	-	-	40	346	5,521
Non-Executive Directors						
Dato Sri Lim Haw Kuang	N/A[1]	475	150	36	N/A[1]	661
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah	N/A[1]	560	-	37	N/A[1]	597
Dato' Lawrence Lee Cheow Hock	N/A[1]	413	-	13	N/A[1]	426
Datuk Wan Selamah Wan Sulaiman	N/A[1]	290	-	50	N/A[1]	340
Thayaparan Sangarapillai	N/A[1]	320	-	20	N/A[1]	340
Tan Sri Samsudin Osman	N/A[1]	300	-	36	N/A[1]	336
Dato' Ahmad Pardas Senin	N/A[1]	325	-	3	N/A[1]	328
Dato' Sri Abdul Hamidy Abdul Hafiz	N/A[1]	290	-	26	N/A[1]	316
Moy Pui Yee[2]	N/A[1]	273	-	1	N/A[1]	274
Mohamad Idros Mosin[3]	N/A[1]	*172	-	-	N/A[1]	172
Total for Non-Executive Directors		**3,418**	**150**	**222**		**3,790**
Former Directors						
Non-Executive Directors						
Tan Sri Dato' Mohamed Azman Yahya[4]	N/A[1]	310	-	2	N/A[1]	312
Datin Paduka Kartini Hj Abdul Manaf[5]	N/A[1]	*102	-	16	N/A[1]	118
Total for Non-Executive Directors		**412**	**-**	**18**		**430**
Grand Total for Non-Executive Directors		**3,830**	**150**	**240**		**4,220**

Notes:
1 N/A - Not Applicable
2 Appointed on 2 July 2018
3 Appointed on 15 November 2018
4 Resigned on 30 June 2019
5 Resigned on 15 November 2018
* Fees paid to Permodalan Nasional Berhad
+ Paid by the SDB Group
^ Long Term Performance-Based Employee Share Scheme

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 key performance indicators in a scorecard aligned with corporate objectives as approved by the Board, 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 reward, to ensure that the Group attracts and retains the best talent. The remuneration packages and incentives are regularly evaluated against market-related surveys. During the year, the NRC, with the assistance of Group Human Resources conducted a review on the remuneration and salary structure of the Group's employees. The review was benchmarked against the relevant industries to align with market practices.

EFFECTIVENESS REVIEW AND PERFORMANCE

Based on the BEA 2019 findings, the Board was satisfied that the current composition of the NRC provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all stakeholders and to meet the needs of the Group. The Board is satisfied with the performance and effectiveness of the NRC in providing sound advice and recommendations to the Board, particularly on succession planning and talent development.

In FY2019, the NRC placed focus on the succession of the Divisions' management team. The NRC reviewed successor criteria, sourced for potential candidates internally and externally, reviewed, shortlisted and evaluated potential candidates, and determined the remuneration package of the successors. During the year, the NRC carried out a recruitment exercise for the Board, and was mindful of the need to achieve diversity in the aspects of ethnicity, age and gender, in shortlisting potential candidates from internal as well as external independent sources.

KEY AREAS OF FOCUS FOR FY2020

1

Actively take steps to promote diversity at Board and operational levels, in gender, skill set, experience and age, and strive to inculcate a working environment which is safe and free from discrimination. The Board Composition Policy provides that the Board will maintain at least two female Directors on the Board at all times and work towards achieving the minimum of 30% female members. Presently, the Group has achieved 17% female representation at Board level, 22% at Executive Leadership level and 25% at the Group's total workforce level.

2

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

3

Identify training needs and develop training solutions to continuously equip and enhance Directors' knowledge and skills to discharge their fiduciary duties.

4

Review the compensation and reward framework to ensure that it remains competitive, appropriate, and in alignment with prevalent market practices in order for the Group to continue to attract and retain individuals of the required calibre.

EFFECTIVE AUDIT & RISK MANAGEMENT

GOVERNANCE & AUDIT COMMITTEE REPORT

GAC

MR THAYAPARAN SANGARAPILLAI

Chairman of the Governance & Audit Committee

COMPOSITION

The Governance & Audit Committee (GAC) comprises four members, all of whom are Independent Non-Executive Directors. This is in line with the listing requirements of Bursa Malaysia Securities Berhad (Bursa Securities) and the Malaysian Code of Corporate Governance, that stipulates, at the minimum, a three-member committee with a majority of Independent Non-Executive Directors.

ANNUAL PERFORMANCE ASSESSMENT

The Board performs an annual assessment of the Committee's effectiveness in carrying out its duties set out in the Terms of Reference (TOR). The Board is satisfied that the GAC effectively discharged its duties in accordance with its TOR. The full TOR for the GAC is available online in the Corporate Governance section of Sime Darby Berhad's website at http://www.simedarby.com/operating-responsibility/governance

MEETINGS AND ATTENDANCE

A total of seven GAC meetings were held in FY2019. The details of meeting attendance are set out below:

Members*	Membership	Appointment	Attendance	
Mr Thayaparan Sangarapillai	Chairman/Independent Non-Executive Director	1 December 2017	7/7	100%
Datuk Wan Selamah Wan Sulaiman	Member/Independent Non-Executive Director	1 March 2016	7/7	100%
Dato' Sri Abdul Hamidy Abdul Hafiz	Member/Independent Non-Executive Director	1 December 2017	7/7	100%
Dato' Ahmad Pardas Senin	Member/Independent Non-Executive Director	1 December 2017	6/7	86%

Notes:

* For member profiles see pages 82 to 85.

The Group Chief Executive Officer, Group Chief Financial Officer and Group Head - Corporate Assurance are permanent invitees and attend the GAC meetings to brief and provide clarification to the Committee on their areas of responsibility. Other members of Management are also invited for specific agenda items to support detailed discussions during the Committee's meetings.

External auditors were invited to attend the GAC meetings to present the following during the year under review:

1. Quarterly updates on audit and accounting matters noted in the audit of the year under review and on any new developments potentially affecting the Group.
2. Audit scope and plan.
3. Findings and recommendations on internal controls.
4. Auditors report on the audited financial statements of the Group.

EFFECTIVE AUDIT & RISK MANAGEMENT

Time was also set aside for the Group Head - Corporate Assurance and external auditors to hold private meetings with the Committee in the absence of Management but in the presence of the Group Secretary.

During the year under review, the GAC met with the Group Head-Corporate Assurance and the external auditors, in four separate sessions.

The GAC Chairman also made quarterly presentations to the Board on matters of significant concern, which were raised at GAC meetings.

OUR FOCUS AND ACTION PLAN

The GAC received updates on key governance matters, audit initiatives and issues across the Group at each Committee meeting. The Committee reviewed significant matters including financial reporting issues, significant judgments made by Management, material and unusual events or transactions, and how these matters were addressed. Some of the areas and key matters considered by the Committee during the year included:

SIGNIFICANT INITIATIVES/ISSUES	MATTERS CONSIDERED	OUTCOMES
Acquisition of Heavy Maintenance Group Pty Ltd (HMG)	The acquisition of 100% equity interest in HMG for RM177 million was completed on 3 December 2018. This was assessed as a business combination and a Purchase Price Allocation (PPA) was performed to determine the fair value of the net identifiable assets and goodwill (customer relationships and contracts). Goodwill was allocated to the chroming business carried out by HMG and Austchrome, the Industrial division's own chroming business, as there were synergies between these businesses.	The GAC considered and concurred with Management's decision.
Recoverability of the Group's investment in Weifang Port Services Co., Ltd (WPS)	Management performed an assessment of the Group's investment in WPS as it was facing financing difficulties. The assessment was based on the value-in-use (VIU) method using the discounted cash flow projections for 44 years (based on the remaining years of land-use rights for WPS' site) and concluded that the Group's share of the recoverable amount from WPS was RM88 million and the Group's share of impairment charge of RM89 million was recognised for FY2019.	The GAC considered Management's assessment and decision on the impairment charge. The Committee was also briefed by Management on steps taken and the action plan to resolve WPS' financial difficulties. The Committee will monitor the progress of Management's action plan.
Recoverability of carrying amount of intangible assets in the Australasia Industrial operations	Management performed an impairment assessment of cash-generating units (CGU) in the Industrial division's heavy equipment business in Australasia, based on Value-In-Use (VIU) method using the five-year discounted cash flows, which was premised on the approved five-year business plan for the respective CGUs. In addition, these CGUs achieved higher profits for FY2019. Management is of the view that the carrying amount of the intangible assets is recoverable.	The GAC concurred with Management's assessment on the recoverability of carrying amount of intangible assets in the Industrial division's heavy equipment business in Australasia.
Governance of Mine Energy Solutions Pty Ltd (MES)	Management had undertaken a review of MES' governance and internal controls practices. The review highlighted governance issues and non-compliance with internal policies and controls. Management had undertaken various actions to address the governance issues and non-compliance at MES.	The GAC was briefed on Management's actions to address the governance issues and non-compliance, which was addressed and resolved during the year.

EFFECTIVE AUDIT & RISK MANAGEMENT

SIGNIFICANT INITIATIVES/ISSUES	MATTERS CONSIDERED	OUTCOMES
Governance and reporting structure for the Group	Management had undertaken a review of the governance and reporting structure of the Group. Arising from the review, Management had taken steps to improve the governance of risk and compliance aspects of the Group's operations in China, oversight of joint venture companies and associates, as well as additional reporting by the Divisional and country company secretaries and legal counsels to Group Head Office.	The GAC considered Management's actions and requested for updates on implementation status.
External auditors' rotation practices	Management had considered the practices in Malaysia and certain developed countries on external auditors' rotation and had recommended to retain the existing external auditors. Management noted that the auditors' independence is maintained by rotation of audit partner for the Company and key audit partners for the Group across all territories in compliance with international standards on auditing and local regulatory requirements. In addition, there have been many changes in the Board members, Management team members and team members of the external auditors over the years.	The GAC had considered and concurred with Management's recommendation and requested Management to reassess audit fees with the existing external auditors. A reassessment of fees was performed with appropriate benchmarking to reflect the operations and size of the Group in the respective territories. The GAC had recommended the proposed fees for the Board's approval.

SUMMARY OF WORK OF THE GAC DURING THE FINANCIAL YEAR

1. Financial Reporting

(a) In overseeing the Group's financial reporting, the GAC reviewed the quarterly financial statements for the fourth quarter of FY2018 and the annual audited financial statements for FY2018 at its meeting on 20 August 2018 and 21 September 2018, respectively.

The quarterly financial statements for FY2019 were prepared in compliance with the Malaysian Financial Reporting Standards (MFRS). This included reviews on the quarterly announcements of the financial results to Bursa Securities prior to Board recommendation for approval.

The GAC reviewed the annual audited financial statements for FY2019 at its meeting on 19 September 2019.

(b) The GAC focused on changes to the accounting policies and practices, significant judgements, uncorrected misstatements and matters related to information technology.

2. External Audit

(a) On 19 February 2019, the GAC reviewed and approved the external auditors' Group Audit Plan, which outlines the audit strategy and approach for FY2019. During the meeting, the external auditors 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.

(b) The GAC considered, together with Management, the audit fees of the external auditors for FY2019 for recommendation to the Board for approval.

(c) The annual assessment on the external auditor was completed in September 2019, prior to reappointment recommendation to the Board. The assessment covered, amongst others:
- Governance and Independence
- Communication and Interaction
- Quality of Resources and Services

3. Internal Audit

(a) The GAC reviewed and approved Group Corporate Assurance Department's (GCAD) Corporate Assurance Plan for FY2020 on 24 May 2019 and ensured that the principal risks, key entities and functions were adequately identified and covered in the plan.

(b) Internal audit reports presented by GCAD were reviewed by the GAC at each meeting held throughout FY2019. This included a review on GCAD's activities with respect to:
- Results of the planned, follow-up and special audits including whistleblowing investigations;
- Adequacy of Management's responsiveness to the audit findings and recommendations;
- Status of audits as compared with the approved Corporate Assurance Plan; and
- Adequacy of audit resources.

(c) The Group Head – Corporate Assurance's Key Performance Indicators for FY2019 was approved by the GAC on 13 November 2018. Subsequently, the performance appraisal of the Group Head - Corporate Assurance for FY2019 was deliberated and approved by the GAC on 22 August 2019.

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

(a) The GAC reviews the RPTs and RRPTs of the Group to ensure compliance with the Companies Act 2016 and the MMLR. This is to ensure that these transactions are not more favourable to the related parties than those generally available to the public, and are not detrimental to minority shareholders.
(b) The GAC reviewed the RPTs/RRPTs at five out of the total seven meetings held during FY2019.

EFFECTIVE AUDIT & RISK MANAGEMENT

5. Governance and Regulatory Compliance

(a) The GAC reviewed and approved Group Compliance & Integrity's (GCI) Annual Compliance Plan for FY2019/2020 on 24 June 2019 which included planned compliance activities and programmes, and GCI's structure and staffing.

(b) The GAC reviewed the Group Policies & Authorities on 19 February 2019 and approved changes to the Limits of Authority proposed by Management.

(c) The GAC reviewed the gap analysis results to assess the adequacy of the Group's anti-bribery and anti-corruption management system, with a view to address issues in preparation for the new corporate liability regime introduced by the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

(d) The Group's compliance efforts with respect to regulatory requirements across prioritised compliance risk areas were monitored. These included assessments of the adequacy of compliance controls and self-attestation to known non-compliance incidences.

(e) The Head - GCI's Key Performance Indicators for FY2019 was approved by the GAC on 20 August 2018. Subsequently, the performance appraisal of the Head - GCI for FY2019 was deliberated and approved by the GAC on 22 August 2019.

6. Annual Report

The GAC reviewed and endorsed on 20 September 2018 the following:

- The Statement on Risk Management and Internal Control for Board's approval and inclusion in the FY2018 Annual Report
- The Governance & Audit Committee Report for inclusion in FY2018 Annual Report
- The Corporate Governance Overview Statement for Board's approval and inclusion in FY2018 Annual Report

7. Other Activities

(a) The Management presented to the GAC on 19 February 2019 the proposal to maintain the Group's financial year end as 30 June. The GAC deliberated on Management's assessment and recommended to the Board that the 30 June financial year end be maintained.

(b) On 7 January 2019, the GAC considered the Long Term Incentive Plan (LTIP) report by PricewaterhouseCoopers PLT on the proposed FY2019 Grant Offer. The GAC, having considered Management's and the external auditor's explanations, agreed that Management had complied with the criteria for allocation of shares for the FY2019 offer and on the number of shares to be offered to the selected employees.

(c) Based on the request made by the GAC, the Divisional Chief Information Officers presented the Information Technology (IT) Governance, Cybersecurity, Financial Systems Interface and Digital Landscape for their respective Divisions on 24 May 2019.

(d) As a standing agenda, the following reports are presented to the GAC on a quarterly basis for noting purposes:

- Group Cash and Borrowings Position and Cash Flow Projections
- Status of Key Investments, Material Litigations and Major Operational Issues

(e) Annually, the GAC takes note of the Group's sponsorship and donations approved by the GCEO. For FY2019, the report was noted by the GAC on 22 August 2019.

EFFECTIVE AUDIT & RISK MANAGEMENT

GROUP CORPORATE ASSURANCE DEPARTMENT

Overview

The Group has an internal audit function which is carried out by GCAD and is headed by Mr Ramesh Ramanathan. Mr Ramesh is a Chartered Accountant (ACCA) with more than 20 years of experience from two prominent Big 4 accounting firms i.e. Ernst & Young and Deloitte. He is a member of the Malaysian Institute of Accountants.

GCAD is organised as a centralised function with regional corporate assurance teams having direct control and supervision for audit services across the Group. There are a total of 38 internal auditors across the Group supported by regional heads in Malaysia, Australia and China.

GCAD is guided by its Charter which specifies that GCAD reports functionally to the GAC and administratively to the GCEO to allow an appropriate degree of independence from the operations of the Group. GCAD's principal responsibility is to undertake regular and systematic reviews of the internal controls systems, so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Group.

The GAC reviews, challenges and approves the GCAD audit plan annually 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 - Corporate Assurance, GCAD heads of regional teams, and senior members of GCAD. 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 that covers key activities within GCAD. Through the QAIP, opportunities for improvements are identified and appropriate recommendations made. These are carried out in the form of annual internal team validations, which are reviewed by GCAD in consultation with the GAC. In the spirit of continuous improvement, enhancements to the internal assessment programme is expected to be made within FY2020.

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 the next two years.

During FY2019, the total cost incurred for the internal audit function was RM13.1 million (FY2018:RM16.6 million).

Activities

The attainment of the above objectives involves key activities undertaken by GCAD, as part of the assurance process. During the year under review, they include, but are not limited to:

1

Review of methodology and practices in respect of risk assessment for audit planning purposes.

2

Formulation of a GCAD Plan for FY2019 by evaluating risk exposure relating to the achievement of the Group's strategic objectives and mapping this against the Divisional Enterprise Risk Management Risk Register to ensure that key risks are considered and deliberated with Divisional Management, external auditors and Group Risk Management on a periodic basis.

3

Review and appraisal of the adequacy and effectiveness of controls and compliance to the Limits of Authority, Group Policies and Authorities and Standard Operating Procedures. Among the key areas that were audited during the year were:

- Business Centre/Branch Operations
- Data Centre and Disaster Recovery
- Information Technology Governance
- Procurement
- Human Resource Management
- Project Management
- Financial Management
- Environment, Safety & Health

4

Evaluation of established systems to ensure compliance with laws, regulations, policies, plans and procedures, which could have an impact on the Group and Divisions.

EFFECTIVE AUDIT & RISK MANAGEMENT

5

Investigations into activities or matters channelled via the Whistleblowing Case Management System managed by GCI or as requested by Management. The outcomes from the investigations were tabled to the GAC.

6

Follow-up on the implementation of Management Action Plans to ensure that necessary actions have been taken or are being taken to remedy any significant gaps identified in governance, risk management and internal controls.

GROUP COMPLIANCE & INTEGRITY

Overview

The Group's independent compliance function is carried out by 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. Ms Chuah has over 20 years of working experience, beginning as a legal practitioner and now heads compliance activities across the Group's footprint.

GCI is guided by its Compliance Charter and Compliance Management Framework. GCI reports functionally to the GAC and administratively to the Group Chief Financial Officer (GCFO). The dual reporting line ensures a level of independence and objectivity in discharging responsibilities. GCI monitors regulatory compliance and administers the Group's anti-bribery management system.

The GAC reviews and approves GCI's work plan annually. It also approves the appointment of the Head - GCI. GCI provides reasonable assurance that the Group's operations and activities are conducted in line with key regulatory requirements, internal policies and the Code of Business Conduct (COBC).

Activities

The attainment of the above objectives involves key activities undertaken by GCI, as part of the governance process. It includes, but are not limited to:

1

Follow up on the implementation of planned actions to mitigate risk of regulatory non-compliance as well as ethics-related risks.

2

Continuous training to inculcate better awareness of integrity within the Group, in the form of frequent and accessible short-form engagements with employees.

3

Maintenance, training and continuous management of whistleblowing channels, to propagate a healthier governance culture, where employees feel empowered and secured enough to escalate suspected concerns.

This report is made in accordance with a resolution of the Board of Directors dated 25 September 2019.

RISK MANAGEMENT COMMITTEE REPORT

RMC

TAN SRI SAMSUDIN OSMAN

Chairman of the Risk Management Committee

COMPOSITION

The Risk Management Committee (RMC) is led by Tan Sri Samsudin Osman, and consists of four Independent Non-Executive Directors. Members of the RMC provide a mix of expertise and experience, and sufficient relevant understanding of the industries in which the Group operates. This allows the RMC to challenge and facilitate robust discussions on the management of the Group's key risk areas, with the ability to anticipate, assess and mitigate potential future risks to the Group.

ROLES & RESPONSIBILITIES

The RMC is primarily responsible for providing risk monitoring and oversight across the Group. The Committee also assists the Board in discharging its primary responsibilities of identifying principal risks and key trends, and in deliberating strategic action plans to mitigate the impact of such risks.

Specific duties of the RMC are as follows:

- Reviewing the adequacy of the scope, function, authority, competence and resources of the Group Risk Management (GRM) department.
- Providing oversight, direction and counsel to the risk management process, specifically to:
  i. ensure that appropriate risk management policies, framework and processes are implemented;
  ii. review the Group's risk profile and ensure that potential significant risks that are outside tolerable ranges are responded to with appropriate and effective mitigation actions; and
  iii. monitor and evaluate the risk profile and risk appetite of the Group.
- Reviewing significant investment proposals from a risk perspective and monitoring the execution of risk mitigation strategies for such proposals.
- Following up on post-investment risk mitigation strategies to ensure that the strategies are implemented subsequent to the Board's approval.

In discharging its responsibilities, the RMC is assisted by the GRM department.

Detailed terms of reference of the RMC is available online in the Governance Section of Group's corporate website http://www.simedarby.com/operating-responsibly/governance.

EFFECTIVE AUDIT & RISK MANAGEMENT

GROUP RISK MANAGEMENT

GRM's primary role is to assist the Board and the RMC in discharging their risk management responsibilities. GRM is structured to ensure that adequate support is provided at both the Group Head Office (GHO) and Divisional levels. GRM is mainly responsible for, but are not limited to, the following:

- Outlining a strategic plan to guide the priorities and direction of the Group's risk management activities;
- Developing appropriate risk management policies and guidelines;
- Conducting annual or periodic review of the Group Risk Management Policy and Framework, as well as continuously monitoring risk exposure across the Group;
- Articulating and developing the Group's risk appetite, and periodically assessing the level of risk exposure via continuous monitoring of risk tolerance and limits;
- Facilitating risk management structure, processes, tools and systems to support risk assessment activities at the GHO and Divisional levels;
- Conducting risk assessments on all major investments and tenders in accordance to Group's Limits of Authority; and
- Continuously inculcating and raising 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 Sime Darby Berhad in October 2018 as the Head of Risk and is responsible for implementing appropriate systems, programmes and initiatives to manage the Group's overall risk exposure. He also leads and manages Sime Darby Berhad's insurance and business continuity management programme.

ACTIVITIES IN FY2019

The RMC held quarterly and ad-hoc meetings to review and discuss the Group's risk profile and risk management initiatives. Some of the key agenda deliberated in FY2019 include:

1. Establishment of a Risk Management Blueprint to formalise a five-year road map, with emphasis on the key success factors and priorities required for effective risk management implementation across the Group;
2. Review and advice to the Board on amendments to the Group Risk Management Framework, reflecting latest risk management standards and changes to the Group's business environment;
3. Establishment of risk appetite statements articulating the amount of risk that the Group is prepared to take in pursuing its strategic objectives;
4. Review and assessment of risks pertaining to new major investment proposals in accordance with established thresholds in the approved Group Limits of Authority;
5. Review, assessment and monitoring of Sime Darby Berhad's Group and Divisional risk profiles and the management of significant identified financial and non-financial risks; and
6. Evaluation of new risks identified by GRM, including the likelihood of emerging risks occurring in the medium to longer term, and deliberate on the need to implement appropriate controls and action plans to mitigate such risks.

EFFECTIVE AUDIT & RISK MANAGEMENT

ANNUAL PERFORMANCE ASSESSMENT

The Board performs an annual assessment of the RMC's effectiveness in carrying out its duties set out in its Terms of Reference (TOR). The Board is satisfied that the RMC has effectively discharged its duties in accordance with its TOR. The Board Effectiveness Assessment 2019 further commended the RMC for having the right composition and sufficient recent and relevant skills and expertise to assist the Board in better decision making.

KEY PRIORITIES AND ACTIVITIES FOR FY2020

The RMC will continue to assist the Board to oversee the implementation of the Group's risk management framework, including recommending the appropriate risk management methodologies, policies and risk appetite throughout the Group. The RMC's key priorities and initiatives for FY2020 include:

1. Continuing to provide governance, oversight and guidance, with regard to the implementation of strategic priorities and initiatives outlined in the Risk Management Blueprint (see pages 21 to 25 for more information).

2. Assessing the effectiveness of ongoing initiatives and programmes developed by GRM to instil risk awareness across the Group, including the integration of risk management into the day-to-day decision making process across all operations.

3. Reviewing and monitoring the Group's strategic and key emerging risks, based on approved risk appetite thresholds. This includes reviewing the effectiveness of internal controls and mitigative actions in the event the risk appetite thresholds are breached.

4. Evaluating the effectiveness of the Group's business continuity programme with an eye towards enhancing its organisational resilience and preparedness towards crisis or disaster.

INTEGRITY IN CORPORATE REPORTING
AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

The Board believes that it is important to maintain open and constructive relationships with all of our stakeholders – large and small, institutional and private. The Chairman, supported by the Management, has overall responsibility for ensuring that the Group listens to and effectively communicates with our stakeholders.

The Group's Investor Relations unit, headed by the Group Chief Strategy Officer, facilitates communication between the Group and the investment community, with the Management's support. 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 WE COMMUNICATE

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 road shows are held to engage with shareholders and potential investors across the globe.

ENGAGEMENTS IN FY2019

- Affin Hwang Malaysia Auto Conference Day
- 25th CLSA Investors' Forum 2018 in Hong Kong
- Non-Deal Roadshow (NDR) in London organised by Credit Suisse
- Site visit to Inokom for fund managers organised by Affin Hwang
- Non-Deal Roadshow (NDR) in Kuala Lumpur organised by Maybank
- Malaysia Corporate Day in Singapore organised by UBS
- CIMB 11th Annual Malaysia Corporate Day in Kuala Lumpur
- Non-Deal Roadshow (NDR) in Tokyo organised by Nomura
- 22nd Credit Suisse Asian Investment Conference in Hong Kong
- Nomura Investment Forum Asia 2019 in Singapore

Quarterly Financial Results Briefing and Announcement

Every quarter, the Investor Relations unit provides the investment community with an up-to-date view of the Group's financial performance and operations via analyst briefing sessions which coincides with the release of the Group's quarterly financial results on Bursa Malaysia Securities Berhad. Press conferences are held bi-annually.

The analyst briefing sessions are also broadcasted live via webcast to members of the investment community who are overseas or unable to participate in person.

QUARTERLY FINANCIAL RESULTS ANNOUNCEMENT CALENDAR FY2019

Q1 FY2019
21 November 2018

Q2 FY2019
21 February 2019

Q3 FY2019
29 May 2019

Q4 FY2019
27 August 2019

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.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Shareholders are also welcomed to raise queries by contacting the Group at any time throughout the year. The contact information is available at the Contact Us section of the Group's website at http://www.simedarby.com/contact-us.

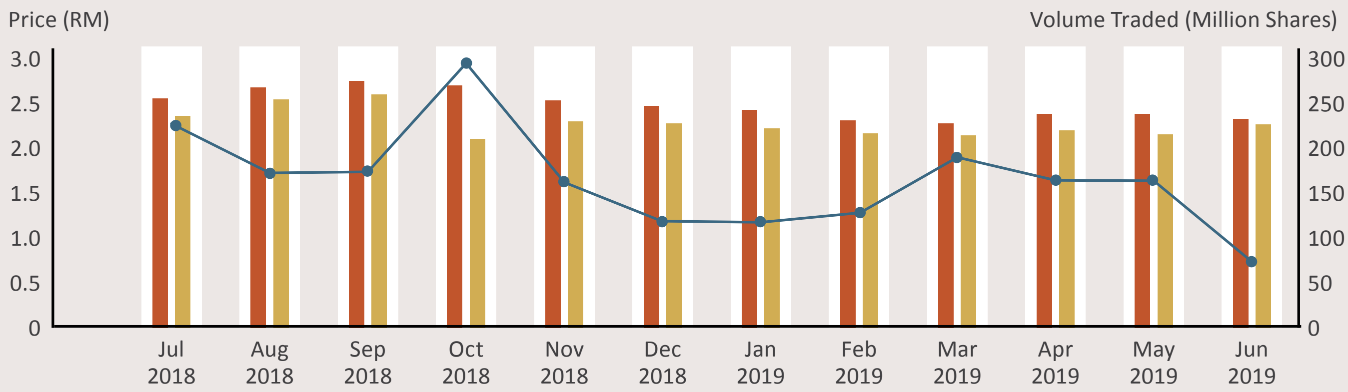
Annual General Meeting

The Annual General Meeting (AGM) provides a platform for the Chairman and Group Chief Executive Officer to share how the Group has performed during the year.

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 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. The Group's Management Team make themselves available before and after the AGM to talk informally to shareholders. Following the AGM, results of the polls are published on the Group's website and released to Bursa Securities.

The FY2019 AGM will be held at 10.00 a.m. on 14 November 2019 at the Sime Darby Convention Centre. 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 our website at www.simedarby.com.

OUR SHARE PRICE MOVEMENT



	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019
Highest	2.52	2.63	2.70	2.65	2.50	2.44	2.40	2.29	2.26	2.36	2.36	2.31
Lowest	2.34	2.51	2.56	2.10	2.28	2.26	2.21	2.16	2.14	2.19	2.15	2.25
Total Vol (Million)	228.39	171.74	172.98	297.88	160.87	116.27	114.96	125.91	189.72	163.22	162.73	69.50

DIVIDENDS

1st Interim Dividend of 2.0 sen Per Ordinary Share	
Announcement of the Notice of Entitlement and Payment	: 21 February 2019
Date of Entitlement	: 24 April 2019
Date of Payment	: 8 May 2019

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 2019
Date of Entitlement	: 1 October 2019
Date of Payment	: 31 October 2019

13TH ANNUAL GENERAL MEETING

Notice Date:
16 October 2019

Meeting Date:
14 November 2019

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 Berhad for the year under review.

Risk management and internal controls are integrated into management processes and embedded in business activities of the Group.

THE BOARD IS COGNISANT OF ITS ROLE IN SETTING THE TONE AND NURTURING A CULTURE TOWARDS MANAGING KEY RISK.

RESPONSIBILITIES AND ACCOUNTABILITIES

A) The Board

The Group is led by the Board. The Board has delegated the Risk and Governance responsibilities to Board Committees which ensure independent oversight of internal controls and risk management. Notwithstanding the delegated responsibilities, the Board acknowledges its 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 the fact that the internal controls systems are designed to manage and minimise rather than eliminate and avoid occurrences of material misstatements or unforeseeable circumstances, fraud or losses.

- **Risk Management Committee**

  The Risk Management Committee (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 tasked to set the tone and culture towards effective risk management and control within the Group.

  The responsibilities of the RMC are detailed on pages 105 to 107 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.

- **Governance and Audit Committee**

  The key responsibility of the Governance and Audit Committee (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 98 to 104 of this annual report.

  In discharging its duties, the GAC is supported and assisted by two functional units within the Group, i.e. Group Compliance & Integrity (GCI) and the Group Corporate Assurance Department (GCAD).

B) The Management

The Management is responsible for implementing Board-approved frameworks, policies and procedures

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

related to risk management and internal controls. The Management is also accountable in 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 for identifying, evaluating, monitoring and reporting risks and internal controls, taking appropriate and timely corrective actions and providing assurance to the Board that the processes have been carried out.

Setting the right example (behaviour and actions), encourage and reinforce the importance of good business behaviours and apply the required rules and regulations.

Ensuring appropriate and timely corrective actions are undertaken to strengthen internal controls and minimise occurrence of non-compliance incidences.

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 Group adopts good practices recommended by the Australian Standards 3806 - 2006 "Compliance Program" and International Standard 19600 "Compliance Management" in the design of its compliance programmes. The GAC monitors the strategy and delivery of the compliance programmes via periodic progress reports submitted and reported by the Head, 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 104 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. It assists the Group to achieve its objectives by bringing 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, which is reported to the GAC periodically.

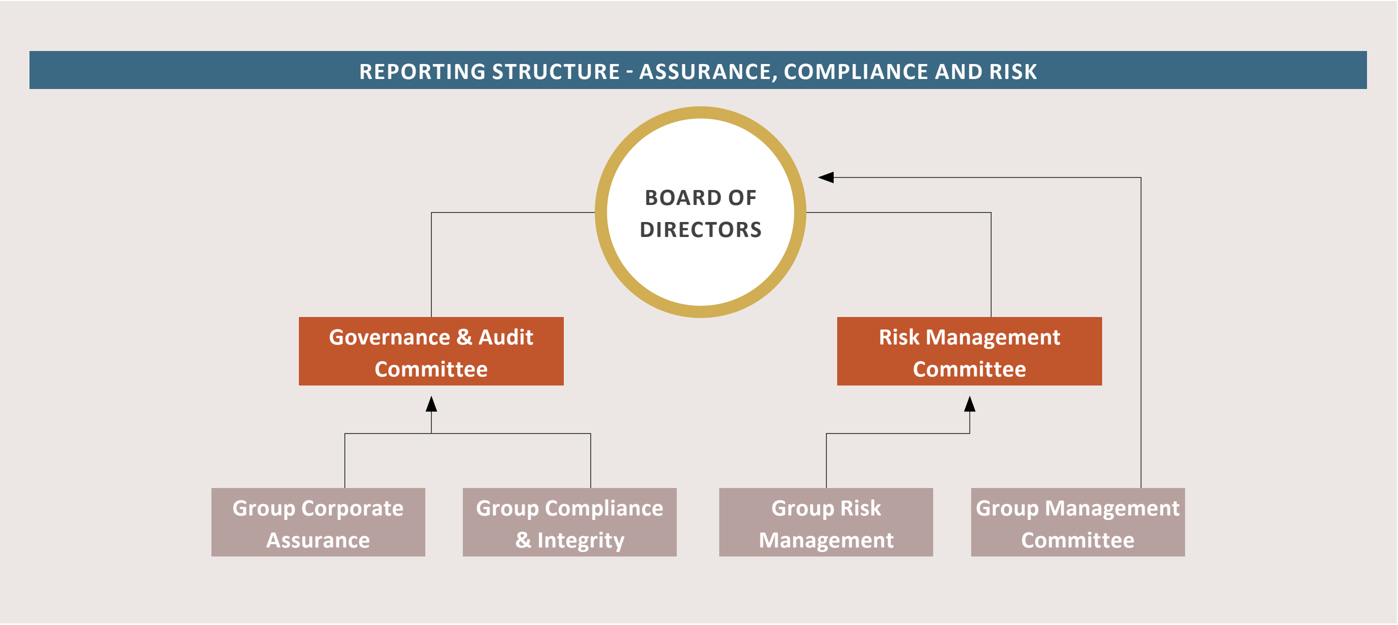
GCAD's mandate and activities are detailed on pages 103 to 104 of this annual report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

E) Group Risk Management Department

The Group Risk Management (GRM) department assists the Board and RMC in discharging their risk management responsibilities. GRM is structured to provide adequate support to both the Group Head Office (GHO) and the Divisions with regards 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 106 of this annual report.



RISK MANAGEMENT AND INTERNAL CONTROLS FRAMEWORK

The Group's Enterprise Risk Management Framework (ERM Framework) is integrated into and where appropriate, embedded into the day-to-day business activities and management decision making. The framework has been developed to establish a robust risk management process across the Group and to ensure that all business risks are prudently identified, analysed and effectively managed. The framework is designed and adapted as reasonably practicable from the ISO 31000:2018 Risk Management Guidelines.

Supporting this broader risk management framework is an internal controls system that facilitates internal controls design and operating effectiveness to manage key risks.

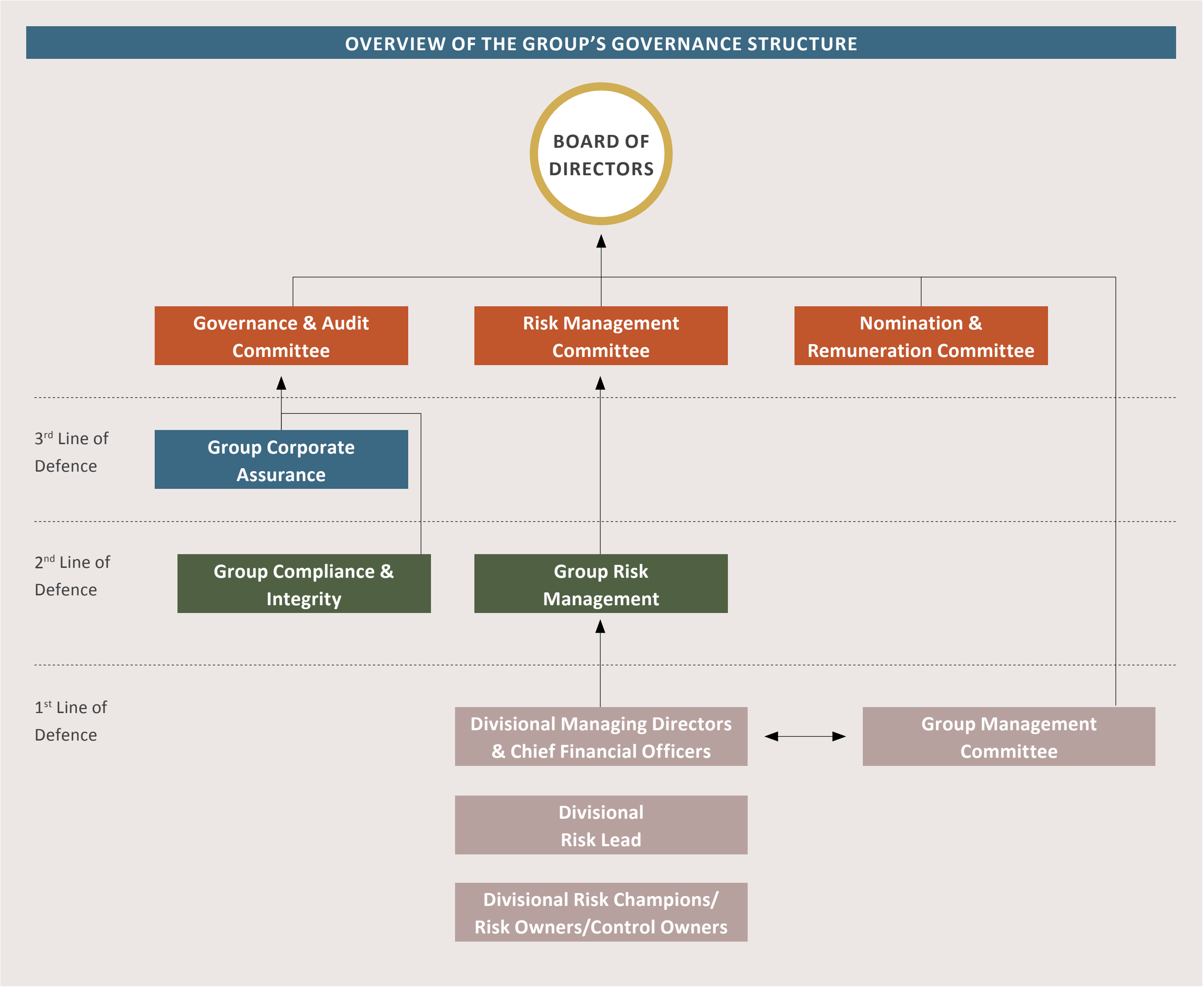
Key aspects of the Group's overall risk management and internal controls system are selectively outlined below, where they provide assurance that the framework is adequate and effective for the purposes of this Statement.

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 Group Chief Executive Officer 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, which assist with decision making aimed at achieving the Group's objectives. This is supplemented by a more formal and explicit risk management process.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

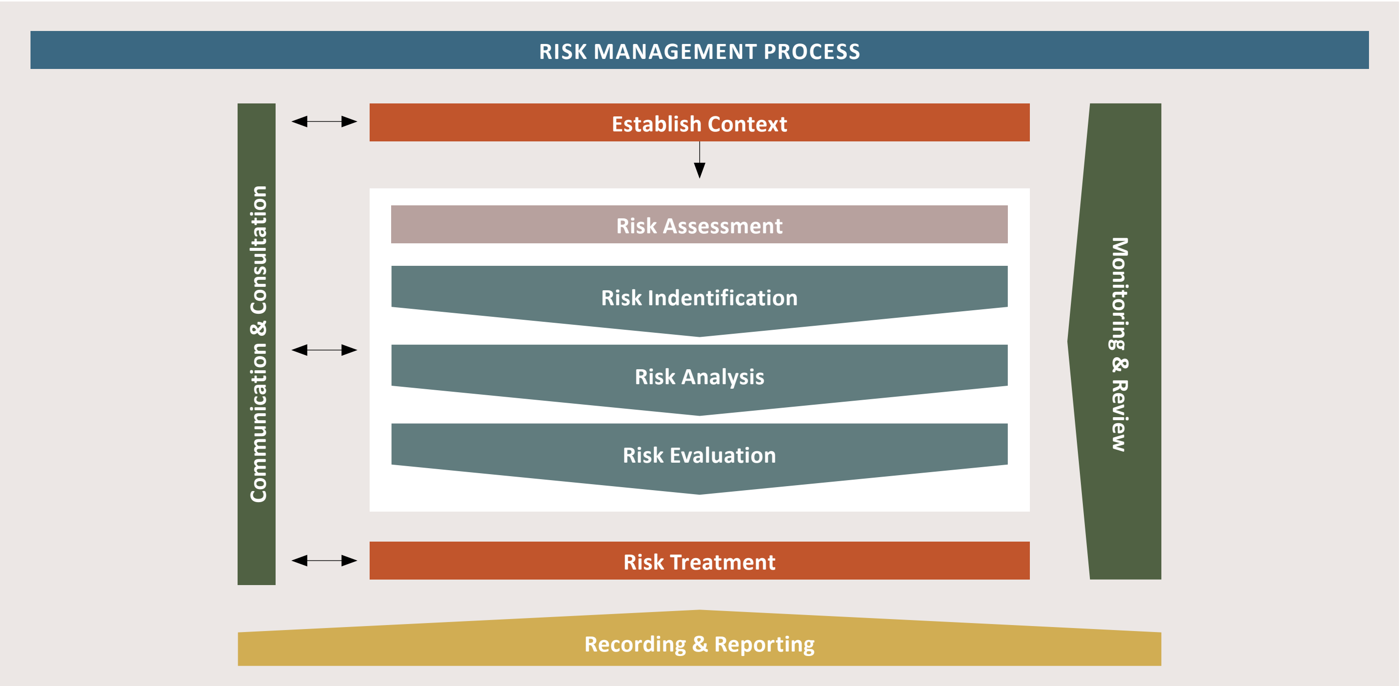
The diagram below provides an overview of the governance structure:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 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	Setting risk appetite, tolerance, limits and threshold	Annually
Enterprise-wide (Division/Business Units/ Operating Units)	Quarterly risk profile submission and reporting	Updating risk to reflect changes in rating, status of controls and action plans	Quarterly
Major proposals/ Investments*	Proposal/Investment Risk Assessment	Assessment of key risk exposure and controls required to manage the risk exposure	As required
Major Tenders*	Tender Risk Assessment		

* selective investments/tenders based on the Group Policies and Authorities

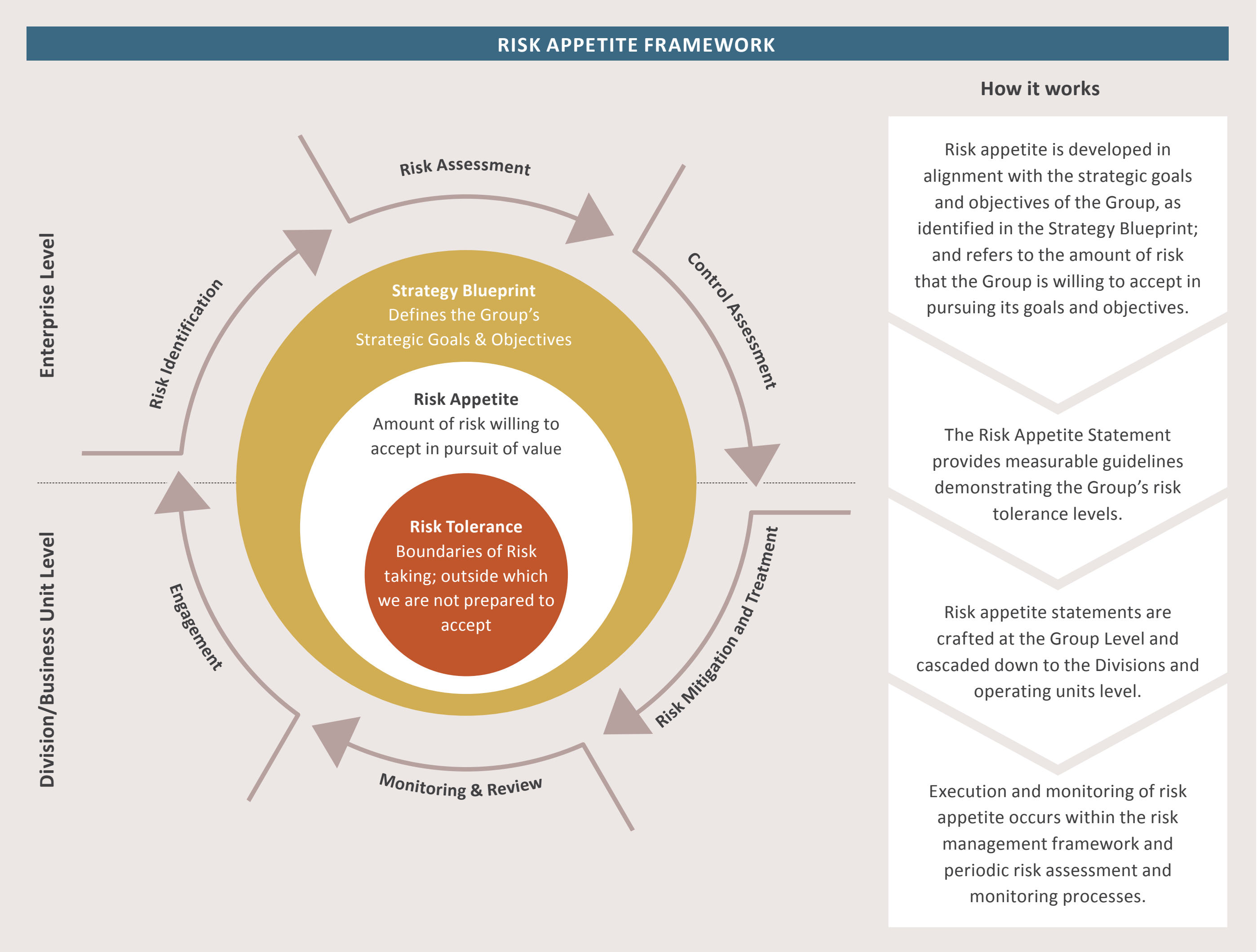
As illustrated, a top-down review of enterprise level risks is conducted as part the annual strategic planning update to ensure that the risk implications of any changes in strategy are identified, assessed and documented. This is supplemented by quarterly risk updates and regular reviews of projects 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. It may also lead to development of specific action plans. Where conditions significantly change during the year, changes to the strategy and risk implications may be necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK APPETITE

The Board, via the RMC, determines the Group's risk appetite and tolerance, and ensures that it is communicated appropriately across the Group. Risk appetite refers to the amount of risk an organisation is prepared to accept in pursuit of its strategic objectives. 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:



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 those appetite or limits if they no longer reflect the Group's actual risk appetite.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT

Group Policies and Authorities

The Board has put in place Group Policies and Authorities (GPAs) which act as a key pillar of the Group's governance framework. It is a tool by which the Board formally delegates 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 roadmap 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. Among the key supporting policies and procedures developed are as listed below:

- **Core Values, Business Principles and the Code of Business Conduct (COBC)**

  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 languages in recognition of the large geographical spread that the Group operates from, ensuring that it reaches far and wide to Group personnel where major local languages are represented to minimise translation error.

- **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. Sime Darby Berhad was the first government-linked company in Malaysia to have signed the Corporate Integrity Pledge (CIP) with the Malaysian Anti-Corruption Commission (MACC) in 2011, and is committed to continuously support the implementation of the new CIP in line with the new provision of MACC Act 2018 on corporate liability. The Group has in place 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.

- **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 to 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 retaliation. The policy on whistleblowing as set out in the GPA is available in the Group's Enterprise Portal, and an overview of the policy is available on the Group's website, accessible to all.

  The Group's whistleblowing mechanism and channels are managed by GCI, to provide independence from the Management. This is articulated in the Whistleblowing Policy (as stated in the GPA), where the 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 are presented to the Board for notation.

- **Group Procurement Policies and Authorities (GPPA)**

  The GPPA covers all type 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 (Vendor COBC)**

  Vendors are expected to adhere to standards of behavior aligned to promoting a fair, honest and ethical business environment. The Group's Vendor COBC provides guidance to these standards of behavior when dealing with or on behalf of the Group.

- **Vendor Letter of Declaration (VLOD)**

  VLOD was introduced as one of the Group's initiatives to align the Group's expectation 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 not be involved with any offence of bribery, corruption or fraud; and to not be engaged in bribery, corruption or fraud with the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Regulatory Compliance Monitoring**

  The Group's state of compliance to key regulatory requirements are 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 (BCM)**

  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 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 is given a high priority in view of the types of risks faced by the Group. The Group being a large government-linked company in Malaysia, necessitates an effective external communications strategy to ensure the reputation of the Group is protected.

  The Group has established processes and procedures to ensure the quarterly and annual audited financial statements which covers the Group's performance, are submitted to Bursa Malaysia Securities Berhad (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 Main Market Listing Requirement (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 control 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 Group Chief Executive Officer and the Group Chief Financial Officer 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 25 September 2019.

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 (including assurance related) 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:

	Audit Work (RM million)	Non-Audit Work (RM million)
Company	1	-[1]
Group	15	9

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 (PBESS) for the eligible employees (including Executive Directors) of the Company and its subsidiaries (excluding subsidiaries which are dormant) 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 years from the effective date and is administered by 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 first and second grants had lapsed on 18 August 2016 and 23 August 2017 respectively as the vesting conditions which included 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 third Grant comprising the PS Grant and RS Grant was made to the eligible employees on 15 January 2019. 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.

ADDITIONAL COMPLIANCE INFORMATION
(IN ACCORDANCE WITH APPENDIX 9C OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES MALAYSIA BERHAD)

For the financial year ended 30 June 2019, the details on the total of shares granted, forfeited, vested and outstanding are as follows:

	Total		Executive Director	
Description	**PS**	**RS**	**PS**	**RS**
Granted	7,806,200	1,947,400	497,700	124,400
Forfeited	(149,400)	(37,300)	-	-
Vested	-	-	-	-
Outstanding	7,656,800	1,910,100	497,700	124,400

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 Twelfth Annual General Meeting (AGM) held on 15 November 2018, 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 as set out in the Circular to Shareholders dated 17 October 2018 (RRPT Mandate). The RRPT Mandate is valid until the conclusion of the forthcoming Thirteenth AGM of the Company to be held on 14 November 2019.

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 2019 under the RRPT Mandate are 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.	DXC Technology Global Services Centre Sdn Bhd (formerly known as Sime Darby Global Services Centre Sdn Bhd)(DXC Technology GSC)[4]	SD Plantation and its subsidiaries	• Provision of centralised operational support, i.e. payroll, accounting and information technology processing, and other administration services	AmanahRaya Trustees Berhad – Amanah Saham Bumiputera (ASB)[1]	58.3
2.	Kumpulan Sime Darby Berhad (KSDB)	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[#]		6.6

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 Malaysia Berhad (SDMB)	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
4.	Sime Darby Rent-A-Car Sdn Bhd (SDRAC)	SD Plantation and its subsidiaries	• Car rental service income		2.3
5.	• Sime Darby Industrial Sdn Bhd • Kubota Malaysia Sdn Bhd (formerly known as Sime Kubota Sdn Bhd)[3] • 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		51.6
6.	• Sime Darby Energy Solutions Sdn Bhd (SDES) • Mecomb Malaysia Sdn Bhd (MMSB)	SD Plantation and its subsidiaries	• Provision of engineering maintenance services		0.5
				Total	121.3

Transactions with Sime Darby Property Berhad (SD Property) and its subsidiaries					
1.	SDMB	SD Property	• Grant of a non-exclusive, non-assignable and non-transferable licence to use (a) 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, and (b) the "DARBY PARK" mark only in those countries it is currently registered, solely in the course of or in connection with SD Property's business	ASB[1]	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
2.	SDRAC	SD Property and its subsidiaries	• Car rental service income		1.6
3.	• SDES • MMSB	SD Property and its subsidiaries	• Provision of engineering maintenance services		6.2
4.	DXC Technology GSC[4]	SD Property and its subsidiaries	• Provision of centralised operational support, i.e. payroll, accounting and information technology processing, and other administration services		10.9
				Total	20.7
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]	117.0
				Total	117.0
				Grand Total	259.0

Notes:

[1] ASB is a Major Shareholder of Sime Darby Berhad (SDB), holding 41.43% direct equity interest in SDB as at 30 June 2019. ASB is also a Major Shareholder of SD Plantation and SD Property, holding 43.66% and 43.87% direct interest, respectively, in SD Plantation and SD Property as at 30 June 2019.

[2] Bermaz is a Major Shareholder of Inokom, holding 29.00% direct interest in Inokom. Bermaz is also a Major Shareholder of Mazda Malaysia, holding 30.00% direct interest in Mazda Malaysia.

[3] Ceased to be a subsidiary of SDB with effect from 1 April 2019. Renewal of shareholders' mandate will not be sought for this transaction.

[4] Ceased to be a subsidiary of SDB with effect from 30 April 2019. Renewal of shareholders' mandate will not be sought for this transaction.

[^] 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 three-year term basis for three terms and one 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 : Fixed period of three years from the commencement date i.e. 30 June 2017.
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 day of each calendar month.

The Company proposes to seek a renewal of the existing RRPT Mandate, where applicable, and a new mandate for additional recurrent related party transactions of a revenue or trading nature at its forthcoming Thirteenth 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 16 October 2019 sent together with this Annual Report.

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 2019, as presented on pages 137 to 281, 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 gives 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 of the Group and the Company for the financial year.

The Directors have the 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 to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board of Directors dated 25 September 2019.

BOARD APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements for the financial year ended 30 June 2019 are set out on pages 137 to 281. The preparation thereof was supervised by the Group Chief Financial Officer and approved by the Board of Directors on 25 September 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

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 56 to the financial statements.

FINANCIAL RESULTS

The results of the Group and of the Company for the financial year ended 30 June 2019 were as follows:

	Group RM million	Company RM million
Profit before interest and tax	1,383	696
Finance income	32	1
Finance costs	(124)	–
Profit before tax	1,291	697
Taxation	(281)	(6)
Profit for the financial year	1,010	691
Profit for the financial year attributable to owners of:		
- the Company	948	691
- non-controlling interests	62	–
Profit for the financial year	1,010	691

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 2018, a second interim dividend of 4.0 sen per share and special dividend of 2.0 sen per share were paid on 31 October 2018; and	408
b. In respect of the financial year ended 30 June 2019, an interim dividend of 2.0 sen per share was paid on 8 May 2019	136
	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 2019. The dividends will be paid on 31 October 2019.

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

There were no issuance of shares or debentures during the financial year.

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 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 2019, the Company offered the third 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 39 to the financial statements.

The number of shares granted under the third grant of the PBESS and the number of shares outstanding at the end of the financial year are as follows:

	PS	RS
At 1 July 2018	–	–
Granted	7,806,200	1,947,400
Forfeited	(149,400)	(37,300)
At 30 June 2019	7,656,800	1,910,100

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 Dato' Sri Dr Wan Abdul Aziz Wan Abdullah
Dato' Abdul Rahman Ahmad (Appointed on 1 September 2019)
Tan Sri Samsudin Osman
Datuk Wan Selamah Wan Sulaiman
Dato Sri Lim Haw Kuang
Tan Sri Dato' Mohamed Azman Yahya (Resigned on 30 June 2019)
Datin Paduka Kartini Haji Abdul Manaf (Retired on 15 November 2018)
Dato' Sri Abdul Hamidy Abdul Hafiz
Dato' Ahmad Pardas Senin
Thayaparan Sangarapillai
Dato' Lawrence Lee Cheow Hock
Moy Pui Yee (Appointed on 2 July 2018)
Mohamad Idros Mosin (Appointed on 15 November 2018)
Dato' Jeffri Salim Davidson

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' REPORT

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 2019 (2018: RM3.2 million, which includes the period up to November 2018 and a run-off cover for 6 years up to November 2023, which covers Directors and officers of the Group prior to the completion of the pure play exercise).

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:

	Number of ordinary shares granted under PBESS				
	Grant Date	Grant Type	As at 1 July 2018	Granted	As at 30 June 2019
Dato' Jeffri Salim Davidson	15 January 2019	PS	-	497,700	497,700
		RS	-	124,400	124,400

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 and 47 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.

   iii. the adoption of MFRS 16-Leases is expected to have a material impact on the Group's financial position in the financial year ending 30 June 2020 as disclosed in Note 2(b)(ii).

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 25 September 2019.

Signed on behalf of the Board of Directors:

TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH
Chairman

DATO' JEFFRI SALIM DAVIDSON
Executive Director/Group Chief Executive Officer

Petaling Jaya
Selangor
25 September 2019

STATEMENT BY DIRECTORS PURSUANT TO
SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah 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 137 to 281 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 2019 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 25 September 2019.

TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH
Chairman

DATO' JEFFRI SALIM DAVIDSON
Executive Director/Group Chief Executive Officer

Petaling Jaya
Selangor
25 September 2019

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 137 to 281 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 25 September 2019.

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)
(COMPANY NO. 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 2019, 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 2019 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 137 to 281.

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' Code of Ethics for Professional Accountants ("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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIME DARBY BERHAD

(INCORPORATED IN MALAYSIA)
(COMPANY NO. 752404 U)

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. There are no key audit matters to report for the Company.

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 recognised on the Statement of Financial Position of the Group as at 30 June 2019 included Bucyrus distribution rights and goodwill of RM668 million and RM38 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, 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 budget 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 24 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, Earnings Before Interest, Taxation, Depreciation and Amortisation ("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 experts to assess the discount rate used in determining the recoverable amounts of the CGUs. We checked the appropriateness of sensitivity analysis performed by management. Based on the above procedures performed, we did not note any exceptions to the Directors' assessment on the recoverability of carrying amount of intangible assets in the Industrial operations in Australasia as at 30 June 2019.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIME DARBY BERHAD

(INCORPORATED IN MALAYSIA)
(COMPANY NO. 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
Recognition of intangible assets arising from the acquisition of Heavy Maintenance Group Pty Ltd ("HMG")	
On 3 December 2018, the Group completed the acquisition of HMG. The purchase consideration was RM177 million. Management assessed that the acquisition of HMG qualifies as a business combination by applying the definition of MFRS 3. Management performed a Provisional Purchase Price Allocation ("PPA") and determined that the fair value of the net identifiable assets acquired is RM72 million, of which RM54 million relates to customer relationships and contracts, which are classified as intangible assets. Goodwill recognised on the acquisition of HMG as at 30 June 2019 amounted to RM99 million. We focused on the determination of the fair value of customer relationship and contracts arising from the acquisition as a significant area of judgement. The valuation methodology, as well as the estimates and assumptions in the model, will affect the fair value of the intangible assets. The goodwill arising from the acquisition of HMG 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(a), 24 and 46 to the financial statements.	We obtained management's assessment that the acquisition of HMG qualifies as a business combination in accordance with the definition of MFRS 3 "Business Combinations". 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 Share Purchase Agreement. We agreed the final purchase consideration to the Share Purchase Agreement. We obtained the PPA report for the acquisition of HMG which was prepared by an external party and assessed the basis for determining the fair values of the identifiable assets and liabilities assumed at the date of acquisition. We also assessed the independence, objectivity and competency of management's expert who prepared the PPA report by considering their professional background, reputation and experience in similar industry. We involved our valuation experts to assess the appropriateness of the methodology adopted by management in the PPA report, including the Customer Relationships Model used. We checked the accuracy of the historical underlying revenue data used in the Customer Relationships Model. We tested the calculation of goodwill arising from the acquisition of HMG, being the difference between the total purchase consideration and the fair value of net identifiable assets. We assessed management's allocation of the goodwill to the Chroming business in Australia. Based on the above procedures performed, we did not note any material exceptions to the Directors' recognition of intangible assets arising from the acquisition of HMG as at 30 June 2019.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIME DARBY BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. 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 the Group's investment in a joint venture, Weifang Port Services Co., Ltd ("WPS")	
The carrying amount of the Group's investment in WPS as at 30 June 2019 amounted to RM88 million. During the financial year, the Group's share of impairment of non-financial assets of WPS was RM89 million. We focused on the recoverability of the Group's carrying amount on its investment in WPS due to the significant estimates and judgement involved in determining the key assumptions used in deriving the recoverable amount of the investment, i.e. channel usage fee, the local government being responsible for the maintenance of the sea channel at the optimal depth, proceeds from disposal of sea-use-rights used to settle outstanding payables, and the discount rate. Management performed the impairment assessment of the investment based on the value-in-use method determined using the discounted cash flow projections based on the budget approved by the Directors of the Group. Refer to Notes 4(c) and 12 to the financial statements.	We agreed the discounted cash flow projections to the budget approved by the Directors of the Group. We evaluated the likelihood of the increase in channel usage fees to minutes of discussion between WPS and its shareholders, the major customers of WPS. We assessed the reasonableness of management's assumption that the channel usage fees will be accepted by its major customer. We read the reform notice issued by the General Office of the Shandong State Council (i.e. the province of WPS's operations) which supports the assumption by management that the local government shall be responsible for the construction, maintenance, management and operation of the public infrastructure (inclusive of maritime ports) and the funding for such activities. We enquired with management on the ongoing discussions with the local government on the maintenance of the sea channel at the optimal depth. We compared the estimated proceeds from disposal of sea-use-rights to quotation received from third party for comparable sea-use-rights owned by the Group and discussion with local authority. We involved our valuation experts to assess the discount rate used in determining the recoverable amount of the investment and the appropriateness of the valuation methodology adopted by management in their cash flow projections. We checked 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 provision as at 30 June 2019.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIME DARBY BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. 752404 U)

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 Risk Management, 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 2019 of Sime Darby Berhad, which is expected to be made available to us after the 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)
(COMPANY NO. 752404 U)

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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIME DARBY BERHAD

(INCORPORATED IN MALAYSIA)
(COMPANY NO. 752404 U)

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 56 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
02684/11/2019 J
Chartered Accountant

Kuala Lumpur
25 September 2019

STATEMENTS OF
PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Continuing operations					
Revenue	6	**36,156**	33,828	**742**	1,764
Operating expenses	7	**(34,937)**	(33,063)	**(46)**	(24)
Other operating income	10	**268**	305	**–**[1]	2
Other gains and (losses)	11	**55**	32	**–**	(31)
Operating profit		**1,542**	1,102	**696**	1,711
Share of results of joint ventures	12	**(62)**	59	**–**	–
Share of results of associates	13	**(97)**	(87)	**–**	–
Profit before interest and tax		**1,383**	1,074	**696**	1,711
Finance income	14	**32**	104	**1**	7
Finance costs	15	**(124)**	(113)	**–**	(4)
Profit before tax		**1,291**	1,065	**697**	1,714
Taxation	16	**(281)**	(380)	**(6)**	–
Profit for the financial year from continuing operations		**1,010**	685	**691**	1,714
Discontinued operations					
Profit for the financial year from discontinued operations	17	**–**	1,378	**–**	–
Profit for the financial year		**1,010**	2,063	**691**	1,714
Profit for the financial year attributable to owners of:					
- the Company					
- from continuing operations		**948**	618	**691**	1,714
- from discontinued operations		**–**	1,301	**–**	–
		948	1,919	**691**	1,714
- perpetual sukuk					
- from discontinued operations		**–**	52	**–**	–
- non-controlling interests					
- from continuing operations		**62**	67	**–**	–
- from discontinued operations		**–**	25	**–**	–
		1,010	2,063	**691**	1,714
Basic earnings per share attributable to owners of the Company:	18	**Sen**	Sen		
- from continuing operations		**13.9**	9.1		
- from discontinued operations		**–**	19.1		
		13.9	28.2		

[1] Less than RM1 million

The notes on pages 148 to 281 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Profit for the financial year		**1,010**	2,063	**691**	1,714
Other comprehensive income/(loss):					
Continuing operations					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences		**(59)**	(760)	**–**	–
Share of other comprehensive income/(loss) of joint ventures and associates		**2**	(43)	**–**	–
Net change in fair value of cash flow hedges		**(4)**	26	**–**	–
Taxation		**2**	(8)	**–**	–
		(59)	(785)	**–**	–
Reclassified to profit or loss:					
- currency translation differences on:					
- repayment of net investments		**(3)**	(23)	**–**	–
- disposal/liquidation of subsidiaries		**5**	–	**–**	–
- changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses		**12**	(8)	**–**	–
Reclassification of changes in fair value of cash flow hedges to inventories		**3**	(2)	**–**	–
Taxation		**(2)**	4	**–**	–
		(44)	(814)	**–**	–
Items that will not be reclassified subsequently to profit or loss					
Actuarial gain on defined benefit pension plans		**–**	6	**–**	–
Share of actuarial gain on defined benefit pension plans of a joint venture		**2**	–	**–**	–
		2	6	**–**	–
Other comprehensive loss from continuing operations		**(42)**	(808)	**–**	–
Discontinued operations					
Other comprehensive loss from discontinued operations	17	**–**	(228)	**–**	–
Total other comprehensive loss	20	**(42)**	(1,036)	**–**	–
Total comprehensive income for the financial year		**968**	1,027	**691**	1,714

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Group		Company	
	2019	**2018**	**2019**	**2018**
Total comprehensive income/(loss) for the financial year attributable to owners of:				
- the Company				
- from continuing operations	**907**	(140)	**691**	1,714
- from discontinued operations	**–**	1,088	**–**	–
	907	948	**691**	1,714
- perpetual sukuk				
- from discontinued operations	**–**	52	**–**	–
- non-controlling interests				
- from continuing operations	**61**	17	**–**	–
- from discontinued operations	**–**	10	**–**	–
	968	1,027	**691**	1,714

The notes on pages 148 to 281 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Note	Group 2019	Group 2018	Company 2019	Company 2018
NON-CURRENT ASSETS					
Property, plant and equipment	21	**5,727**	5,773	**–**	–
Prepaid lease rentals	22	**292**	300	**–**	–
Investment properties	23	**286**	289	**–**	–
Intangible assets	24	**1,484**	1,415	**–**	–
Subsidiaries	25	**–**	–	**3,890**	3,590
Joint ventures	12	**1,145**	1,197	**–**	–
Associates	13	**433**	518	**–**	–
Investments	27	**–**	124	**–**	–
Financial assets at fair value through profit or loss	28	**87**	–	**–**	–
Deferred tax assets	29	**542**	519	**–**	–
Tax recoverable	30	**65**	63	**–**	–
Derivative assets	31	**2**	–	**–**	–
Receivables and other assets	32	**283**	214	**–**	–
		10,346	10,412	**3,890**	3,590
CURRENT ASSETS					
Inventories	33	**8,538**	7,210	**–**	–
Receivables and other assets	32	**4,120**	4,536	**2**	4
Contract assets	34	**46**	47	**–**	–
Amounts due from subsidiaries	26	**–**	–	**5,897**	6,034
Prepayments	35	**563**	527	**–**	–
Tax recoverable	30	**72**	63	**1**	–
Derivative assets	31	**6**	66	**–**	–
Bank balances, deposits and cash	36	**1,723**	1,672	**150**	163
		15,068	14,121	**6,050**	6,201
Assets held for sale	37	**102**	340	**–**	–
TOTAL ASSETS		**25,516**	24,873	**9,940**	9,791

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Note	Group 2019	Group 2018	Company 2019	Company 2018
EQUITY					
Share capital	38	**9,299**	9,299	**9,299**	9,299
Reserves	40	**380**	341	**6**	–
Retained profits		**5,034**	4,730	**633**	486
ATTRIBUTABLE TO OWNERS OF THE COMPANY		**14,713**	14,370	**9,938**	9,785
Non-controlling interests	41	**405**	389	**–**	–
TOTAL EQUITY		**15,118**	14,759	**9,938**	9,785
NON-CURRENT LIABILITIES					
Borrowings	42	**178**	247	**–**	–
Derivative liabilities	31	**–**	2	**–**	–
Payables and other liabilities	43	**10**	54	**–**	–
Contract liabilities	34	**169**	126	**–**	–
Government grants	44	**152**	153	**–**	–
Provisions	45	**16**	17	**–**	–
Deferred tax liabilities	29	**289**	286	**–**	–
		814	885	**–**	–
CURRENT LIABILITIES					
Borrowings	42	**2,397**	2,642	**–**	–
Derivative liabilities	31	**18**	24	**–**	–
Payables and other liabilities	43	**4,647**	4,760	**2**	6
Contract liabilities	34	**1,991**	1,315	**–**	–
Provisions	45	**405**	356	**–**	–
Tax payable		**126**	89	**–**	–
		9,584	9,186	**2**	6
Liabilities associated with assets held for sale	37	**–**	43	**–**	–
TOTAL LIABILITIES		**10,398**	10,114	**2**	6
TOTAL EQUITY AND LIABILITIES		**25,516**	24,873	**9,940**	9,791

The notes on pages 148 to 281 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

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	53	–	(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	20	–	(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	19	–	–	(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 40.

[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 2019

Amounts in RM million unless otherwise stated

Group 2018	Note	Share capital	Reserves[1]	Retained profits	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total Equity
At 1 July 2017		9,299	1,348	26,696	37,343	2,230	976	40,549
Profit for the financial year		–	–	1,919	1,919	52	92	2,063
Other comprehensive (loss)/ income for the financial year	20	–	(977)	6	(971)	–	(65)	(1,036)
Total comprehensive (loss)/ income for the financial year		–	(977)	1,925	948	52	27	1,027
Transfer between reserves[2]		–	13	(13)	–	–	–	–
Share of capital reserve of an associate		–	(4)	–	(4)	–	–	(4)
Reclassification upon deconsolidation of subsidiaries[3]		–	(39)	39	–	–	–	–
Distribution-in-specie[4]		–	–	(22,625)	(22,625)	–	–	(22,625)
Derecognition arising from deconsolidation of subsidiaries[5]		–	–	–	–	(2,219)	(543)	(2,762)
Transactions with owners:								
- issue of shares in a subsidiary		–	–	–	–	–	5	5
- dividends paid by way of cash	19	–	–	(1,292)	(1,292)	–	(76)	(1,368)
- distribution		–	–	–	–	(63)	–	(63)
At 30 June 2018		9,299	341	4,730	14,370	–	389	14,759

[1] An analysis of the movements in each category within reserves is disclosed in Note 40.

[2] Reclassification from retained profits to legal reserves to reflect the restricted nature of the reserves at subsidiaries.

[3] Reclassification of the capital and legal reserves of the Sime Darby Plantation Berhad (“SD Plantation”) group of companies to retained profits following the deconsolidation of SD Plantation and Sime Darby Property Berhad (“SD Property”).

[4] The distribution-in-specie relates to the distribution of the Group’s entire equity interest in SD Plantation and SD Property to the shareholders of Sime Darby Berhad.

[5] The perpetual sukuk and non-controlling interests of SD Plantation and SD Property were derecognised upon the deconsolidation of SD Plantation and SD Property.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

Company 2019	**Note**	**Share capital**	**Share grant reserve**	**Retained profits**	**Total equity attributable to owners of the Company**
At 1 July 2018		**9,299**	**–**	**486**	**9,785**
Profit for the financial year		**–**	**–**	**691**	**691**
Performance-based employee share scheme		**–**	**6**	**–**	**6**
Transactions with owners:					
- dividends paid by way of cash	19	**–**	**–**	**(544)**	**(544)**
At 30 June 2019		**9,299**	**6**	**633**	**9,938**

Company 2018	**Note**	**Share capital**	**Retained profits**	**Total equity attributable to owners of the Company**
At 1 July 2017		9,299	7,965	17,264
Profit for the financial year		–	1,714	1,714
Distribution-in-specie[1]		–	(7,901)	(7,901)
Transactions with owners:				
- dividends paid by way of cash	19	–	(1,292)	(1,292)
At 30 June 2018		9,299	486	9,785

[1] The distribution-in-specie consists of the Company's cost of investment in SD Plantation (RM1,100 million) and SD Property (RM6,801 million).

The notes on pages 148 to 281 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Group		Company	
	2019	2018	2019	2018
Cash flow from operating activities				
Profit for the financial year	**1,010**	685	**691**	1,714
Adjustments for:				
- dividends from subsidiaries	**–**	–	**(742)**	(1,764)
- dividend income from financial assets	**(135)**	(121)	**–**	–
- share of results of joint ventures and associates	**159**	28	**–**	–
- finance income	**(32)**	(104)	**(1)**	(7)
- finance costs	**124**	113	**–**	4
- taxation	**281**	380	**6**	–
- gain on disposals and loss on deconsolidation (net)	**(122)**	(137)	**–**	–
- impairment losses and write offs (net)	**(3)**	143	**–**	31
- depreciation and amortisation	**598**	621	**–**	–
- inventory writedown and provision (net)	**225**	288	**–**	–
- net fair value loss on financial assets at fair value through profit or loss	**47**	–	**–**	–
- changes in fair value of derivatives	**4**	(4)	**–**	–
- realised foreign currencies exchange gain transferred from equity	**(2)**	(23)	**–**	–
- other non-cash items	**24**	11	**–**	(1)
	2,178	1,880	**(46)**	(23)
Changes in working capital:				
- inventories	**(1,085)**	(455)	**–**	–
- rental assets	**(710)**	(682)	**–**	–
- receivables and other assets	**459**	(921)	**2**	(3)
- payables and other liabilities	**652**	997	**(3)**	(9)
Cash generated from/(used in) operations	**1,494**	819	**(47)**	(35)
Tax paid	**(289)**	(284)	**(6)**	–
Dividends received from:				
- subsidiaries	**–**	–	**592**	1,764
- joint ventures and associates	**12**	21	**–**	–
- financial assets	**135**	121	**–**	–
Operating cash flow from continuing operations	**1,352**	677	**539**	1,729
Operating cash flow from discontinued operations	**–**	596	**–**	–
Net cash flow from operating activities	**1,352**	1,273	**539**	1,729

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Note	Group 2019	Group 2018	Company 2019	Company 2018
Cash flow from investing activities					
Finance income received		**25**	87	**–**	6
Proceeds from sale of:					
- property, plant and equipment		**42**	439	**–**	–
- prepaid lease rental, investment properties and intangible assets		**32**	6	**–**	–
- associates		**–**	6	**–**	–
Net cash inflow/(outflow) from disposal and deconsolidation of subsidiaries	47	**278**	(59)[1]	**–**	–
Purchase of:					
- property, plant and equipment	21(d)	**(360)**	(467)	**–**	–
- investment properties, intangible assets and prepaid lease rentals		**(17)**	(23)	**–**	–
- financial assets at fair value through profit or loss and investments		**(17)**	(27)	**–**	–
Subscription of shares in a subsidiary		**–**	–	**(300)**	–
Acquisition of subsidiaries and a business	46	**(182)**	(2)	**–**	–
Subscription of shares in joint ventures		**(12)**	(30)	**–**	–
Settlement by subsidiaries		**–**	–	**290**	225
Reclassification to assets held for sale		**–**	(19)	**–**	–
Repayment by discontinued operations		**–**	735	**–**	–
Net repayment of loans by/(loans to) joint ventures		**9**	(30)	**–**	–
Investing cash flow (used in)/from continuing operations		**(202)**	616	**(10)**	231
Investing cash flow used in discontinued operations		**–**	(1,474)	**–**	–
Net cash flow (used in)/from investing activities		**(202)**	(858)	**(10)**	231

[1] Relates to the deconsolidation of Yayasan Sime Darby.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2019	2018	2019	2018
Cash flow from financing activities					
Proceeds from shares issued to non-controlling interest		**2**	5	**–**	–
Proceeds from performance-based employee share scheme		**–**	–	**2**	–
Purchase of additional interest in subsidiaries		**(44)**	–	**–**	–
Finance costs paid		**(143)**	(131)	**–**	(5)
Net borrowings repaid		**(385)**	(146)	**–**	(700)
Dividends paid to shareholders		**(544)**	(1,292)	**(544)**	(1,292)
Dividends paid to non-controlling interests		**(49)**	(27)	**–**	–
Financing cash flow used in continuing operations		**(1,163)**	(1,591)	**(542)**	(1,997)
Financing cash flow used in discontinued operations		**–**	(936)	**–**	–
Net cash used in financing activities		**(1,163)**	(2,527)	**(542)**	(1,997)
Net decrease in cash and cash equivalents		**(13)**	(2,112)	**(13)**	(37)
Foreign exchange differences		**13**	(101)	**–**	–
Cash and cash equivalents at beginning of the financial year		**1,629**	3,842	**163**	200
Cash and cash equivalents at end of the financial year [note (a)]		**1,629**	1,629	**150**	163
a. Cash and cash equivalents at end of the financial year:					
Bank balances, deposits and cash	36	**1,723**	1,672	**150**	163
Bank overdrafts	42	**(94)**	(43)	**–**	–
Cash and cash equivalents		**1,629**	1,629	**150**	163

The notes on pages 148 to 281 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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 56.

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 amendments for the first time for the financial year beginning 1 July 2018:

- MFRS 9 'Financial Instruments'
- Amendments to MFRS 2 'Share-based Payment – Classification and Measurement of Share-based Payment Transactions'
- Amendments to MFRS 140 'Investment Property – Transfers of Investment Property'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'

The Group has adopted MFRS 9 for the first time in the financial statements for the financial year ended 30 June 2019, which resulted in changes in accounting policies. The Group has applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained profits as at 1 July 2018. The detailed impact of change in accounting policies are set out in Note 53.

Other than MFRS 9, the adoption of other amendments to published standards and interpretation to existing standards listed above did not have any impact on the current period or any prior period and is not likely to materially affect future periods.

2 BASIS OF PREPARATION (CONTINUED)

b. 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 2019, 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:

Effective for annual periods beginning on or after 1 January 2019

- 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'

ii. New standard effective for the financial year beginning 1 July 2019 that is expected to materially affect the consolidated financial statements of the Group and the Company is set out below:

- MFRS 16 – Leases

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

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 principle 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 standard will affect primarily the accounting for the Group's operating leases.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) or on transition as if the new rules had always been applied but discounted at the incremental borrowing rate at the date of initial application.

Based on the assessment undertaken to-date, the adoption of this standard would impact the Group's statement of financial position with the recognition of right-of-use assets and lease liabilities. It is expected to increase the total assets and total liabilities as at 1 July 2019 by between RM1.7 billion to RM1.9 billion.

2 BASIS OF PREPARATION (CONTINUED)

b. Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

iii. New standards, amendments to existing standards and interpretations to existing standards for which the Group and the Company are still assessing their impact to the Group's and the Company's financial statements in the year of initial application:

Effective for annual periods beginning on or after 1 January 2020

- 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'

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 – Insurance Contracts

c. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of consolidation (continued)

i. Subsidiaries (continued)

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.

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 cost for the combination is 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of consolidation (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Foreign currencies (continued)

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 to 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.

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:

Leasehold land	over the lease period of up to 99 years
Buildings	2% to 20%, or over the lease term if shorter
Plant and machinery	2% to 33.3%
Rental assets	10% to 33.3%
Vehicles, equipment and fixtures	5% to 33.3%

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
Amounts in RM million unless otherwise stated

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Prepaid lease rentals

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.

e. 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.

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.

f. 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.

g. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. 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

h. 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.

i. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets

Accounting policies applied from 1 July 2018

From 1 July 2018, 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(k).

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(m)(iii) on impairment of financial assets.

Accounting policies applied until 30 June 2018

The Group's financial assets are classified into four categories and the accounting policies for each of these categories are as follows:

i. Financial assets at fair value through profit or loss

Derivative assets not designated as hedges are classified as fair value through profit or loss. These financial assets are measured at fair value. Any gain or loss arising from changes in fair value and transaction costs is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

The Group's financial assets are classified into four categories and the accounting policies for each of these categories are as follows: (continued)

ii. Loans and receivables

Receivables, amounts due from subsidiaries and bank balances, deposits and cash are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are classified as loans and receivables. These financial assets are recorded at fair value plus transaction costs and thereafter, they are measured at amortised cost using the effective interest method less accumulated impairment losses.

iii. Available-for-sale financial assets

These investments are financial assets that are designated as available for sale or are not classified in any of the two preceding categories. These financial assets are recorded initially at fair value plus transaction costs and thereafter, they are measured at fair value. Except for impairment, foreign exchange differences on translation of monetary available-for-sale financial assets such as debt instruments, interest calculated using the effective interest method and dividends which are recognised in profit or loss, any gain or loss arising from changes in fair value are recognised in other comprehensive income. On derecognition, the cumulative gain or loss is reclassified from available-for-sale reserve to profit or loss.

iv. Derivatives and hedging activities

The accounting policy for derivatives designated as a hedge is disclosed in Note 3(k).

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. For available-for-sale financial assets, the classification is based on expected date of realisation of the assets.

Regular way purchase or sale of a financial asset is recognised at settlement date which is the date that an asset is delivered to or by the Group. A contract that requires or permits net settlement of the change in the value of the contract is not a regular way contract. Such contract is accounted for as a derivative in the period between the trade date and the settlement date.

k. 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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Derivatives and hedging activities (continued)

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.

Since adoption of MFRS 9, 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.

Prior to 1 July 2018, at the inception of the transaction, the Group documented the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions have been, and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

l. 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.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

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.

m. Impairment

Goodwill and other intangible assets that have an indefinite useful life or are not yet available for use are tested 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Impairment (continued)

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.

iii. Impairment of financial assets and contract assets

Accounting policies applied from 1 July 2018

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Impairment (continued)

iii. Impairment of financial assets and contract assets (continued)

Accounting policies applied from 1 July 2018 (continued)

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Impairment (continued)

iii. Impairment of financial assets and contract assets (continued)

Accounting policies applied from 1 July 2018 (continued)

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.

Accounting policy applied until 30 June 2018

(a) Loans and receivables

Loans and receivables are assessed individually and thereafter collectively for objective evidence of impairment. If evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. Reversal of impairment loss to profit or loss, if any, is restricted to not exceeding what the amortised cost would have been had the impairment not been recognised previously.

(b) Available-for-sale financial assets

A significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost indicates that the assets are impaired. If such evidence exists, the decline in fair value together with the cumulative loss recognised in other comprehensive income, if any, is taken to profit or loss. An impairment loss recognised for equity instruments is not reversed through profit and loss. Reversal of impairment losses through profit or loss is made only if the financial asset is a debt instrument and the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. 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.

o. 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.

p. 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.

q. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Employee costs (continued)

iii. Defined benefit pension plans (continued)

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.

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.

r. Financial liabilities

The Group's financial liabilities are classified into 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 (previously classified as other financial liabilities)

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Financial liabilities (continued)

The Group's financial liabilities are classified into following categories and the accounting policies for each of these categories are as follows: (continued)

iii. Derivatives used for hedging activities

The accounting policy for derivatives used for hedging activities is disclosed in Note 3(k).

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.

s. 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.

t. 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. <u>Industrial</u>

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Revenue recognition (continued)

Performance obligations by segment are as follow: (continued)

i. Industrial (continued)

(b) Extended warranty programme

The Group operates an extended warranty programme where customers are given additional 12-month warranty in addition to 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.

(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 operating leaseback arrangements

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Revenue recognition (continued)

Performance obligations by segment are as follow: (continued)

ii. Motors (continued)

(a) Sale of vehicles and parts (continued)

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 45).

A subsidiary offers an arrangement whereby a customer can purchase a new vehicle under guaranteed resale value scheme with a right to return the vehicle in three to five years after the date of sale. Therefore, a refund liability (with corresponding adjustment to revenue) and a right to returned goods (with corresponding adjustment to cost of sales) are recognised for the vehicles expected to be returned. Accumulated experience is used to estimate such returns at the time of sale (expected value method).

A receivable is recognised when the vehicles are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Revenue recognition (continued)

Performance obligations by segment are as follow: (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)

t. Revenue recognition (continued)

Performance obligations by segment are as follow: (continued)

iii. Logistics

Logistics segment revenue consists of port and water charges.

(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.

(b) Revenue from supply of industrial water

Revenue is recognised when control of the water has transferred, being when the water is delivered to the site of customers. The price of the water is based on relevant government approved tariff rates during the period. The volume is based on the actual usage volume as recorded in the meter installed at the customers' site. There is no discount or return obligation attached with the water supply contracts.

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. Plantation – discontinued operations

The Group's revenue from the Plantation segment is derived mainly from its upstream and downstream operations. In the upstream operations, the Group sells agricultural produce such as crude palm oil, beef, sugar, fresh fruit bunches, palm kernel and rubber. In the downstream operations, revenue is derived from sale of refined oil related products and provision of freight and tolling services.

(a) Sale of agricultural produce and refined palm oil related products

Revenue from sales of agricultural produce and refined palm oil related products is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer; or upon delivery of the goods on board vessels or tankers for onward delivery to the customer.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and shipping services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the standalone selling prices of the goods and services.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Revenue recognition (continued)

Performance obligations by segment are as follow: (continued)

v. Plantation – discontinued operations (continued)

(a) Sale of agricultural produce and refined palm oil related products (continued)

There is no element of financing present as the Group's sale of goods is either on cash terms (immediate payments or advance payments not exceeding 30 days); or on credit terms of up to 30 days. The Group's obligation to provide quality claims against off-spec goods under the Group's standard contractual terms is recognised as a provision.

(b) Rendering of services – Provision of freight, tolling and other services

Revenue from provision of freight is recognised in the period in which services are rendered. In cases where customers pay for the bundled contract in advance to the rendering of the freight services, a deferred income is recognised.

Revenue from the provision of tolling services is recognised in the period in which the manufacturing activities are performed. There is no element of financing present as the sales is made with credit terms of up to 30 days.

vi. Property – discontinued operations

Property revenue primarily consists of sales of development properties and revenue from concession arrangement.

(a) Property development

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the output method, which is based on the level of completion of the physical proportion of contract work to-date, certified by professional consultants.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Revenue recognition (continued)

Performance obligations by segment are as follow: (continued)

vi. Property – discontinued operations (continued)

(a) Property development (continued)

The promised properties are specifically identified by its plot, lot and parcel number and its attributes (such as its size and location) in the sale and purchase agreements and the attached layout plan. The purchasers could enforce its rights to the promised properties if the Group seeks to sell the unit to another purchaser. The contractual restriction on the Group's ability to direct the promised property for another use is substantive and the promised properties sold to the purchasers do not have an alternative use to the Group. The Group has the right to payment for performance completed to date. The Group is entitled to continue to transfer to the customer the development units promised and has the rights to complete the construction of the properties and enforce its rights to full payment.

The Group recognises revenue at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been delivered to the purchasers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

(b) Revenue for concession arrangement

Under the Concession Agreement, the Group is engaged to construct the facilities and infrastructure, supply teaching equipment and provide asset management services, which are separate performance obligations. The fair value of revenue, which is based on fixed price under the agreement, has been allocated based on relative standalone selling price of the considerations for each of the separate performance obligations. The Group recognised construction revenue over time as the project being constructed has no alternative use to the Group and the Group has an enforceable right to the payment for the performance completed to date. The stage of completion is measured using the output method, which is based on the level of completion of the physical proportion of contract work to-date, certified by professional consultants.

u. 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.

Accounting policies applied from 1 July 2018

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).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Finance income (continued)

Accounting policies applied until 30 June 2018

When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Finance income on impaired loans and receivables is recognised using the original effective interest rate.

v. Operating leases

Leases where substantially all the rewards and risks 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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 24 to the financial statements.

During the financial year, impairment of non-financial assets totalling RM3 million (2018: RM89 million) was charged and RM2 million (2018: 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 2019, the tax recoverable of the Group in relation to withholding taxes recoverable from the Indian tax authorities was RM65 million (2018: RM63 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 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 investment 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 investment 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 RM118 million (2018: RM103 million). The assessment of the recoverable amount is set out in Note 13(a) to the financial statements.

During the financial year, the Group's joint venture, Weifang Port Services Limited ("WPS") assessed the recoverability of its non-financial assets. The Group's share of WPS' impairment of non-financial assets was RM89 million. The key assumptions used in the assessment are set out in Note 12(a) to the financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES (CONTINUED)

d. Recognition of intangible assets arising from acquisitions

During the financial year, the Group acquired the Heavy Maintenance Group ("HMG") and Qujing Bow Kai Motors Sales & Services Co. Ltd ("QJBK") and purchase price allocations were undertaken. RM87 million was attributed to the fair value of net assets acquired (including RM69 million attributed to intangible assets other than goodwill) while RM106 million was attributed to goodwill. Details of the acquisitions are set out in Note 46.

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 programs 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 interest rate swaps, cross currency swaps and 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 Group policies. The notional amounts and fair values of derivative financial instruments as at 30 June are disclosed in Note 31.

i. Foreign exchange risk

The Group's foreign exchange risk refers to adverse exchange rate movements on foreign currency positions originating from financial assets or liabilities denominated in foreign currencies 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 and currency swaps.

Details of the Group's foreign currency exposure and the currency profile of monetary financial assets and financial liabilities are disclosed in Note 51(a).

Amounts in RM million unless otherwise stated

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 and deposits placed with financial institutions. Deposits with financial institutions are mainly funds held for liquidity purposes and temporary surpluses, hence are usually placed in short term interest bearing instruments. Changes in market interest rates will be re-priced immediately into these floating rate instruments. 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.

As at 30 June 2019, the Group's percentage of fixed rate borrowings to the total borrowings was 1.3% (2018: 1.3% and 7.3% before and after taking into account interest rate swap contracts respectively). Details of the percentages of fixed rate borrowings over total borrowings are disclosed in Note 51(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:

2019	Industrial	Motors	Logistics	Others	Total
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**

2018	Industrial	Motors	Logistics	Others	Total
Malaysia	305	423	–	86	814
China[1]	414	150	32	1	597
Other countries in Asia	175	166	–	2	343
Australasia[2]	1,023	198	–	–	1,221
	1,917	937	32	89	2,975

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.

Amounts in RM million unless otherwise stated

5 FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES (CONTINUED)

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 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

Amounts in RM million unless otherwise stated

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
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 RM74 million relates to the Logistics and Other businesses and the total impairment for these receivables is RM1 million.

The impairment of finance lease receivables has been assessed to be immaterial.

The impairment of contract assets of the Industrial division (carrying value of RM46 million) has been assessed to be immaterial while the contract assets under other businesses of RM28 million have been fully impaired in the financial year ended 30 June 2018.

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 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 venture and associates – this includes loans and interest receivable from joint ventures (see also Note 32). The amounts are largely categorised as performing and RM2 million has been provided 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 categorised as performing as they are assessed to have low credit risk. Impairment losses are made in situations where there are disagreements over the amount of rebates.
- 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 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. Settlement is expected with the local government prior to June 2020 and no impairment loss has been provided.
- Deposits consists mainly of rental, utilities and tender deposits as well as deposits with authorities and principals. These amounts are categorised as performing as they are assessed to have low credit risk. The impairment loss is considered immaterial.

An impairment of RM77 million has been provided for other receivables, including an impairment of 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.

Amounts in RM million unless otherwise stated

5 FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES (CONTINUED)

a. Financial Risk Management (continued)

iii. Credit risk (continued)

Company

The Company provides unsecured advances to its subsidiary, Sime Darby Holdings Berhad ("SDHB"). The outstanding balance as at 30 June 2019 was RM5,743 million. 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 payable. 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 are as follows:

	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 2018 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 51(c).

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 52(a). An amount of RM19 million (2018: RM15 million) has been provided for based on a percentage of risk sharing ratio over the total outstanding lease portfolio (see Note 45).

Amounts in RM million unless otherwise stated

5 FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES (CONTINUED)

a. Financial Risk Management (continued)

iii. Credit risk (continued)

Previous accounting policy

As permitted under MFRS 9, comparatives are presented in accordance with MFRS 139.

Ageing analysis of receivables and indirect taxes categorised into impaired and not impaired are as follows:

	2018	
	Group	Company
Not impaired:		
- not past due	3,465	3
- past due by		
1 to 30 days	648	–
31 to 60 days	251	–
61 to 90 days	106	–
91 to 180 days	97	–
more than 181 days	101	1
Impaired	221	–
Gross receivables	4,889	4

The receivables that are neither past due nor individually impaired are creditworthy debtors with good payment records with the Group. More than 70.9% of the Group's gross receivables are from this group of customers. Receivables that are past due but not individually impaired relate to a number of independent customers for whom there is no recent history of default.

The receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulty, have defaulted on payments and/or have disputes on the billings. Of the total amount due from these debtors of RM221 million, an impairment of RM123 million has been made while the balance is expected to be recovered through the debt recovery process.

Amounts in RM million unless otherwise stated

5 FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES (CONTINUED)

a. Financial Risk Management (continued)

iii. Credit risk (continued)

Previous accounting policy (continued)

Movements of receivables impairment charge of the Group are as follows:

At 1 July 2017	172
Write offs	(22)
Impairment losses	30
Reversal of impairment losses	(14)
Exchange differences	(9)
Deconsolidation of a subsidiary	(6)
At 30 June 2018	151

Impairment arising from:	
- individual assessment	123
- collective assessment	28
Carrying amount at end of the financial year	151

iv. Liquidity and cash flow risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting financial obligations when it falls 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 2019, the Group's total cash and cash equivalents was RM1,629 million (2018: RM1,629 million) which included cash in hand and deposits held at call with banks, net of bank overdrafts. As at 30 June 2019, the Company had total cash and cash equivalents of RM150 million (2018: RM163 million).

The Group believes that its contractual obligations, including those disclosed in commitments and contingencies in Notes 51(d) and 52 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

5 FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES (CONTINUED)

b. Capital Management (continued)

i. Gearing ratios

During the financial year ended 30 June 2019, the Group has changed the gearing ratios used to assess the appropriateness of the Group's debt level. The revised ratios are illustrated below without the adjustments relating to operating leases as MFRS 16 has not been adopted in the financial year ended 30 June 2019.

Ratio 1 is calculated as Total Debt divided by Total Equity.

	2019	**2018**
Borrowings (Total Debt)	**2,575**	2,889
Total Equity	**15,118**	14,759
Total Debt/Equity ratio	**0.17**	0.20

Ratio 2 is calculated as Total Debt divided by Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA").

	2019	**2018**
Total Debt	**2,575**	2,889
Operating profit	**1,542**	1,102
Add: Depreciation and amortisation	**598**	621
Less: Other gains and losses	**(55)**	(32)
Adjusted EBITDA	**2,085**	1,691
Debt/Adjusted EBITDA ratio	**1.24**	1.71

The debt/equity ratio of the Group has decreased from 0.20 as at 30 June 2018 to 0.17 as at 30 June 2019, mainly due to the reduction in debt using the proceeds from the disposal of Weifang Water Management Co. Ltd. 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.

Amounts in RM million unless otherwise stated

6 REVENUE

Revenue comprise the following:

	Group		Company	
	2019	2018	2019	2018
Revenue from contracts with customers	35,436	33,131	–	–
Revenue from other sources				
- rental income	720	697	–	–
- dividend income from subsidiaries	–	–	742	1,764
	36,156	33,828	742	1,764

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

6 REVENUE (CONTINUED)

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

2018	Industrial	Motors	Logistics	Others	Total
Major goods and services					
Sale of equipment and vehicles	6,337	16,963	–	–	23,300
Sale of parts, assembly charges and provision of after-sales services	5,928	2,846	–	–	8,774
Engineering services	315	–	–	–	315
Port and related charges	–	–	275	–	275
Sale of water	–	–	66	–	66
Commission, handling fees and others	–	308	–	93	401
	12,580	20,117	341	93	33,131
Geographical market					
Malaysia	1,130	3,460	–	83	4,673
China[1]	3,815	8,672	341	2	12,830
Other countries in Asia	734	5,150	–	8	5,892
Australasia[2]	6,901	2,835	–	–	9,736
	12,580	20,117	341	93	33,131
Timing of revenue recognition					
- at a point in time	10,229	17,375	–	22	27,626
- over time	2,351	2,742	341	71	5,505
	12,580	20,117	341	93	33,131

[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 includes RM1,272 million (2018: RM1,004 million) that was included in contract liabilities at the beginning of the reporting period.

Amounts in RM million unless otherwise stated

7 OPERATING EXPENSES

	Group		Company	
	2019	2018	2019	2018
Direct costs				
Finished goods, work in progress and other direct overheads	**29,860**	28,076	**–**	–
Inventory writedown and provision (net)	**225**	288	**–**	–
Raw materials and consumables	**282**	172	**–**	–
Engineering contract costs	**114**	117	**–**	–
	30,481	28,653	**–**	–
Directors and employee costs				
Salaries, allowances, overtime and bonus	**2,247**	2,165	**–**	–
Defined contribution pension plans	**197**	192	**–**	–
Termination benefits	**19**	33	**–**	–
Performance-based employee share scheme[Note 39]	**6**	–	**–**	–
Training, insurance and other benefits	**505**	463	**–**	–
Directors' remuneration [Note 8]	**10**	10	**4**	4
	2,984	2,863	**4**	4
Depreciation and amortisation				
Amortisation:				
- prepaid lease rentals	**7**	8	**–**	–
- intangible assets	**67**	71	**–**	–
Depreciation:				
- property, plant and equipment	**517**	539	**–**	–
- investment properties	**7**	3	**–**	–
	598	621	**–**	–
Receivables and contract assets				
- Impairment of receivables	**4**	30	**–**	–
- Reversal of impairment of receivables[1]	**(8)**	–	**–**	–
- Impairment of contract assets	**–**	28	**–**	–
	(4)	58	**–**	–

[1] Reversal of impairment of receivables is categorised in the same category as impairment of receivables after the adoption of MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

7 OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2019	**2018**	**2019**	**2018**
Leases				
Hire of plant and machinery and rental of vehicles from:				
- a subsidiary	**–**	–	**1**	2
- others	**207**	229	**–**	–
Operating lease payments for land and buildings	**264**	250	**–**	–
	471	479	**1**	2
General expenses				
Auditors' remuneration [Note 9]	**24**	19	**1**	2
Management fee charged by a subsidiary	**–**	–	**37**	8
Other expenses	**383**	370	**3**	8
	407	389	**41**	18
	34,937	33,063	**46**	24

8 DIRECTORS' REMUNERATION

	Group		Company	
	2019	**2018**	**2019**	**2018**
Executive Directors				
Emoluments and benefits	**5**	4	**–**	–
Defined contribution pension plans	**1**	1	**–**	–
Performance-based employee share scheme	**–**[1]	–	**–**	–
	6	5	**–**	–
Non-Executive Directors				
Fees and benefits	**4**	5	**4**	4
	10	10	**4**	4

[1] Less than RM1 million

Estimated monetary value of benefits-in-kind of the Executive Director amounted to RM0.03 million (2018: RM0.03 million) for the Group. Estimated monetary value of benefits-in-kind of Non-executive Directors amounted to RM0.1 million (2018: RM0.2 million) for the Group and the Company.

During the financial year, the Group sold vehicles to the Directors and their close family members for RM2.5 million (2018: RM0.2 million) at prices not lower than that offered to employees.

Amounts in RM million unless otherwise stated

8 DIRECTORS' REMUNERATION (CONTINUED)

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 2019 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.

9 AUDITORS' REMUNERATION

	Group		Company	
	2019	**2018**	**2019**	**2018**
Fees for statutory audits				
PricewaterhouseCoopers PLT Malaysia	**3**	4	**1**	1
Member firms of PricewaterhouseCoopers International Limited	**12**	13	**–**	–
	15	17	**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	**–**	1
Member firms of PricewaterhouseCoopers International Limited	**8**	1	**–**	–
	9	2	**–**	1
	24	19	**1**	2

[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 increase in non-audit services in the financial year ended 30 June 2019 was mainly due to advisory services relating to the Group's acquisitions in Australasia and was in compliance with applicable independence policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

10 OTHER OPERATING INCOME

	Group		Company	
	2019	2018	2019	2018
Dividend income from financial assets	**135**	121	**–**	–
Reversal of impairment losses and bad debts				
Reversal of impairment of receivables	**–**	14	**–**	–
Bad debts recovered	**1**	1	**–**	–
	1	15	**–**	–
Miscellaneous income				
Hire of plant and machinery	**18**	16	**–**	–
Rental income from land and buildings	**31**	24	**–**	–
Compensation	**–**	51	**–**	1
Directors' fees and other income from subsidiaries	**–**	–	**–**[1]	1
Government grant recognised	**5**	6	**–**	–
Forfeitures, recoveries and other miscellaneous income	**78**	72	**–**	–
	132	169	**–**[1]	2
	268	305	**–**[1]	2

[1] Less than RM1 million

Amounts in RM million unless otherwise stated

11 OTHER GAINS AND (LOSSES)

	Group		Company	
	2019	2018	2019	2018
Net foreign currency exchange gain/(loss):				
- realised foreign exchange gain/(loss) arising from:				
- settlement of intercompany loans	**3**	23	**–**	–
- liquidation of subsidiaries	**(1)**	–	**–**	–
- other realised foreign exchange loss	**(11)**	(14)	**–**	–
- unrealised foreign exchange loss	**(6)**	(19)	**–**	–
Fair value (loss)/gain:				
- foreign currency exchange contracts	**(4)**	4	**–**	–
- financial assets at FVTPL	**(47)**	–	**–**	–
Gain on disposal of:				
- property, plant and equipment	**24**	205	**–**	–
- investment properties	**1**	–	**–**	–
- intangible assets	**17**	–	**–**	–
- subsidiaries	**91**	–	**–**	–
- associates	**–**	5	**–**	–
Loss on disposal of:				
- property, plant and equipment	**(6)**	(12)	**–**	–
- subsidiaries	**(5)**	–	**–**	–
Loss on deconsolidation of a subsidiary	**–**	(61)	**–**	–
Reversal of impairment of intangible assets	**2**	2	**–**	–
Impairment of:				
- property, plant and equipment	**(3)**	(5)	**–**	–
- a subsidiary	**–**	–	**–**	(31)
- intangible assets	**–**	(72)	**–**	–
- non-current assets held for sale	**–**	(12)	**–**	–
- investment	**–**	(9)	**–**	–
Write off of property, plant and equipment	**–**	(3)	**–**	–
	55	32	**–**	(31)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

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 56.

The Group's interest in joint ventures are as follows:

	2019			2018		
	Material joint ventures	Others	Total	Material joint ventures	Others	Total
Share of results	(69)	7	(62)	50	9	59
Share of other comprehensive (loss)/income	(1)	–	(1)	(25)	3	(22)
Share of total comprehensive (loss)/income	(70)	7	(63)	25	12	37
Unquoted shares, at costs	988	84	1,072	976	84	1,060
Share of post-acquisition reserves	57	33	90	128	26	154
Unrealised profit on transactions with joint ventures	(11)	(6)	(17)	(11)	(6)	(17)
	1,034	111	1,145	1,093	104	1,197

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.

Amounts in RM million unless otherwise stated

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:

	2019				2018			
	RSDH	**WPS**	**WSDLT**	**Total**	RSDH	WPS	WSDLT	Total
Revenue	**939**	**15**	**87**	**1,041**	862	–	45	907
Depreciation and amortisation	**(77)**	**(25)**	**(23)**	**(125)**	(73)	–	(16)	(89)
Profit/(loss) before interest and tax	**129**	**(326)**	**25**	**(172)**	116	–	5	121
Interest income	**3**	**–**	**1**	**4**	1	–	–	1
Interest expense	**(2)**	**–**	**(24)**	**(26)**	(4)	–	(19)	(23)
Profit/(loss) before tax	**130**	**(326)**	**2**	**(194)**	113	–	(14)	99
Taxation	**(30)**	**–**	**–**	**(30)**	3	–	–	3
Profit/(loss) for the financial year	**100**	**(326)**	**2**	**(224)**	116	–	(14)	102
Non-controlling interests	**(3)**	**–**	**–**	**(3)**	(2)	–	–	(2)
Profit/(loss) attributable to joint venturers	**97**	**(326)**	**2**	**(227)**	114	–	(14)	100
Other comprehensive income/(loss)	**12**	**(16)**	**(1)**	**(5)**	(18)	(19)	(18)	(55)
Total comprehensive income/(loss)	**109**	**(342)**	**1**	**(232)**	96	(19)	(32)	45
Share of results	**49**	**(119)**	**1**	**(69)**	57	–	(7)	50
Share of other comprehensive income/(loss)	**6**	**(6)**	**(1)**	**(1)**	(9)	(7)	(9)	(25)
Share of total comprehensive income/(loss)	**55**	**(125)**	**–**	**(70)**	48	(7)	(16)	25

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

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:

	2019			2018		
	RSDH	**WPS**	**WSDLT**	**RSDH**	**WPS**	**WSDLT**
Non-current assets	**1,273**	**828**	**861**	1,223	1,104	802
Current assets						
Cash and cash equivalents	**155**	**4**	**7**	51	–	61
Other current assets	**173**	**13**	**59**	152	29	24
	328	**17**	**66**	203	29	85
Non-current liabilities						
Financial liabilities[1]	**(29)**	**–**	**(439)**	(32)	–	(441)
Other non-current liabilities	**(92)**	**–**	**(1)**	(43)	–	(1)
	(121)	**–**	**(440)**	(75)	–	(442)
Current liabilities						
Financial liabilities[1]	**–**	**(66)**	**(38)**	–	(67)	–
Other current liabilities	**(161)**	**(538)**	**(125)**	(140)	(483)	(145)
	(161)	**(604)**	**(163)**	(140)	(550)	(145)
Non-controlling interests	**(15)**	**–**	**–**	(14)	–	–
Net assets	**1,304**	**241**	**324**	1,197	583	300

[1] Financial liabilities consist of borrowings and shareholders' loan.

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.

Amounts in RM million unless otherwise stated

12 JOINT VENTURES – GROUP (CONTINUED)

a. Material joint ventures (continued)

Reconciliation

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the material joint ventures are as follows:

	2019				2018			
	RSDH	WPS	WSDLT	Total	RSDH	WPS	WSDLT	Total
Net assets								
At 1 July	**1,197**	**583**	**300**	**2,080**	1,101	602	271	1,974
Total comprehensive income/(loss)	**109**	**(342)**	**1**	**(232)**	96	(19)	(32)	45
Adoption of MFRS 9	**(2)**	**–**	**–**	**(2)**	–	–	–	–
Share issue	**–**	**–**	**23**	**23**	–	–	61	61
At 30 June	**1,304**	**241**	**324**	**1,869**	1,197	583	300	2,080
Group's interest (%)	**50.0**	**36.6**	**50.0**		50.0	36.6	50.0	
Interest in joint ventures	**652**	**88**	**162**	**902**	598	213	150	961
Goodwill	**132**	**–**	**–**	**132**	132	–	–	132
Carrying amount at end of the financial year	**784**	**88**	**162**	**1,034**	730	213	150	1,093

During the financial year ended 30 June 2019, WPS undertook an impairment assessment of its channel assets, which resulted in an impairment of approximately RM244 million (included in the loss of RM326 million). The Group's share of the impairment was approximately RM89 million and is included in the share of results of WPS recognised by the Group. The key assumptions used in the value in use calculation of the impairment assessment include:

- Projection period of 44 years, being the remaining useful life of the key non-current assets.
- Pre-tax discount rate – 12.5%.
- Increase in the channel usage fee to RMB2 per tonne for bulk cargo in 2021 (from the current RMB1 per tonne), with a further 3% annual increase after 2030.
- Proceeds from disposal of sea-use-rights used to settle outstanding payables.
- The local government being responsible for the maintenance of the sea channel at the optimal depth.

If the tariff rate is 5% lower and the discount rate is 100 basis points higher, WPS would recognise additional impairment of its non channel assets of approximately RM27 million and RM47 million respectively. The Group's share of the additional impairment would be RM10 million and RM17 million respectively.

Amounts in RM million unless otherwise stated

12 JOINT VENTURES – GROUP (CONTINUED)

b. Commitments and contingent liabilities

On 14 June 2017, a subsidiary of RSDH was named as one of the defendants in a legal dispute involving ownership of a parcel of land which it had purchased. The Plaintiff is seeking for the legal ownership of the land and compensation of IDR100 billion (approximately RM29 million) from eight defendants to be jointly and severally liable.

On 29 January 2019, the East Jakarta District Court decided in favour of the plaintiff save for the compensation of IDR100 billion. RSDH's subsidiary had filed an appeal in the Jakarta High Court on 8 February 2019 which is currently pending. RSDH's external legal counsel is of the view that RSDH's subsidiary has a good chance of success in the appeal.

Please refer to Note 54 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 56.

The Group's interest in associates are as follows:

	2019			2018		
	Material associate	**Others**	**Total**	**Material associate**	**Others**	**Total**
Share of results	**(117)**	**20**	**(97)**	(87)	–	(87)
Share of other comprehensive income/(loss)	**–**	**5**	**5**	–	(21)	(21)
Share of total comprehensive (loss)/income	**(117)**	**25**	**(92)**	(87)	(21)	(108)
Quoted shares in Malaysia, at costs	**292**	**–**	**292**	292	–	292
Unquoted shares, at costs	**–**	**262**	**262**	–	243	243
Share of post-acquisition reserves	**60**	**55**	**115**	59	44	103
Unrealised profit on transactions with associates	**(8)**	**(2)**	**(10)**	(8)	(2)	(10)
Impairment losses	**(221)**	**(5)**	**(226)**	(103)	(7)	(110)
	123	**310**	**433**	240	278	518

Amounts in RM million unless otherwise stated

13 ASSOCIATES – GROUP (CONTINUED)

a. Material associates

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:

	2019 E&O	2018 E&O
Revenue	**886**	983
Depreciation and amortisation	**(15)**	(15)
Profit before interest and tax	**300**	270
Interest income	**25**	19
Interest expense	**(77)**	(61)
Profit before tax	**248**	228
Taxation	**(86)**	(80)
Profit for the financial year	**162**	148
Non-controlling interests	**(14)**	(16)
Profit attributable to owners of associates	**148**	132
Other comprehensive loss	**–**	(1)
Total comprehensive income	**148**	131
Share of results		
- current year	**17**	16
- dilution	**(16)**	–
Impairment	**(118)**	(103)
Share of total comprehensive loss	**(117)**	(87)
Dividends received	**–**[1]	5

[1] Distribution of treasury shares as stock dividend.

Amounts in RM million unless otherwise stated

13 ASSOCIATES – GROUP (CONTINUED)

a. Material associates (continued)

Summarised financial information (continued)

The summarised statement of financial position of the material associate is as follows:

	2019 E&O	2018 E&O
Non-current assets	**3,430**	3,314
Current assets		
Cash and cash equivalents	**855**	522
Other current assets	**1,033**	1,299
	1,888	1,821
Non-current liabilities		
Financial liabilities[1]	**(908)**	(1,255)
Other non-current liabilities	**(57)**	(348)
	(965)	(1,603)
Current liabilities		
Financial liabilities[1]	**(505)**	(396)
Other current liabilities	**(675)**	(228)
	(1,180)	(624)
Non-controlling interests	**(42)**	(27)
Net assets	**3,131**	2,881

[1] Financial liabilities consist of borrowings.

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.

Amounts in RM million unless otherwise stated

13 ASSOCIATES – GROUP (CONTINUED)

a. Material associates (continued)

Reconciliation

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the material associate is as follows:

	2019 E&O	2018 E&O
Net assets		
At 1 July	**2,881**	2,858
Total comprehensive income	**148**	131
Dividend paid	**–**[1]	(40)
Other reserve adjustments	**(26)**	(68)
Share issue	**128**	–
At 30 June	**3,131**	2,881
Group's interest (%)	**10.9**	11.8
Interest in associates	**341**	340
Goodwill	**3**	3
Impairment losses	**(221)**	(103)
Carrying amount at end of the financial year	**123**	240

[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 recoverable amount of the Group's investment in E&O 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 yield model on the assumption that the dividend yield will remain at the same quantum as the average dividend declared by E&O for the past 5 years from 2014 to 2018. 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 28 June 2019, the last trading day prior to the reporting date. Arising from the assessment, the Group recognised an impairment charge of 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 2019

Amounts in RM million unless otherwise stated

14 FINANCE INCOME

	Group		Company	
	2019	2018	2019	2018
Interest income from:				
- subsidiaries	–	–	1	7
- discontinued operations	–	48	–	–
- banks and other financial institutions	14	16	–	–
- joint ventures[1]	7	24	–	–
- other interest income	1	1	–	–
Islamic profit distribution	9	14	–	–
	31	103	1	7
Accretion of discount on receivables	1	1	–	–
	32	104	1	7

[1] Following the adoption of MFRS 9, the accrued interest relating to a loan to a joint venture measured at FVTPL is accounted for together with the change in fair value.

15 FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
Interest expense paid to banks and other financial institutions	115	109	–	–
Cross currency swap interest	2	9	–	–
Islamic financing distribution payment	29	11	–	4
Other finance cost	2	–	–	–
Total finance costs	148	129	–	4
Interest capitalised in:				
- property, plant and equipment	(24)	(16)	–	–
Net finance costs	124	113	–	4

Amounts in RM million unless otherwise stated

16 TAXATION

	Group		Company	
	2019	2018	2019	2018
Income tax:				
In respect of current year				
- Malaysian income tax	**43**	43	**–**	–
- foreign income tax	**249**	212	**–**	–
In respect of prior years				
- Malaysian income tax	**19**	(5)	**6**	–
- foreign income tax	**3**	70	**–**	–
Total income tax	**314**	320	**6**	–
Deferred tax:				
- origination and reversal of temporary differences	**114**	33	**–**	–
- effects of recognition of previously unrecognised temporary differences and temporary differences not recognised	**(18)**	27	**–**	–
- effects of change in real property gain tax ("RPGT") rates	**(129)**	–	**–**	–
Total deferred tax	**(33)**	60	**–**	–
Total tax expense	**281**	380	**6**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

16 TAXATION (CONTINUED)

Tax reconciliation

Reconciliation from tax at applicable tax rate to tax expense is as follows:

	Group		Company	
	2019	2018	2019	2018
Profit before tax	**1,291**	1,065	**697**	1,714
Less: Share of results of joint ventures	**62**	(59)	**–**	–
Share of results of associates	**97**	87	**–**	–
	1,450	1,093	**697**	1,714
Applicable tax	**361**	276	**167**	411
Withholding tax on foreign income	**26**	23	**–**	–
Provision for withholding tax recoverable	**–**	71	**–**	–
Effects of tax incentives and non-taxable income:				
- non-taxable dividends	**(32)**	(29)	**(178)**	(423)
- tax incentives and other income	**(21)**	(25)	**–**	(1)
Effects of non-deductible expenses	**80**	60	**11**	13
Effects of capital gains tax	**(8)**	(17)	**–**	–
Effects of change in RPGT rates	**(129)**	–	**–**	–
Effects of deferred tax assets not recognised and previously unrecognised deferred taxes	**(18)**	27	**–**	–
Under/(over) provision in prior years	**22**	(6)	**6**	–
Tax expense for the financial year	**281**	380	**6**	–
Applicable tax rate (%)	**24.9**	25.3	**24.0**	24.0
Effective tax rate (%)	**19.4**	34.8	**0.9**	–

The Group's lower effective tax rate of 19.4% in the financial year ended 30 June 2019 was mainly due to the effects of change in RPGT rates in Malaysia.

The Group's higher effective tax rate of 34.8% in the financial year ended 30 June 2018 was mainly due to the provision for withholding tax recoverable of RM71 million.

Amounts in RM million unless otherwise stated

17 DISCONTINUED OPERATIONS – GROUP

Discontinued operations consists of SD Plantation and SD Property, which ceased to be subsidiaries of the Group following the completion of the distribution of the Company's entire equity interest in SD Plantation and SD Property to the shareholders of the Company on 29 November 2017.

a. Analysis of the results of the discontinued operations is as follows:

	2018
Statements of Profit or Loss	
Revenue	6,980
Operating expenses	(5,588)
Other operating income	43
Other gains	154
Operating profit	1,589
Share of results of joint ventures and associates	111
Profit before interest and tax	1,700
Finance income	69
Finance costs	(130)
Profit before tax	1,639
Taxation	(261)
Profit for the financial year	1,378
Profit for the financial year attributable to owners of:	
- the Company	1,301
- perpetual sukuk	52
- non-controlling interests	25
	1,378

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

17 DISCONTINUED OPERATIONS – GROUP (CONTINUED)

a. Analysis of the results of the discontinued operations is as follows: (continued)

	2018
Statements of Comprehensive Income	
Profit for the financial year	1,378
Other comprehensive loss	
Items that will be reclassified subsequently to profit or loss	
Currency translation differences	(398)
Net change in fair value of:	
- investments	(2)
- cash flow hedges	14
Share of other comprehensive loss of joint ventures and associates	(40)
Taxation	(1)
	(427)
Reclassified to profit or loss:	
- currency translation differences on deconsolidation of subsidiaries	188
- changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses	11
	(228)
Total other comprehensive loss	(228)
Total comprehensive income for the financial year	1,150
Total comprehensive income for the financial year attributable to owners of:	
- the Company	1,088
- perpetual sukuk	52
- non-controlling interests	10
	1,150

17 DISCONTINUED OPERATIONS – GROUP (CONTINUED)

b. Analysis of the cash flows of the discontinued operations is as follows:

	2018
Statements of Cash Flows	
Net cash from operating activities	596
Net cash used in investing activities	(1,474)
Net cash used in financing activities	(936)
Net decrease in cash and cash equivalents	(1,814)
Foreign exchange differences	(34)
Cash and cash equivalents at beginning of the financial year	1,848
Cash and cash equivalents at end of the financial year	–

18 EARNINGS PER SHARE - GROUP

Basic earnings per share attributable to owners of the Company are computed as follows:

	2019	2018
Profit for the financial year		
- continuing operations	**948**	618
- discontinued operations	**–**	1,301
	948	1,919
Weighted average number of ordinary shares in issue (million)	**6,801**	6,801
Earnings per share (sen)		
- continuing operations	**13.9**	9.1
- discontinued operations	**–**	19.1
	13.9	28.2

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

19 DIVIDENDS PAID IN CASH

	Group/Company	
	2019	**2018**
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**	–
Final dividend of 17.0 sen per share for the financial year ended 30 June 2017, paid on 20 December 2017	**–**	1,156
First interim dividend of 2.0 sen per share (2018: 2.0 sen per share) for the financial year ended 30 June 2019, paid on 8 May 2019	**136**	136
	544	1,292

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 2019. The dividends will be paid on 31 October 2019.

Amounts in RM million unless otherwise stated

20 OTHER COMPREHENSIVE INCOME/(LOSS) – GROUP

Other comprehensive income/(loss) and the tax effects are analysed as follows:

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 gains 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)		

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

20 OTHER COMPREHENSIVE INCOME/(LOSS) – GROUP (CONTINUED)

Other comprehensive income/(loss) and the tax effects are analysed as follows: (continued)

	Attributable to owners of the Company								
2018	Hedging reserve	Available-for-sale reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total	Tax effects	Net of tax
Currency translation differences	–	–	(710)	–	(710)	(50)	(760)	–	(760)
Net change in fair value of cash flow hedges	26	–	–	–	26	–	26	(8)	18
Share of other comprehensive loss of joint ventures and associates	(1)	–	(42)	–	(43)	–	(43)	–	(43)
Reclassified to profit or loss:									
- currency translation differences on repayment of net investments	–	–	(23)	–	(23)	–	(23)	–	(23)
- changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses	(8)	–	–	–	(8)	–	(8)	4	(4)
- changes in fair value of cash flow hedges to inventories	(2)	–	–	–	(2)	–	(2)	–	(2)
Actuarial gains on defined benefit pension plans	–	–	–	6	6	–	6	–	6
Other comprehensive income/(loss) before tax	15	–	(775)	6	(754)	(50)	(804)	(4)	(808)
Taxation	(4)	–	–	–	(4)	–	(4)		
Continuing operations	11	–	(775)	6	(758)	(50)	(808)		
Discontinued operations	11	(45)	(179)	–	(213)	(15)	(228)		
Total other comprehensive income/(loss) after tax	22	(45)	(954)	6	(971)	(65)	(1,036)		

Amounts in RM million unless otherwise stated

21 PROPERTY, PLANT AND EQUIPMENT – GROUP

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] RM94 million was reclassified to finance lease receivables following the execution of an agreement with a customer in May 2019.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

21 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

2018	Freehold land	Leasehold land	Buildings	Plant and machinery	Rental assets	Vehicles, equipment and fixtures	Capital work in progress	Total
At 1 July 2017	338	404	2,440	534	946	494	468	5,624
Additions	26	13	28	111	682	118	177	1,155
Disposals	(1)	–	(17)	(2)	–	(34)	(8)	(62)
Write offs	–	–	(1)	–	–	(2)	–	(3)
Impairment losses	–	–	(4)	(1)	–	–	–	(5)
Reclassification	–	–	23	13	5	10	(51)	–
Depreciation	–	(7)	(105)	(90)	(212)	(125)	–	(539)
Exchange differences	(40)	(14)	(140)	(26)	(37)	(23)	(8)	(288)
Transferred (to)/from:								
- investment properties	(1)	–	–	–	–	–	–	(1)
- inventories	–	–	–	–	(369)	–	–	(369)
- assets held for sale	78	(1)	233	(108)	–	(3)	–	199
Reclassification from discontinued operations[1]	–	–	64	–	–	–	(2)	62
At 30 June 2018	400	395	2,521	431	1,015	435	576	5,773
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

[1] Arising from remeasurement of the carrying value of property, plant and equipment under construction by the Property division following the completion of the pure play exercise.

Amounts in RM million unless otherwise stated

21 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 RM24 million (2018: RM16 million).

b. Assets pledged as security

Property, plant and equipment with a total carrying amount of RM72 million (2018: RM119 million) were pledged as security for borrowings (see Note 42).

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 a net impairment of RM3 million (2018: RM5 million).

d. Reconciliation to the statement of cash flows

Reconciliation to the cash flow for purchase of property, plant and equipment is as follows:

	2019	2018
Additions for the financial year	**1,080**	1,155
Add/(less):		
Net changes in payables for purchase of property, plant and equipment	**14**	10
Additions to rental assets, included as changes in working capital in the statements of cash flows	**(710)**	(682)
Interest expense capitalised in capital work in progress	**(24)**	(16)
Total cash payments during the financial year	**360**	467

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

22 PREPAID LEASE RENTALS – GROUP

The prepaid lease rentals are payments for rights in respect of the following:

	2019			2018		
	Land-use rights	Sea-use rights	Total	Land-use rights	Sea-use rights	Total
At 1 July	**184**	**116**	**300**	234	125	359
Additions	**6**	**–**	**6**	1	–	1
Disposals	**–**	**(4)**	**(4)**	(6)	–	(6)
Reclassification[1]	**–**	**–**	**–**	1	(1)	–
Amortisation	**(4)**	**(3)**	**(7)**	(5)	(3)	(8)
Exchange differences	**(2)**	**(1)**	**(3)**	(7)	(5)	(12)
Transferred to assets held for sale	**–**	**–**	**–**	(34)	–	(34)
At 30 June	**184**	**108**	**292**	184	116	300
Cost	**253**	**123**	**376**	244	135	379
Accumulated amortisation	**(69)**	**(15)**	**(84)**	(58)	(19)	(77)
Accumulated impairment losses	**–**	**–**	**–**	(2)	–	(2)
Carrying amount at end of the financial year	**184**	**108**	**292**	184	116	300

[1] In accordance with local regulations, the sea-use rights of the port operations in China could be converted to land-use rights when the land reclamation works on the relevant sea area have been completed and the related conversion has been approved by the relevant government authorities.

Amounts in RM million unless otherwise stated

23 INVESTMENT PROPERTIES – GROUP

2019	Freehold land	Leasehold land	Buildings	Capital work in progress	Total
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]	**–**	**–**
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

[1] Less than RM1 million

2018	Freehold land	Leasehold land	Buildings	Capital work in progress	Total
At 1 July 2017	2	29	104	182	317
Depreciation	–	–[1]	(3)	–	(3)
Exchange differences	–	–	(2)	–	(2)
Transferred from property, plant and equipment	1	–	–	–	1
Reclassification from discontinued operations[2]	–	–	–	(24)	(24)
At 30 June 2018	3	29	99	158	289
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

[2] Arising from remeasurement of the carrying value of investment properties under construction by the Property division following the completion of the pure play exercise.

Amounts in RM million unless otherwise stated

23 INVESTMENT PROPERTIES – GROUP (CONTINUED)

The fair value of investment properties as at 30 June 2019 was RM2,955 million (2018: RM2,986 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.

Rental income generated from and direct operating expenses incurred on income generating investment properties are as follows:

	2019	2018
Rental income	15	14
Direct operating expenses	(2)	(1)

24 INTANGIBLE ASSETS – GROUP

	Acquired						
2019	Goodwill	Distribution/ dealership rights	Computer software	Trademarks and others	Total	Internally generated assets[1]	Total intangible assets
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.

Amounts in RM million unless otherwise stated

24 INTANGIBLE ASSETS – GROUP (CONTINUED)

	Acquired						
2018	Goodwill	Distribution/ dealership rights	Computer software	Trademarks and others	Total	Internally generated assets[1]	Total intangible assets
At 1 July 2017	136	921	21	22	1,100	584	1,684
Acquisition of a business	2	–	–	–	2	–	2
Additions	–	–	4	2	6	16	22
Impairment losses	–	(61)	–	(11)	(72)	–	(72)
Reversal of impairment losses	–	–	–	2	2	–	2
Amortisation	–	–	(9)	(3)	(12)	(59)	(71)
Exchange differences	(12)	(84)	(2)	(2)	(100)	(51)	(151)
Transferred to assets held for sale	–	–	(1)	–	(1)	–	(1)
At 30 June 2018	126	776	13	10	925	490	1,415
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 2019 and 30 June 2018.

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24 INTANGIBLE ASSETS – GROUP (CONTINUED)

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:

			Carrying amount	
Segment	**Investment**	**Intangible asset**	**2019**	**2018**
Industrial	Heavy equipment business	Goodwill	**38**	40
		Distribution rights	**668**	685
	Chroming business	Goodwill	**99**	–
	New enterprise resource planning system	Computer software	**423**	488
Motors	Australia	Goodwill	**24**	24
		Dealership rights	**89**	91

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. Further details of the acquisition are disclosed in Note 46.

The goodwill and dealership rights for the Motors segment are in respect of the BMW, MINI and Lamborghini distribution rights in Brisbane, Australia.

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.

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.

Amounts in RM million unless otherwise stated

24 INTANGIBLE ASSETS – GROUP (CONTINUED)

c. Intangible assets with indefinite useful lives (continued)

Heavy equipment goodwill and distribution rights

The recoverable amounts of the CGUs were determined based on the CGUs' value-in-use 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:

	2019	2018
Discount rates (%) per annum	**9.0**	9.0
Range of forecast growth rates (%):		
- revenue	**(1) – 3**	(3) – 12
- earnings before interest, tax, depreciation and amortisation ("EBITDA")	**2 – 14**	1 – 11
- 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. Management believes that there is no reasonable possible change in any key assumption that would cause the carrying amounts of the CGU to materially exceed the recoverable amounts.

Australia Motors goodwill and dealership rights

The recoverable amount is determined based on the value-in-use ("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:

	2019	2018
Discount rates (%) per annum	**10.5**	10.5
Forecast growth rates (%):		
- year 1 to 5	**3 – 11**	4 – 20
- terminal	**2.5**	2.5

The calculation of VIU for the CGU in Brisbane, Australia from the discounted cash flow projections is sensitive to the assumptions set out above. If the annual revenue growth is reduced to a range of 1.5% to 6.9%, the terminal growth rate is reduced to 1.1% and the discount rate is increased to 13.1%, the VIU will approximate the carrying amount of the goodwill and distribution rights of the CGU.

Amounts in RM million unless otherwise stated

24 INTANGIBLE ASSETS – GROUP (CONTINUED)

c. Intangible assets with indefinite useful lives (continued)

Chroming business goodwill

The purchase price allocation for the acquisition of the Heavy Maintenance group was completed in June 2019. Based on management's assessment, no impairment charge is required as there is no indicator of impairment.

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 RM67 million (2018: RM71 million) was recorded in profit or loss.

25 SUBSIDIARIES – COMPANY

The Company's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are disclosed in Note 56.

	2019	2018
Unquoted shares at cost	**3,034**	2,734
Accumulated impairment	**(31)**	(31)
Contribution to a subsidiary	**887**	887
	3,890	3,590

During the year, the Company subscribed to additional shares issued by a subsidiary for RM300 million.

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.

26 AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2019	2018
Current (non-interest bearing)	**5,897**	6,034
	5,897	6,034

The amounts due from subsidiaries are unsecured.

Amounts in RM million unless otherwise stated

27 INVESTMENTS – GROUP

	Loan to a joint venture	Unquoted shares	Others	Total
2019				
At 1 July 2018 before restatement	**98**	**21**	**5**	**124**
Adoption of MFRS 9	**(98)**	**(21)**	**(5)**	**(124)**
At 1 July 2018 after restatement	**–**	**–**	**–**	**–**
2018				
At 1 July 2017	75	21	4	100
Additions	27	–	–	27
Reclassification from receivables	–	–	1	1
Impairment losses	(9)	–	–	(9)
Interest accrued	16	–	–	16
Exchange differences	(11)	–	–	(11)
At 30 June 2018	98	21	5	124

The loan to a joint venture at the end of the previous financial year had no fixed and determinable payment terms and bore interest at 15% per annum. Fair value was determined based on valuation techniques using unobservable inputs (Level 3 fair value).

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

2019	Loan to a joint venture	Unquoted shares	Others	Total
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 has no fixed and determinable payment terms and bears interest at 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% is used.

Amounts in RM million unless otherwise stated

29 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	
	2019	**2018**
Deferred tax assets	**542**	519
Deferred tax liabilities	**(289)**	(286)
	253	233
Deferred taxes expected to be realised within 12 months	**293**	294
Deferred taxes expected to be realised after 12 months	**(40)**	(61)
	253	233
Tax losses for which the tax effects have not been recognised in the financial statements		
- Expiring within 10 years	**1,845**	434
- With no expiry period	**278**	1,794
	2,123	2,228

The reduction in tax losses with no expiry period is mainly due to the reclassification of tax losses in Malaysia from no expiry period to expiring within 10 years. 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 and joint ventures 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 RM207 million (2018: RM200 million) would be payable.

Amounts in RM million unless otherwise stated

29 DEFERRED TAX (CONTINUED)

The components and movements of the Group's net deferred taxes are as follows:

	Property, plant and equipment and investment properties	Intangible assets	Impairment and provisions	Tax losses and unabsorbed capital allowances	Others	Total
2019						
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**
2018						
At 1 July 2017	153	(341)	157	266	38	273
(Charged)/credited to profit or loss						
- continuing operations	(31)	(3)	38	(26)	(38)	(60)
- discontinued operations	–	–	–	–	29	29
Charged to other comprehensive income	–	–	–	–	(4)	(4)
Exchange differences	1	34	(12)	(20)	(1)	2
Transferred to assets held for sale	–	–	–	–	(7)	(7)
At 30 June 2018	123	(310)	183	220	17	233

Amounts in RM million unless otherwise stated

30 TAX RECOVERABLE

	Group	
	2019	**2018**
Non-current	**65**	63
Current	**72**	63
	137	126

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.

31 DERIVATIVE ASSETS/LIABILITIES – GROUP

The Group's derivative assets and liabilities are as follows:

	2019			2018		
	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)
	2	**–**	**2**	–	(2)	(2)
Current						
Derivatives not designated as hedges:						
- forward foreign exchange contracts [note (a)]	**2**	**(16)**	**(14)**	1	(21)	(20)
Cash flow hedges:						
- forward foreign exchange contracts [note (a)]	**4**	**(2)**	**2**	21	(3)	18
- interest rate swap contracts [note (b)]	**–**	**–**	**–**	1	–	1
- cross currency swap contract [note (c)]	**–**	**–**	**–**	43	–	43
	6	**(18)**	**(12)**	66	(24)	42
Total	**8**	**(18)**	**(10)**	66	(26)	40

These derivatives are entered into to hedge foreign currency and interest rate 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.

Amounts in RM million unless otherwise stated

31 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:

	2019 Maturities			2018 Maturities		
	Less than 1 year	1 year to 3 years	Total	Less than 1 year	1 year to 3 years	Total
Forward contracts used to hedge anticipated sales denominated in:						
- United States Dollar	**59**	**–**	**59**	54	8	62
- other currencies	**28**	**–**	**28**	41	–	41
	87	**–**	**87**	95	8	103
Forward contracts used to hedge receivables denominated in:						
- United States Dollar	**5**	**–**	**5**	15	2	17
- European Union Euro	**15**	**–**	**15**	10	–	10
- other currencies	**9**	**–**	**9**	3	–	3
	29	**–**	**29**	28	2	30
Forward contracts used to hedge intercompany receivables denominated in:						
- Chinese Renminbi	**7**	**–**	**7**	47	–	47
	7	**–**	**7**	47	–	47
Forward contracts used to hedge anticipated purchases denominated in:						
- United States Dollar	**475**	**–**	**475**	462	–	462
- European Union Euro	**573**	**90**	**663**	477	243	720
- Australian Dollar	**98**	**–**	**98**	76	–	76
- other currencies	**80**	**–**	**80**	75	–	75
	1,226	**90**	**1,316**	1,090	243	1,333

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31 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)

	2019 Maturities			2018 Maturities		
	Less than 1 year	1 year to 3 years	Total	Less than 1 year	1 year to 3 years	Total
Forward contracts used to hedge payables denominated in:						
- United States Dollar	**336**	**–**	**336**	314	–	314
- European Union Euro	**191**	**–**	**191**	272	–	272
- other currencies	**28**	**–**	**28**	20	–	20
	555	**–**	**555**	606	–	606
Forward contracts used to hedge borrowings denominated in:						
- United States Dollar	**58**	**–**	**58**	39	–	39
Total notional amount	**1,962**	**90**	**2,052**	1,905	253	2,158
Net fair value (liabilities)/assets	**(12)**	**2**	**(10)**	(2)	(2)	(4)

b. Interest rate swap contracts

The Group had previously entered into interest rate swap contracts for certain long-term borrowings to reduce the Group's exposure to volatility in interest rates. The interest rate swap contracts, all plain vanilla, have expired during the financial year.

		Notional amount in original currency		
Effective Period	Range of weighted average rate per annum	Original currency	2019	2018
12 December 2012 to 12 December 2018	1.822% to 1.885%	USD	**–**	33
30 June 2015 to 17 December 2018	3.938%	RM	**–**	42

Amounts in RM million unless otherwise stated

31 DERIVATIVE ASSETS/LIABILITIES – GROUP (CONTINUED)

b. Interest rate swap contracts (continued)

The notional amount, fair value and maturity periods of the interest rate swap contracts are as follows:

	Notional amount		Fair value assets	
	2019	2018	2019	2018
Maturity period:				
- due no later than one year	–	175	–	1
	–	175	–	1

c. Cross currency swap contract

The Group had previously entered into a cross currency swap contract to exchange the principal payments of a USD loan into AUD, the functional currency of the subsidiary, to reduce the Group's exposure from adverse fluctuations in foreign currency. The contract has expired during the financial year ended 30 June 2019.

	Notional amount		Fair value assets	
	2019	2018	2019	2018
Maturity period:				
- due no later than one year	–	178	–	43
	–	178	–	43

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32 RECEIVABLES AND OTHER ASSETS

	Group		Company	
	2019	**2018**	**2019**	**2018**
Non-current				
Trade receivables [note (a)]	**25**	48	**–**	–
Amounts due from joint ventures [note (a)]	**125**	136	**–**	–
Finance lease receivables [note (a)]	**81**	11	**–**	–
Other receivables	**7**	7	**–**	–
	238	202	**–**	–
Accumulated impairment losses				
- amounts due from joint ventures	**(1)**	–	**–**	–
Total Receivables	**237**	202	**–**	–
Prepayments	**35**	–	**–**	–
Pension assets [note (b)]	**11**	12	**–**	–
Total receivables and other assets	**283**	214	**–**	–
Current				
Trade receivables	**2,753**	3,002	**–**	–
Amounts due from joint ventures	**86**	104	**–**	–
Amounts due from associates	**–**	3	**–**	–
Finance lease receivables	**35**	5	**–**	–
Other receivables:				
- rebates from principals	**390**	297	**–**	–
- assembly purchases and expenses recoverable	**430**	541	**–**	–
- warranty and parts claims	**95**	133	**–**	–
- infrastructure costs recoverable	**30**	31	**–**	–
- others	**267**	227	**–**	3
Deposits	**90**	72	**–**	–
	4,176	4,415	**–**	3
Accumulated impairment losses:				
- trade receivables	**(86)**	(75)	**–**	–
- rebates from principals	**(1)**	(1)	**–**	–
- amounts due from joint ventures	**(1)**	–	**–**	–
- other receivables	**(77)**	(75)	**–**	–
Total receivables	**4,011**	4,264	**–**	3
Indirect taxes recoverable	**109**	272	**2**	1
Total receivables and other assets	**4,120**	4,536	**2**	4
Total non-current and current receivables	**4,248**	4,466	**–**	3

The Group's credit risk management objectives and policies are described in Note 5.

Amounts in RM million unless otherwise stated

32 RECEIVABLES AND OTHER ASSETS (CONTINUED)

a. Non-current receivables

i. Trade receivables

Non-current trade receivables represents the outstanding amounts from equipment sold to Industrial division's customers under deferred payment terms. The discount rates range from 5.8% to 19.6% (2018: 4.9% to 19.6%) per annum.

ii. 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"). As at 30 June 2019, the loans to WSDLT and WSDWP amounted to approximately RMB148.1 million and RMB59.5 million (approximately RM89.2 million and RM35.8 million) respectively (2018: approximately RMB163.0 million and RMB59.5 million (approximately RM99.4 million and RM36.3 million) respectively). Long-term loans to joint ventures bear fixed interest rates ranging from 6.0% to 6.4% (2018: 6.0% to 6.4%) per annum.

iii. 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 4.5% to 8.2%.

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 (2018: RM34 million).

33 INVENTORIES – GROUP

	2019	2018
Raw material and consumables	**46**	32
Work in progress	**377**	403
Trading inventories		
- equipment	**2,765**	2,023
- motor vehicles	**3,521**	3,131
- parts	**1,812**	1,595
- others	**17**	26
	8,538	7,210

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 RM225 million (2018: RM288 million). The carrying amount of trading inventories stated at net realisable value was RM1,095 million (2018: RM1,502 million).

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34 CONTRACT ASSETS AND LIABILITIES – GROUP

	2019	2018
Contract assets		
Current		
Engineering contracts [note (a)]	**46**	47
	46	47
Contract liabilities		
Non-current		
Deferred income:		
- maintenance income and extended warranties	**169**	126
	169	126
Current		
Engineering contracts [note (a) and (b)]	**14**	19
Deferred income:		
- maintenance income and extended warranties [note (b)]	**441**	341
Customer deposits [note (c)]	**1,503**	931
Incentives payable and others	**33**	24
	1,991	1,315
	2,160	1,441

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:

	2020	2021	After 2021	Total
Deferred income	441	97	82	620
Engineering contracts	74	17	48	139
	515	114	130	759

Amounts in RM million unless otherwise stated

34 CONTRACT ASSETS AND LIABILITIES – GROUP (CONTINUED)

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.

d. Significant changes

Customer deposits increased 61%, mainly arising from higher orders placed by customers.

35 PREPAYMENTS – GROUP

	2019	2018
Prepaid to inventory suppliers	**448**	385
Other prepayments	**115**	142
	563	527

36 BANK BALANCES, DEPOSITS AND CASH

	Group		Company	
	2019	2018	2019	2018
Deposits				
- Islamic	**342**	243	**–**	162
- conventional	**335**	322	**–**	–
	677	565	**–**	162
Cash at bank and in hand	**1,046**	1,107	**150**	1
Total bank balances, deposits and cash	**1,723**	1,672	**150**	163
Effective profit/interest rates per annum on deposits with licensed banks/financial institutions				
	%	%	**%**	%
- Islamic	**3.13**	3.36	**–**	3.31
- conventional	**1.75**	1.88	**–**	–

Amounts in RM million unless otherwise stated

37 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

	Group		Company	
	2019	**2018**	**2019**	**2018**
Assets held for sale				
- property, plant and equipment [note (a)]	**102**	106	**–**	–
- disposal groups [note (b)]	**–**	234	**–**	–
	102	340	**–**	–
Liabilities associated with assets held for sale				
- disposal groups [note (b)]	**–**	(43)	**–**	–
Net assets held for sale	**102**	297	**–**	–

a. Property, plant and equipment

The property, plant and equipment held for sale mainly relates to a property in Australia where negotiations are underway to complete the sale during the next financial year.

b. Disposal groups

On 29 June 2018, Sime Darby Overseas (HK) Limited entered into a share purchase agreement with Shandong Water Environmental Protection Group Co. Ltd to divest its entire 100% equity interest in Weifang Sime Darby Water Management Co. Ltd, ("WSD Water"). The transaction was completed during the financial year ended 30 June 2019. The cashflow impact of the disposal is disclosed in Note 47.

The assets and the associated liabilities held for sale as at 30 June are as follows:

	2018 WSD Water
Assets held for sale	
Property, plant and equipment	149
Prepaid lease rentals and investment properties	35
Inventories	1
Receivables	26
Bank balances, deposits and cash	19
Other assets	4
	234
Liabilities associated with assets held for sale	
Payables	15
Other liabilities	28
	43

38 SHARE CAPITAL

	Group/Company			
	Number of shares (million)		Share capital	
	2019	2018	2019	2018
Issued and fully paid up:				
Ordinary shares				
At 1 July/At 30 June	**6,801**	6,801	**9,299**	9,299

39 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 2019, the Company offered the third 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 directors) 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.

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.

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39 PERFORMANCE-BASED EMPLOYEE SHARE SCHEME (CONTINUED)

The shares granted will be vested only upon fulfilment of vesting conditions which include achievement of service period and performance targets as follows:

	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 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 equally into 3 tranches with each tranche vesting at the end of each financial year over 3 financial years from 1 July 2018

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.

The movements in the number of Sime Darby Shares granted under the PBESS to the Group's eligible employees are as follows:

	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**

There are no eligible employees under the Company.

Amounts in RM million unless otherwise stated

39 PERFORMANCE-BASED EMPLOYEE SHARE SCHEME (CONTINUED)

The fair value of the Sime Darby Shares granted is determined using the Monte Carlo Simulation model, taking into account the terms and conditions which the shares were granted.

The significant inputs in the model for the third grant are as follows:

	PS	RS
Closing market price at grant date (RM)	RM2.36	
Expected volatility (%)	30%	
Expected dividend yield (%)	3.73%	3.4%-4.0%
Risk free rate (%)	3.58%	3.56%-3.58%

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.

40 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 derivatives under cash flow hedge
Share grant reserve	Arising from the PBESS, as disclosed in Note 39
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

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40 RESERVES (CONTINUED)

Group	Share grant reserve	Capital reserve	Legal reserve	Hedging reserve	Available-for-sale reserve	Exchange reserve	Total
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 20]	**–**	**–**	**–**	**11**	**–**	**(54)**	**(43)**
PBESS	**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**
2018							
At 1 July 2017	–	207	74	(39)	48	1,058	1,348
Other comprehensive income/(loss) [Note 20]	–	–	–	22	(45)	(954)	(977)
Transfer from retained profits	–	–	13	–	–	–	13
Share of capital reserve	–	(4)	–	–	–	–	(4)
Reclassification upon deconsolidation of subsidiaries to retained profits	–	(14)	(25)	–	–	–	(39)
At 30 June 2018	–	189	62	(17)	3	104	341

Company

The reserves of the Company relates to the share grant reserve as disclosed in the Statement of Changes in Equity.

Amounts in RM million unless otherwise stated

41 NON-CONTROLLING INTERESTS – GROUP

The profit, comprehensive income and net assets attributable to owners of non-controlling interests are as follows:

	2019	2018
Profit for the financial year	**62**	92
Other comprehensive loss	**(1)**	(65)
Total comprehensive income	**61**	27
Net assets	**405**	389

The Group had no non-controlling interests which were material as at 30 June 2019.

42 BORROWINGS

	2019			2018		
Group	**Secured**	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
Non-current						
Term loans	**26**	**–**	**26**	29	–	29
Islamic financing	**–**	**150**	**150**	–	215	215
Finance leases	**2**	**–**	**2**	3	–	3
	28	**150**	**178**	32	215	247
Current						
Bank overdrafts	**–**	**94**	**94**	–	43	43
Term loans due within one year	**4**	**–**	**4**	12	220	232
Short term Islamic financing	**–**	**595**	**595**	–	549	549
Islamic financing due within one year	**–**	**65**	**65**	–	55	55
Revolving credits, trade facilities and other short-term borrowings	**–**	**1,638**	**1,638**	–	1,761	1,761
Finance leases	**1**	**–**	**1**	2	–	2
	5	**2,392**	**2,397**	14	2,628	2,642
Total borrowings	**33**	**2,542**	**2,575**	46	2,843	2,889

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42 BORROWINGS (CONTINUED)

a. Other information on borrowings

i. Effective interest rates

The average effective interest rates of borrowings per annum are as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Term loans and Islamic financing after interest rate swaps	**4.10**	4.78	**–**	–
Other borrowings	**3.45**	3.49	**–**	–

The Group's floating rate term loans and Islamic financing which have not been swapped to fixed and that are subject to contractual interest rates repricing within 1 year amounted to RM215 million (2018: RM324 million).

ii. Secured financing

As at 30 June 2019, borrowings amounting to RM30 million (2018: RM41 million) are secured by property, plant and equipment with a carrying value of RM72 million (2018: RM119 million).

Amounts in RM million unless otherwise stated

42 BORROWINGS (CONTINUED)

a. Other information on borrowings (continued)

iii. Disclosure to the cash flow

Change in liabilities arising from financing activities:

Group	2019	2018
At 1 July	**2,889**	3,205
Net repayment	**(385)**	(146)
Net overdraft repayment disclosed as cash and cash equivalents	**51**	(32)
Acquisition of business	**–**	7
Finance costs[1]	**122**[2]	113
Finance costs capitalised	**24**	16
Finance costs paid	**(143)**	(131)
Exchange differences	**17**	(143)
At 30 June	**2,575**	2,889

[1] Includes swap interest.
[2] Excludes RM2 million finance costs relating to discounting of payables.

Company	2019	2018
At 1 July	**–**	701
Repayment	**–**	(700)
Finance costs	**–**	4
Finance costs paid	**–**	(5)
At 30 June	**–**	–

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43 PAYABLES AND OTHER LIABILITIES

	Group		Company	
	2019	**2018**	**2019**	**2018**
Non-current				
Employee benefits [note (a)]	**6**	10	**–**	–
Others [note (b)]	**4**	44	**–**	–
Payables	**10**	54	**–**	–
Current				
Trade payables	**3,165**	3,169	**–**	–
Accruals and other payables				
- others [note (c)]	**1,232**	1,436	**2**	6
Amounts due to joint ventures	**47**	54	**–**	–
Payables	**4,444**	4,659	**2**	6
Indirect taxes payable	**203**	101	**–**	–
Payables and other liabilities	**4,647**	4,760	**2**	6
Non current and current payables	**4,454**	4,713	**2**	6

a. Employee benefits

Included in employee benefits are long service leave which are payable to employees in Australia.

b. Others

Included in others are amounts payable for sale and buy-back transactions in relation to Group's vehicle leasing activities.

c. Accruals

Included in accruals are amounts payable for the purchase of property, plant and equipment of RM29 million (2018: RM43 million).

44 GOVERNMENT GRANTS – GROUP

Government grants were received in relation to the construction of the port infrastructure and other facilities in China.

During the financial year, government grant of RM5 million (2018: RM6 million) has been amortised to profit or loss.

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45 PROVISIONS – GROUP

	Warranties	Risk sharing	Liquidated ascertained damages	Onerous contracts and others	Total
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**	**–**	**–**	**–**	**2**
At 30 June 2019	**184**	**19**	**197**	**21**	**421**
2018					
At 1 July 2017	147	18	204	42	411
Additions	129	25	–	4	158
Reversals	(27)	(26)	–	–	(53)
Translation differences	–	–	(12)	–	(12)
Charged/(credited) to profit or loss	102	(1)	(12)	4	93
Utilised	(108)	(1)	–	(8)	(117)
Exchange differences	(9)	(1)	–	(4)	(14)
At 30 June 2018	132	15	192	34	373

The provisions are subject to the following maturity periods:

	2019	2018
Non-current		
Due later than one year	**16**	17
Current		
Due no later than one year	**405**	356
	421	373

45 PROVISIONS – GROUP (CONTINUED)

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..

c. Onerous contracts and others

Onerous contracts and others include provision for non-cancellable lease commitments in which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under those contracts.

46 ACQUISITION OF SUBSIDIARIES

Subsidiaries acquired by the Group during the financial year ended 30 June 2019 were as follows:

a. On 3 December 2018, Sime Darby Allied Operations Pty Ltd acquired the entire issued share capital of Heavy Maintenance Group Pty Ltd ("HMG") for a total cash consideration of AUD58 million (equivalent to approximately RM177 million). HMG's principal activities are to manufacture, refurbish hydraulic cylinders and to provide protective surface finishing coating for the mining, oil and gas and other heavy industries in Australia and the Asia Pacific region. The acquisition complements the Group's existing chroming business under Austchrome.

b. On 18 January 2019 Chengdu Bow Yue Vehicle Company Limited, an indirect wholly-owned subsidiary of Sime Darby Berhad, acquired 65% of the equity interest in Qujing Bow Kai Motors Sales & Services Co. Ltd. ("QJBK") for a cash consideration of RMB18 million (equivalent to approximately RM11 million). The principal activities of QJBK are sales of BMW vehicles and parts and provision of after sales services in China. The acquisition complements the Group's existing BMW operations in China.

Amounts in RM million unless otherwise stated

46 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Subsidiaries acquired by the Group during the financial year ended 30 June 2019 were as follows: (continued)

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	39	42
Intangible assets	1	69[1]
Deferred tax assets/(liabilities)	5	(17)
Net current liabilities	(10)	(7)
Net assets acquired	35	87[2]
Non-controlling interest		(5)
Goodwill		106
Purchase consideration		188
Less: Cash and cash equivalent of subsidiaries acquired		(6)
Net cash outflow on acquisition		182

1 Includes customer relationships of RM54 million.

2 Consist of RM72 million and RM15 million in relation to HMG and QJBK respectively.

For the financial year ending 30 June 2019, the acquisitions contributed a revenue of RM162 million and profit after tax and non-controlling interests of RM13 million, excluding acquisition financing costs.

Had the acquisitions been completed at 1 July 2018, the acquisition would have contributed a revenue of approximately RM307 million and profit after tax and non-controlling interests of approximately RM19 million, excluding acquisition financing costs.

Amounts in RM million unless otherwise stated

47 DISPOSAL OF SUBSIDIARIES

Subsidiaries disposed by the Group during the financial year ended 30 June 2019 were as follows:

Name of subsidiaries	Disposal consideration	Group's effective interest disposed (%)	Effective disposal date
Logistics			
Weifang Sime Darby Water Management Co., Ltd	RM283 million	100.0	27 September 2018
Industrial			
Sime Kubota Sdn Bhd	RM26 million	53.0[1]	1 April 2019
Sime Darby Industrial Power Systems Sdn. Bhd.	RM16.5 million	100.0	4 June 2019
Motors			
Elite Motors Limited	RM1.8 million	100.0	8 January 2019
Others			
Sime Darby Global Services Centre Sdn Bhd	RM2.8 million	100.0	30 April 2019

[1] On 1 April 2019, Sime Darby Industrial Holdings Sdn Bhd completed the purchase of 3% equity interest of Sime Kubota Sdn Bhd ("Sime Kubota") from Marubeni Corporation for a total cash consideration of RM1.6 million and subsequently sold 53% equity interest in Sime Kubota to Kubota Corporation for a total cash consideration of RM26 million. Following the completion of the disposal, Sime Kubota became an associate of the Group.

Details of net assets and net cash inflow arising from the disposal of the subsidiaries are as follows:

	WSD Water	Others	Total
Disposal groups	197	–	197
Property, plant and equipment	–	6	6
Net current assets	–	48	48
Net assets disposed	197	54	251
Gain on disposal (net)	78	8	86
Add: Foreign exchange loss included in the gain on disposal	4	–	4
Less: Fair value of retained equity interest	–	(19)	(19)
Proceeds from disposal, net of transaction costs	279	43	322
Less: Acquisition of 3% equity interest in Sime Kubota	–	(2)	(2)
Less: Cash and cash equivalents in subsidiaries disposed	(26)	(16)	(42)
Net cash inflow from disposal of subsidiaries during the financial year	253	25	278

48 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 and distribution 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.

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48 SEGMENT INFORMATION – GROUP (CONTINUED)

a. Segment results

	Continuing operations						
2019	**Industrial**	**Motors**	**Logistics**	**Healthcare**	**Others**	**Corporate and elimination**	**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
<u>Included in operating profit/(loss)</u>							
Depreciation and amortisation	(295)	(222)	(60)	–	(8)	(13)	(598)
(Impairment losses and write offs)/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)

Amounts in RM million unless otherwise stated

48 SEGMENT INFORMATION – GROUP (CONTINUED)

a. Segment results (continued)

	Continuing operations								
2018	**Industrial**	**Motors**	**Logistics**	**Healthcare**	**Others**	**Corporate and elimination**	**Total**	**Discontinued operations**	**Total**
Segment revenue:									
External	13,041	20,341	341	–	105	–	33,828	6,980	40,808
Inter-segment	32	14	–	–	95	(141)	–	–	–
	13,073	20,355	341	–	200	(141)	33,828	6,980	40,808
Segment results:									
Operating profit/ (loss)	609	538	82	–	(13)	(114)	1,102	1,589	2,691
Share of results of joint ventures and associates	3	5	(8)	57	(85)	–	(28)	111	83
Profit/(loss) before interest and tax	612	543	74	57	(98)	(114)	1,074	1,700	2,774
Included in operating profit/(loss)									
Depreciation and amortisation	(300)	(238)	(68)	–	(9)	(6)	(621)	–	(621)
(Impairment losses and write offs)/ reversal of impairment (net):									
- non-current assets	(34)	(64)	–	–	1	(2)	(99)	–	(99)
- receivables and contract assets	(16)	(2)	–	–	(25)	(1)	(44)	(7)	(51)
Gain/(loss) on disposals (net)	181	7	–	–	–	(51)	137	164	301
Inventory writedown and provision (net)	(87)	(201)	–	–	–	–	(288)	(2)	(290)

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48 SEGMENT INFORMATION – GROUP (CONTINUED)

b. Segment assets and liabilities and additions to non-current assets

	Continuing operations								
	Industrial	Motors	Logistics	Healthcare	Others	Corporate and elimination	Total	Discontinued operations	Total
2019									
Segment assets	**10,939**	**9,691**	**2,253**	**784**	**276**	**894**	**24,837**	**–**	**24,837**
Segment liabilities	**(3,313)**	**(3,456)**	**(264)**	**–**	**(361)**	**(14)**	**(7,408)**	**–**	**(7,408)**
Segment invested capital	**7,626**	**6,235**	**1,989**	**784**	**(85)**	**880**	**17,429**	**–**	**17,429**
Net tax assets							**264**	**–**	**264**
Borrowings							**(2,575)**	**–**	**(2,575)**
Total Equity							**15,118**	**–**	**15,118**
Additions to non-current assets are as follows:									
Capital expenditure	**655**	**404**	**20**	**–**	**9**	**9**	**1,097**	**–**	**1,097**
Addition to financial assets at FVTPL	**17**	**–**	**–**	**–**	**–**	**–**	**17**	**–**	**17**
Additions to interest in joint ventures	**–**	**–**	**12**	**–**	**–**	**–**	**12**	**–**	**12**
	672	**404**	**32**	**–**	**9**	**9**	**1,126**	**–**	**1,126**
2018									
Segment assets	10,628	9,084	2,681	730	469	636	24,228	–	24,228
Segment liabilities	(2,928)	(3,188)	(347)	–	(369)	(18)	(6,850)	–	(6,850)
Segment invested capital	7,700	5,896	2,334	730	100	618	17,378	–	17,378
Net tax assets							270	–	270
Borrowings							(2,889)	–	(2,889)
Total Equity							14,759	–	14,759
Additions to non-current assets are as follows:									
Capital expenditure	622	471	57	–	7	21	1,178	653	1,831
Addition to investments	27	–	–	–	–	–	27	–	27
Additions to interest in joint ventures and associates	–	–	30	–	–	–	30	101	131
	649	471	87	–	7	21	1,235	754	1,989

Amounts in RM million unless otherwise stated

48 SEGMENT INFORMATION – GROUP (CONTINUED)

b. Segment assets and liabilities and additions to non-current assets (continued)

Capital expenditure consists of the following:

	Continuing operations	Discontinued operations	Total
2019			
Property, plant and equipment	**1,080**	**–**	**1,080**
Prepaid lease rentals	**6**	**–**	**6**
Investment properties	**6**	**–**	**6**
Intangible assets other than goodwill	**5**	**–**	**5**
	1,097	**–**	**1,097**
2018			
Property, plant and equipment	1,155	640	1,795
Prepaid lease rentals	1	–	1
Investment properties	–	11	11
Land held for property development	–	1	1
Intangible assets other than goodwill	22	1	23
	1,178	653	1,831

Reconciliation of segment assets and liabilities to total assets and total liabilities are as follows:

	Assets		Liabilities	
	2019	2018	2019	2018
Segment total	**24,837**	24,228	**7,408**	6,850
Tax assets/liabilities	**679**	645	**415**	375
Borrowings	**–**	–	**2,575**	2,889
	25,516	24,873	**10,398**	10,114

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48 SEGMENT INFORMATION – GROUP (CONTINUED)

c. Segment by geography

Revenue, profit before interest and tax 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	
	2019	2018	2019	2018	2019	2018
Continuing operations						
Malaysia	**5,202**	4,855	**238**	98	**2,622**	2,709
China[1]	**14,493**	12,959	**425**	512	**3,049**	3,128
Other countries in Asia	**5,223**	5,951	**124**	(37)	**633**	653
Australasia[2]	**11,238**	10,063	**596**	501	**3,063**	3,002
	36,156	33,828	**1,383**	1,074	**9,367**	9,492

[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 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:

	2019	2018
Non-current assets other than financial instruments and tax assets	**9,367**	9,492
Investments	**–**	124
Financial assets at FVTPL	**87**	–
Deferred tax assets	**542**	519
Tax recoverable	**65**	63
Derivative assets	**2**	–
Receivables and other assets	**283**	214
	10,346	10,412

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.

Amounts in RM million unless otherwise stated

49 RELATED PARTIES

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 25, 26, 27, 28, 32 and 43 are as follows:

Group	2019	2018
a. Transactions with joint ventures and associates		
Continuing operations		
Purchase of products and services from Sitech Construction Systems Pty Ltd	**11**	10
Channel usage fees charged by Weifang Port Services Co Ltd	**12**	12
Contribution paid to Yayasan Sime Darby	**20**	10
Discontinued operations		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd group	**–**	19
Purchase of products and services from Muang Mai Guthrie Public Co Ltd	**–**	5
Sale of products and services to Tesco Stores (Malaysia) Sdn Bhd	**–**	4
b. Transactions between subsidiaries and significant owners of non-controlling interests		
Continuing operations		
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	**18**	46
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	**40**	30
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	**24**	9
Contract assembly service provided by ICSB to Berjaya Corporation Berhad group/ Bermaz Auto Berhad group	**116**	91
Acquisition of 30% of the units in Brisbane BMW Unit Trust collectively owned by Burke Management Pty Ltd and Roller Management Pty Ltd	**41**	–
Discontinued operations		
Turnkey works rendered to Sime Darby Brunsfield Holding Sdn Bhd (“SDBH”) group by Brunsfield Engineering Sdn Bhd (“BESB”). Tan Sri Dato’ Ir Gan Thian Leong and Encik Mohamad Hassan Zakaria are substantial shareholders in both SDBH and BESB	**–**	**46**
c. Transactions with Directors and key management personnel and their close family members		
Sale of vehicles	**3**	**1**

49 RELATED PARTIES (CONTINUED)

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 25, 26, 27, 28, 32 and 43 are as follows: (continued)

	Group		Company	
	2019	2018	2019	2018
d. Remuneration of Directors and key management personnel				
Salaries, other emoluments and benefits	**27**	40	**4**	4
Defined contribution pension plan	**2**	2	**–**	–
Performance-based employee share scheme	**1**	–	**–**	–
Estimated monetary value of benefits-in-kind	**–**[1]	1	**–**[1]	–[1]

[1] Less than RM1 million

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 2018 '000	Granted '000	At 30 June 2019 '000
Third grant				
PS – Relative TSR target	2.52	–	790	**790**
PS – Financial targets	2.11	–	790	**790**
RS1 – Year 1 vesting	2.29	–	132	**132**
RS2 – Year 2 vesting	2.20	–	132	**132**
RS3 – Year 3 vesting	2.11	–	132	**132**

f. Transactions with shareholders and the Government

Continuing operations

As at 30 June 2019, Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad ("ASNB"), together owned approximately 51.3% (2018: 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.

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49 RELATED PARTIES (CONTINUED)

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 25, 26, 27, 28, 32 and 43 are as follows: (continued)

f. Transactions with shareholders and the Government (continued)

Continuing operations (continued)

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:

	2019	2018
Provision of shared services	**69**	52
Foreign currency payment arrangement	**116**	63
Sales, servicing and leasing of equipment and vehicles	**63**	41
Sale of apartments and bungalows	**–**	15
Renovation work on Automative complex	**14**	–
Royalty received	**4**	4
Rental income	**7**	5
Rental charges	**10**	5

g. Outstanding balances with related parties

The significant outstanding balances between the Group and related parties are as follows:

	2019	2018
Continuing operations		
i. Amounts due from/(to) joint ventures and associates (net)		
Weifang Sime Darby Liquid Terminal Co Ltd	**134**	131
Weifang Sime Darby West Port Co Ltd	**43**	42
Weifang Port Services Co Ltd	**17**	23
Malaysia - China Hydro Joint Venture	**(23)**	(23)
ii. Amount due from YPB group companies		
Sime Darby Plantation Berhad group	**29**	64
Sime Darby Property Berhad group	**6**	8

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 2019 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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50 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 rates 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 **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

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50 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 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Investments	–	5	119	124
Derivative assets				
- forward foreign exchange contracts	–	22	–	22
- interest rate swap contracts	–	1	–	1
- cross currency swap contract	–	43	–	43
	–	71	119	190
Financial liabilities				
Derivative liabilities				
- forward foreign exchange contracts	–	26	–	26

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. Following the adoption of MFRS 9, the debenture which was previously classified under Investments and measured at fair value has been remeasured at amortised cost.

The Company does not have any financial assets and liabilities measured at fair value as at 30 June 2019 (2018: 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 2019 and 30 June 2018 approximated its fair values.

The Company does not have any long-term financial assets and liabilities measured at amortised cost as at 30 June 2019 and 30 June 2018.

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51 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
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)**
2018						
Investments	–	–	–	–	124	124
Receivables (net)	179	156	31	22	4,078	4,466
Bank balances, deposits and cash	56	60	6	42	1,508	1,672
Borrowings	(960)	–	–	–	(1,929)	(2,889)
Payables	(365)	–	(274)	(54)	(4,020)	(4,713)
	(1,090)	216	(237)	10	(239)	(1,340)
Financial instruments included in:						
- assets held for sale	–	–	–	–	45	45
- liabilities associated with assets held for sale	–	–	–	–	(15)	(15)
	(1,090)	216	(237)	10	(209)	(1,310)

Other than a nominal amount of cash held in US Dollars as at 30 June 2018, the Company does not have any financial assets or liabilities denominated in foreign currency as at 30 June 2019 and 30 June 2018.

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51 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 RM531 million borrowings denominated in US dollars, RM58 million has been hedged with derivatives and RM462 million is designated as hedge instruments for receivables and anticipated sales. The remaining RM11 million is expected to be settled in the financial year ending 30 June 2020.

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	Foreign currency scenario	Impact on profit before tax
2019					
Receivables and bank balances	**HKD**	**RMB**	**172**	**(5%)**	**(9)**
2018					
Receivables and bank balances	HKD	RMB	216	(5%)	(11)

Amounts in RM million unless otherwise stated

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of each financial risk are as follows: (continued)

b. Interest rate risk

The percentages of fixed rate borrowings, both before and after taking into account the interest rate swap (“IRS”) contracts, to the total borrowings are as follows:

	Group	
	2019	**2018**
Total borrowings	**2,575**	2,889
Fixed rate borrowings	**33**	37
Floating rate borrowings (swapped to fixed)	**–**	175
Total fixed rate borrowings after swap	**33**	212
Percentage of fixed rate borrowings over total borrowings:		
- before swap (%)	**1.3**	1.3
- after swap (%)	**1.3**	7.3

Most of the borrowings on floating rates that have not been swapped are short term borrowings mainly for working capital purposes and trade lines of the Industrial and Motors divisions.

As at 30 June 2019, the Group’s floating rate borrowings of the continuing operations not swapped to fixed stood at RM2,542 million (2018: RM2,677 million). The following table demonstrates the effect of changes in interest rates of floating rate borrowings after taking into account the IRS contracts mentioned in the preceding paragraph. If the interest rate for all borrowings increased by 1 percentage point, the Group’s continuing operations’ profit before tax will be lower by:

	Impact
2019	
Profit before tax	
- Group (continuing operations)	**(25)**
2018	
Profit before tax	
- Group (continuing operations)	(27)

A 1% decrease in interest rates would have an equal but opposite effect.

Amounts in RM million unless otherwise stated

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of each financial risk are as follows: (continued)

c. Credit risk

The maximum exposure and collateral and credit enhancements are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
Maximum exposure				
Amounts due from subsidiaries	**–**	–	**5,897**	6,034
Receivables	**4,248**	4,466	**–**	3
Financial assets of WSD Water (under disposal groups)	**–**	45	**–**	–
Derivative assets	**8**	66	**–**	–
Bank balances, deposits and cash	**1,723**	1,672	**150**	163
	5,979	6,249	**6,047**	6,200
Collateral and credit enhancement				
Receivables	**957**	326	**–**	–

d. Liquidity and cash flow risk

The undiscounted contractual cash flows of the financial liabilities are as follows:

Group 2019	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
Borrowings						
- principal	**2,394**	**77**	**91**	**10**	**2,572**	**2,572**
- interest	**19**	**6**	**4**	**1**	**30**	**3**
Payables	**4,444**	**10**	**–**	**–**	**4,454**	**4,454**
	6,857	**93**	**95**	**11**	**7,056**	**7,029**

Amounts in RM million unless otherwise stated

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of each financial risk are as follows: (continued)

d. Liquidity and cash flow risk (continued)

The undiscounted contractual cash flows of the financial liabilities are as follows: (continued)

Group 2018	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
Borrowings						
- principal	2,641	70	163	14	2,888	2,888
- interest	16	9	11	3	39	1
Payables	4,659	54	–	–	4,713	4,713
	7,316	133	174	17	7,640	7,602
Financial liabilities included in liabilities associated with assets held for sale	15	–	–	–	15	15
	7,331	133	174	17	7,655	7,617

Company 2019	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
Payables	**2**	**–**	**–**	**–**	**2**	**2**
2018						
Payables	6	–	–	–	6	6

52 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities 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.

Amounts in RM million unless otherwise stated

52 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Contingent liabilities and commitments are as follows: (continued)

a. Guarantees (continued)

The outstanding guarantees as at 30 June are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
Performance and advance payment guarantees to customers of:				
- subsidiaries	**–**	–	**1,582**	1,582
- the Group	**2,147**	2,193	**–**	–
Guarantees in respect of credit facilities granted to:				
- certain subsidiaries	**–**	–	**–**	220
- certain joint ventures	**231**	218	**–**	–
	2,378	2,411	**1,582**	1,802

In addition, the Group guarantees the repayment by 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 2019, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM276 million (2018: RM270 million).

b. Claims

As at 30 June 2019, claims not taken up in the statement of financial position are as follows:

Group	2019	2018
Potential claims	**19**	4

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

There were no claims against the Company as at 30 June 2019 (2018: Nil).

c. Capital commitments

Contracted capital expenditure not provided for in the financial statements:

Group	2019	2018
Property, plant and equipment	**253**	184
Other capital expenditure	**60**	69
	313	253

The Company did not have any capital commitments as at 30 June 2019 (2018: Nil).

Amounts in RM million unless otherwise stated

52 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Contingent liabilities and commitments are as follows: (continued)

d. Leases

The future minimum lease payments under non-cancellable operating leases are as follows:

Group	2019	2018
Due no later than one year	**433**	444
Due later than one year but no later than five years	**959**	798
Due later than five years	**691**	676
	2,083	1,918

The Company did not have any non-cancellable operating lease as at 30 June 2019 (2018: Nil).

53 EFFECTS OF THE ADOPTION OF MFRS 9

The adoption of MFRS 9 Financial Instruments has resulted in changes in the Group's accounting policies. 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 2018 (MFRS 139)	MFRS 9 - Reclassification	MFRS 9 - Remeasurement	As at 1 July 2018 (MFRS 9)
<u>Non-current assets</u>				
Joint ventures	1,197	–	(1)	1,196
Investments	124	(124)	–	–
Financial assets at FVTPL	–	120	–	120
Deferred tax assets	519	–	8	527
Receivables and other assets	214	4	–	218
<u>Current assets</u>				
Receivables and other assets	4,536	–	(29)	4,507
<u>Equity</u>				
Available for sale reserve	3	(3)	–	–
Retained profits	4,730	3	(22)	4,711

The adoption of MFRS 9 did not result in changes to the Company's statement of financial position.

53 EFFECTS OF THE ADOPTION OF MFRS 9 (CONTINUED)

The main changes on the adoption of MFRS 9 are as follows:

a. Classification and measurement

The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group and the Company. The following are the changes in the classification of the Group's and of the Company's financial assets:

- Trade and other receivables, amounts due from subsidiaries, bank balances, deposits and cash previously classified as loans and receivables at amortised cost are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortised cost.

- Investments previously classified as available for sale financial assets, other than debentures, have been reclassified as financial assets measured at FVTPL.

- Debentures which were previously classified as available for sale financial assets, have been reclassified as financial assets at amortised cost as they are held to collect contractual cash flows and the cash flows represent solely payments of principal and interest.

There were no changes in classification and measurement for the Group's and for the Company's financial liabilities.

b. Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing the incurred loss approach under MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Upon the adoption of MFRS 9, the Group recognised additional impairment of RM29 million on the receivables and share of impairment of receivables of a joint venture of RM1 million, which resulted in a decrease in retained earnings of RM22 million as at 1 July 2018. The adoption of MFRS 9 did not result in a material change to the Company's impairment of receivables.

The reconciliation of the ending impairment allowances in accordance with MFRS 139 to the opening loss allowances determined in accordance with MFRS 9 is shown in Note 5(a)(iii).

54 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 ("O&G 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 RM327 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. The hearing date has been fixed from 22 to 25 October 2019.

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.

54 MATERIAL LITIGATION (CONTINUED)

The material litigations outstanding are as follows: (continued)

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 RM738 million) comprising a payment of USD128 million (approximately RM530 million) for commissions; and a payment of USD50 million (approximately RM207 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 RM46 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 and the COA is expected to deliver its decision on 8 October 2019.

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 RM1.1 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 RM14.6 million) to SDE ("Judgement") and both parties have appealed to the Court of Appeal against the Judgement. The Court of Appeal then referred the matter to court experts to examine the appeal.

The experts in their report recommended the payment of QAR12.9 million (approximately RM14.6 million) to SDE. On 28 April 2019, both SDE and QP filed an application to challenge the experts' report.

The Court of Appeal issued its judgment on 29 July 2019, rejecting both parties' appeals. Parties have the right to submit an appeal within 60 days thereafter.

e. 05 Wellhead Platform Project ("05WHP Project")

SDE and Swiber Offshore Construction Pte Ltd ("SOC") entered into a Consortium Agreement to govern their relationship as a consortium ("the Consortium") in relation to the execution and performance of the 05WHP Project awarded by Oil and Natural Gas Corporation Ltd ("ONGC") on 26 February 2010 for a total contract price of USD189 million (approximately RM783 million).

Disputes have arisen between the Consortium and ONGC and the parties have subsequently referred the dispute to an Outside Expert Committee. SDE's portion of the Consortium's claim is circa USD33 million (approximately RM137 million).

On 21 September 2018, ONGC and SDE signed a Settlement Agreement in full and final settlement of all claims and counter claims between the parties in relation to the 05WHP Project which have been duly recorded by the tribunal. Pursuant to the Settlement Agreement, ONGC has fully paid the settlement amount. The matter between ONGC and SDE has been concluded.

54 MATERIAL LITIGATION (CONTINUED)

The material litigations outstanding are as follows: (continued)

f. B-193 Process Platform Project ("PP Project")

SDE and 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 ONGC. A contract dated 3 July 2010 was executed for a total contract price of USD618 million (approximately RM2.6 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 RM315 million).

On 22 March 2018, the tribunal ordered ONGC to pay the Consortium a net sum of USD5.12 million (approximately RM21 million) as full and final settlement of all claims. On 27 March 2018, ONGC filed an application at the High Court in Mumbai, India to set aside the arbitration award.

The Court allowed ONGC to amend its application to set aside the arbitration award and granted ONGC an extension until 30 September 2019 for ONGC to submit its amended application.

g. 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”). Under the terms of engagement, both WPG and WPS are jointly liable for any payments due to Tianjin Dredging.

The Project was completed in November 2016 at total cost of approximately RMB1.17 billion (approximately RM705 million).

On 31 July 2018, Tianjin Dredging (the “Plaintiff”) filed a lawsuit in the Qingdao Maritime Court against WPS (“First Defendant”) and WPG (“Second Defendant”) claiming the outstanding sum of the RMB741 million (approximately RM446 million) plus interest, in addition to legal costs and costs for preservation of assets.

On 26 July 2019, WPS received the Court’s decision which was in favour of the Plaintiff. The Court ordered for the Defendants to pay the Plaintiff the outstanding sum of RMB711 million (approximately RM428 million) (“Outstanding Sum”), costs of RMB3.6 million (approximately RM2.2 million) and late payment interest. WPS filed an appeal against the Court’s decision on 7 August 2019 to dispute the calculation of the late payment interest.

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) and for litigation costs to be borne by the Defendants. The next court session is fixed on 26 September 2019.

55 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.

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows:

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	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 (formerly known as Sime Darby Offshore Engineering 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 Power Systems Sdn Bhd	Malaysia	**–**	100.0	1	Assembly and packaging of generators
Sime Darby Industrial Sdn Bhd	Malaysia	**100.0**	100.0	1	Sale, rental and assembly of Caterpillar equipment and spare parts and service support

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Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Industrial – Subsidiaries (continued)					
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 (formerly known as Tractors 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
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

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Industrial – Subsidiaries (continued)					
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
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	Sale of Caterpillar equipment and spare parts and service support
Sime Darby CEL Machinery (Xinjiang) Co Ltd	China	**100.0**	100.0	2	Sale of Caterpillar equipment and spare parts and service support
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

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56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Industrial – Subsidiaries (continued)					
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 and after-sales support for Caterpillar equipment
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**	–	2	Manufacturing or refurbishment of hydraulic cylinders, chrome plating and general engineering
HMG Hardchrome Pty Ltd	Australia	**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	)
TFP Engineering Pty Ltd	Australia	**95.0**	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

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Industrial – Subsidiaries (continued)					
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**	–	2	Investment holding
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, assembly, import and export, lease and maintenance of, and provision of technology services for engines and power systems
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	2	Provision of consultancy and services in connection with installation, operation, repair and maintenance of industrial machines, equipment and vehicles

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56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Industrial – Joint ventures					
Gas Malaysia Synergy Drive Sdn Bhd	Malaysia	**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
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**	90.0	1	Assembly and distribution of Kubota range of agricultural machinery and other machinery and equipment
APac Energy Rental Pte Ltd	Singapore	**30.0**	30.0	3	Rental of generator sets
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

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	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**	–	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	Sale 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	Sale of used motor vehicles and spare parts

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Sime Darby Auto Stuttgart Sdn. Bhd.	Malaysia	**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
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	)
Sime Darby Rent-A-Car Sdn Bhd	Malaysia	**100.0**	100.0	1	Vehicle rental
Sime Darby Swedish Auto Sdn Bhd (formerly known as Auto Bavaria M Performance 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	Distribution and retail of motor vehicles
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	Vehicle rental
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

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	Group's effective interest (%) 2018	Auditors	Principal activities
Motors – Subsidiaries (continued)					
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
Chongqing Sime Darby Motor Sales and Services Company Limited	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
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	) Retail of motor vehicles and spare parts and after-sales services
Kunming Bow Chuang Motor Sales and Services Co Ltd	China	**65.0**	65.0	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**	–	2	Retail of motor vehicles and spare parts and provision of after-sales services
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**	–	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

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Motors – Subsidiaries (continued)					
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**	–	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
Sime Winner Holdings Limited	Hong Kong	**60.0**	60.0	2	Investment holding

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	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**	70.0	2	Retail of spare parts, panels and accessories
Brisbane BMW Unit Trust	Australia	**100.0**	70.0	2	Owns the BMW, MINI, Volvo, Ferrari and Rolls-Royce motor dealerships
LMM Holdings Pty Ltd	Australia	**100.0**	70.0	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
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

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019
Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Motors – Subsidiaries (continued)					
Hino Distributors (NZ) Limited (formerly known as 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 Automobiles NZ Limited	New Zealand	**100.0**	100.0	2	Sale of vehicle lease services on behalf of third parties
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)	
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 (formerly known as Viking Motors 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

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Motors – Subsidiaries (continued)					
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	)
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
Sime Darby Hong Kong Group Company Limited	Bermuda	**100.0**	100.0	4	Investment holding
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	)
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**	–	3	Ownership and management of logistics park

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56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Logistics – Subsidiaries (continued)					
Weifang Sime Darby Port Co Ltd	China	**99.0**	99.0	2	Port operations
Weifang Sime Darby Water Management Co Ltd	China	**–**	100.0	2	Treatment and supply of water
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
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

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
Others – Subsidiaries (continued)					
Sime Darby Global Services Centre Sdn Bhd	Malaysia	–	100.0	1	Provision of shared services
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	) Investment holding
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	) Investment holding
Sime Darby Eastern International Limited	Singapore	**100.0**	100.0	2	) Investment holding
Sime Darby Insurance Brokers (Singapore) Pte Ltd	Singapore	**100.0**	100.0	2	Insurance brokers
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
Sime Darby Investments (BVI) Limited	British Virgin Islands	**100.0**	100.0	4	Investment holding and holding of trademarks

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56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are active as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	Auditors	Principal activities
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**	11.8	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

Amounts in RM million unless otherwise stated

56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint venture and associates which are dormant/inactive as at 30 June 2019 are as follows:

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	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**	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
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
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 (formerly known as Europe Automobiles Corporation)	Vietnam	**100.0**	99.0	2
Performance Motors Vietnam Company Limited (formerly known as Performance Motors Vietnam Joint Stock Company)	Vietnam	**100.0**	99.0	2
Logistics – Subsidiaries				
Jining Sime Darby Guozhuang Port Co Ltd	China	**70.0**	70.0	2

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56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint venture and associates which are dormant/inactive as at 30 June 2019 are as follows: (continued)

Name of company	Country/ territory of incorporation	Group's effective interest (%) 2019	2018	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	2
Sime Darby Marine (Hong Kong) Private Limited	Hong Kong	**100.0**	100.0	2
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 available-for-sale investment (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

57 MATERIAL EVENTS AFTER THE REPORTING PERIOD

a. Proposed acquisition of 100% equity interest in Gough Group Limited

On 13 August 2019, the Company announced that Sime Darby (NZ) Holdings Limited, an indirect wholly-owned subsidiary of the Company incorporated in New Zealand, had on 13 August 2019, entered into a share purchase agreement with Gough Holdings Limited to acquire the entire issued share capital in Gough Group Limited for a gross consideration of NZD211 million (approximately RM572 million). The acquisition is expected to be completed by 30 September 2019.

b. Proposed acquisition of business assets from Inchcape Australia Limited

On 11 September 2019, the Company announced the acquisition of the business assets and properties of three luxury car dealerships in Sydney, Australia for a consideration of AUD112 million (approximately RM321 million) from Inchcape Australia Limited. The three dealerships represent the BMW, MINI, Volkswagen, Jaguar and Land Rover marques.

The definitive agreements were entered into by the Company's indirect wholly-owned subsidiaries under Sime Darby Motors Sdn Bhd and Trivett, the automotive retail unit of Inchcape Australia Limited, on 10 September 2019. The proposed acquisition is expected to be completed by early December 2019.

58 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 September 2019.

CORPORATE INFORMATION
AS AT 18 SEPTEMBER 2019

BOARD OF DIRECTORS

1. **Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah**
(Non-Independent Non-Executive Chairman)

2. **Dato' Abdul Rahman Ahmad**
(Non-Independent Non-Executive Director)

3. **Tan Sri Samsudin Osman**
(Non-Independent Non-Executive Director)

4. **Dato Sri Lim Haw Kuang**
(Senior Independent Non-Executive Director)

5. **Datuk Wan Selamah Wan Sulaiman**
(Independent Non-Executive Director)

6. **Dato' Sri Abdul Hamidy Abdul Hafiz**
(Independent Non-Executive Director)

7. **Dato' Ahmad Pardas Senin**
(Independent Non-Executive Director)

8. **Thayaparan Sangarapillai**
(Independent Non-Executive Director)

9. **Dato' Lawrence Lee Cheow Hock**
(Non-Independent Non-Executive Director)

10. **Moy Pui Yee**
(Independent Non-Executive Director)

11. **Mohamad Idros Mosin**
(Non-Independent Non-Executive Director)

12. **Dato' Jeffri Salim Davidson**
(Executive Director)

GROUP CHIEF EXECUTIVE OFFICER

Dato' Jeffri Salim Davidson

GROUP SECRETARY

Noor Zita Hassan
(MIA 15073)

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
(Company No. 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 18 SEPTEMBER 2019

Number of Issued Shares : 6,800,839,377 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	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	2,698	8.97	69,933	0.00[1]
100 to 1,000	7,362	24.49	4,566,343	0.07
1,001 to 10,000	14,946	49.71	52,269,407	0.77
10,001 to 100,000	3,855	12.82	107,124,247	1.58
100,001 to less than 5% of issued capital	1,202	4.00	2,808,956,088	41.30
5% and above of issued capital	3	0.01	3,827,853,359	56.28
Total	**30,066**	**100.00**	**6,800,839,377**	**100.00**

Note: [1] less than 0.01%

Classification of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Individuals	24,205	80.51	151,112,929	2.22
Banks/Finance Companies	80	0.27	4,055,149,629	59.63
Investment Trusts/Foundations/Charities	18	0.06	638,244	0.01
Industrial and Commercial Companies	591	1.96	83,390,869	1.23
Government Agencies/Institutions	4	0.01	2,320,652	0.03
Nominees	5,166	17.18	2,508,121,779	36.88
Others	2	0.01	105,275	0.00[1]
Total	**30,066**	**100.00**	**6,800,839,377**	**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 126, none of the Directors of the Company has any interest, direct or indirect, in the Company and its related corporations.

ANALYSIS OF SHAREHOLDINGS

30 LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS

No.	Name of Shareholder	No. of Shares Held	% of Issued Capital
1.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	2,846,126,200	41.85
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	551,983,410	8.12
3.	Kumpulan Wang Persaraan (Diperbadankan)	429,743,749	6.32
4.	Permodalan Nasional Berhad	302,223,074	4.44
5.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	136,594,141	2.01
6.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	82,733,400	1.22
7.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 – Wawasan	81,975,300	1.21
8.	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	65,000,000	0.96
9.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	60,925,849	0.90
10.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	58,061,774	0.85
11.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	55,720,536	0.82
12.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	52,038,028	0.77
13.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	50,917,827	0.75
14.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (NOMURA)	48,529,400	0.71
15.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	45,000,000	0.66
16.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 14)	44,123,800	0.65
17.	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	38,016,803	0.56
18.	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 1)	35,289,788	0.52
19.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	34,077,920	0.50
20.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 3 – Didik	33,418,200	0.49

30 LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS (CONTINUED)

No.	Name of Shareholder	No. of Shares Held	% of Issued Capital
21.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Monetary Authority of Singapore (H)	32,805,223	0.48
22.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	30,000,000	0.44
23.	Citigroup Nominees (Tempatan) Sdn Bhd Valuecap Sdn Bhd	28,886,300	0.42
24.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	28,666,463	0.42
25.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	21,024,200	0.31
26.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	20,452,529	0.30
27.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	19,132,317	0.28
28.	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	18,601,700	0.27
29.	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	18,582,802	0.27
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for People's Bank of China (SICL Asia EM)	17,739,248	0.26

Substantial Shareholders as per the Register of Substantial Shareholders

No.	Name of Substantial Shareholder	No. of Shares Held (Direct Interest)	% of Issued Capital	No. of Shares Held (Indirect Interest)	% of Issued Capital
1.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	2,821,126,200	41.48	-	-
2.	Employees Provident Fund Board	534,664,612	7.86	129,297,363	1.90
3.	Kumpulan Wang Persaraan (Diperbadankan)	430,278,649	6.33	52,704,900	0.77

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	39	Single-storey office building, factory, workshop and warehouse	1
Semambu Industrial Estate, Kuantan	Leasehold expiring 2041	3	1982	39	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	21	Land, 5-storey commercial office, training centre, workshop and warehouse	51
Tuaran Road, Kota Kinabalu	Leasehold expiring 2025	1	1982	39	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	19-39	Office buildings with detached factory, workshop and warehouse	5
Overseas						
Singapore						
Benoi Sector, Jurong Pier	Leasehold expiring 2025-2032	9	1978-2004	11-48	Office building, warehouse and workshop	1
Brunei						
Beribi Industrial Estate, Bandar Seri Begawan	Leasehold expiring 2019	*	2003	16	Office, service centre and warehouse	^
China						
Changsha Economic Technological Development Area, Changsha, Hunan	Leasehold expiring 2063	2	2013-2016	3	Industrial land, 2-storey office buildings, warehouse and workshop	21
Ji Mei District, Xiamen, Fujian	Leasehold expiring 2062	1	2012-2015	5	3-storey office buildings, warehouse and workshop	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)						
Overseas (continued)						
China (continued)						
Xiao Lan Industrial Park, Nanchang, Jiangxi	Leasehold expiring 2059	1	2009-2011	8	3-storey office building, warehouse and workshop	6
Nanning, Guangxi	Leasehold expiring 2064	3	2014-2019	<1	Industrial land, 3-storey office building with carpark, warehouse and workshop	36
Shunjiang Juweihui Industrial Park, Shunde, Foshan, Guangdong	Leasehold expiring 2045	2	1996-2011	8-22	Land, 2 blocks of 4-storey and 2-storey buildings, warehouse and workshops	10
Yifu Garden, Dongguan, Guangdong	Leasehold expiring 2072	–	2014	6	Staff quarters	^
Urumqi, Xinjiang	Leasehold expiring 2060	4	2010-2012	7	Land, office building, warehouse and workshop	26
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 Facility and Darwin Facility	Freehold	8	1992-2011	15-52	Single-storey office buildings, warehouse and workshops	26
Gove Facility, Traeger Close	Leasehold expiring 2053	6	2006	13	Single-storey commercial offices, workshop and warehouse	^
Archerfield Facility, Kerry Road, Archerfield, Bellrick Street, Beaudesert Road, Acacia Ridge, Brisbane	Freehold	22	1992-2012	4-73	Single-storey and 2-storey commercial offices, warehouses and workshops	71
Boundary Road, Richlands, Brisbane	Freehold	1	2010	9	2 blocks of 2-storey and single-storey office buildings, warehouse and workshop	17
Cairns Facility, Kenny Street, Comport St, Portsmith, Cairns	Freehold Perpetual lease	1 *	1992-2008	39	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)						
Overseas (continued)						
Australia (continued)						
Emerald Facility, Archer Drive, Alstonia Drive, Buckland Street	Freehold	13	1992-2013	5-45	Single-storey commercial offices, workshops and staff hostels	10
Mackay Facility, Farrellys Lane, Connors Road, Broadsound Road, Commercial Avenue, Mackay	Freehold Perpetual lease	48 3	1992-2013	2-37	2-storey commercial offices, training facilities, workshops and warehouses	350
Mt Isa Facility, Kolongo Crescent Kalkadoon, Mt Isa	Freehold	5	1992-2011	41	Single-storey commercial office, workshop and warehouse	23
Rockhampton Facility, Port Curtis Road, Richardson Road, Rockhampton	Freehold	35	1992	4-45	13 blocks of single-storey commercial office, workshop, warehouse and training facility	108
Toowoomba Facility, Carrington Road, Torrington	Freehold	4	1992-2012	19-47	Single-storey commercial offices, workshop and warehouse	47
Townsville Facility, Corner Woolcock Street and Blakey Street, Garbutt, Townsville	Freehold	2	1992	45	2-storey commercial offices, workshop and warehouse	24
North Coast Facility, 22 Lear Jet Drive, Caboolture	Leasehold expiring 2023	6	2019	16	Commercial Offices	1

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)						
Overseas (continued)						
New Caledonia						
Canala, Kouaoua	Freehold	2	2000-2004	25	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	72
Workshops at various mine sites	Perpetual lease	*	2018	–	Commercial-mine site	^
Zone industrielle de Kataviti, Kone	Leasehold expiring 2028	*	2010	18	Warehouse	^
Papua New Guinea						
Port Moresby Facility, Spring Garden Road, Moresby, Lae Facility, Corner Milford Street & Malaita Street, Lae, Tabubil Facility, Batch Street	Perpetual lease Leasehold expiring 2020-2094	* 18	1992-2017	23-67	Land, 2-storey and single-storey office buildings, sales service and parts facility, and staff hostels	25
Solomon Islands						
Honiara Facility, Guadalcanal Island, Panatina Village, Honiara	Leasehold expiring 2091	3	1992	35	Office, industrial building, warehouse and 2-storey staff hostels	^
Total Industrial Division						**971**

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	22	Assembly plant	78
Automotive Complex, Ara Damansara	Freehold	9	2014-2015	–	Office building and showroom under construction	449
Temasya Industrial Park, Shah Alam	Freehold	*	2004-2006	16-18	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	5	2-storey office building, showroom and workshop	5
362, Jalan Tun Razak	Freehold	*	2010	12	4-storey 4S service centre and workshop	48
Kajang, Balakong	Freehold Leasehold expiring 2116	*	2018	–	Land for development of a 4S centre	37
Sedco Industrial Estate, Jalan Limau Manis, Off Jalan Lintas, Kota Kinabalu	Leasehold expiring 2034	2	2003	16	Single-storey showroom and service centre	^
Overseas						
Singapore						
303 & 305 Alexandra Road	Leasehold expiring 2047-2057	9	2002-2005	11-13	6-storey 4S showroom, service centre and workshop	222
Kampung Arang Road	Leasehold expiring 2034	*	1982	50	2-storey service centre and workshop	10
Ubi Road 4	Leasehold expiring 2020	*	1997	27	4-storey 3S showrooms, offices, pre-delivery inspection centre and workshop	2
Thailand						
Paradise Road, Bangkok	Freehold	*	2013-2016	3-4	Land, showrooms, workshops and offices	49
Branches in Bangkok and Samutprakarn	Leasehold expiring 2019-2049	9	2002-2019	4-19	3S showrooms, workshops and offices	25

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)						
Overseas (continued)						
China						
Jinkai Avenue, Chongqing	Leasehold expiring 2031	2	2016	4	5-storey 5S centre	37
Yingbin Road, Panyu, Daguang Nan Road, Tianhe, Guangzhou, Guangdong	Leasehold expiring 2023-2032	3	1999-2015	4-21	2-storey and single-storey 4S centre	21
Tianshan Road, Shantou, Guangdong	Leasehold expiring 2022	*	2002	15	2-storey 4S centre	2
Shen Nan Road, Yue Liang Wan Road, Nanshan District, Shenzhen, Guangdong	Leasehold expiring 2042	1	1994-2004	15-24	2-storey and 8-storey 4S centres	13
Hai Yu Zhong Xian Road, Nanhai Road, Haikou District, Hainan	Leasehold expiring 2059-2070	2	2000-2004	13-24	2-storey 4S centre	17
Hongqiao land, East 3rd Ring, Yunnan	Leasehold expiring 2027	2	2010	9	3-storey 4S centre	11
Qilin Central Business District, Qujing, Yunnan	Leasehold expiring 2038	*	2019	–	6-storey BMW 4S centre	19
Jinke Nan Road, Jin Niu District, Chengdu, Sichuan	Leasehold expiring 2052	1	2008-2011	8-11	7-storey 4S showrooms, service centres and workshops	73
West of Houzishi Bridge, Yue Lu District, Changsha, Hunan	Leasehold expiring 2028	1	2011	8	2-storey 4S centre	11
North Jinxing Road, Changsha , Hunan	Leasehold expiring 2052	*	2019	–	2-storey 4S centre	25
Hong Kong and Macau						
2-4 Floor, Kailey Industrial Centre, Fung Yip Street, Chai Wan	Leasehold expiring 2047	–	1989	28	3 floors of a 20-storey office building and service centre	^
Matauwei Road, Tokwawan, Kowloon	Leasehold expiring 2035	*	1978	56	11-storey service centre, showroom and petrol filling station	19
Castle Peak Road, Tsuen Wan, New Territory	Leasehold expiring 2047	*	1972	47	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)						
Overseas (continued)						
Hong Kong and Macau (continued)						
Fanling, New Territories	Leasehold expiring 2047	*	2015	–	Land held for development of an automotive support centre	223
3 & 4 Floor, Topsail Plaza, 11 on Sum Street, Shatin	Leasehold expiring 2047	–	1992	24	2 floors of a 16-storey office building and service centre	54
3719D, 3719E, 3719F6, 3719I & 3723F, Yuen Long District	Leasehold expiring 2047	4	1984	113	4 separate plots of land for pre-delivery inspection/ commercial repair/storage	^
120-158 Rua dos Pescadores, Macau	Leasehold expiring 2026	*	1977	43	5-storey industrial building with BMW showroom and service centre	^
Australia						
Church Street, Granville, New South Wales	Freehold	*	2015	20	Single-storey office, showroom and workshop	54
Littlefield St, Fortitude Valley, Monier Road, Queensland	Freehold	2	2014	11-39	Single-storey and two-storey offices, showrooms and workshops	172
New Zealand						
Great South Road, Manukau Road, Maranui Avenue, Silverfield Street, Stanway Place, Auckland	Freehold Leasehold expiring 2022-2029	2 8	1998-2017	3-54	Workshop, central parts warehouse and warranty processing centre	31
Malden Street, Palmerston North	Freehold	3	2005	16-50	Workshop, office and central parts warehouse	16
Wairau Road, Wairau Valley, Auckland	Freehold	1	2014	–	Land held for development of single-storey 3S service centre	82
Total Motors Division						**1,835**

PROPERTIES OF THE GROUP

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 2019-2064	83	2009-2017	3-10	Ports, warehouses and offices	276
Weifang Port, Shandong	Leasehold expiring 2055	651	2005-2017	3-15	Port, warehouse and other buildings	985
Total Logistics Division						**1,261**
OTHERS						
Malaysia						
Labu, Negeri Sembilan	Freehold	3,518	1978-1991	–	Malaysia Vision Valley land	9
Ara Damansara, Selangor	Freehold	2	2017-2018	1-2	Office towers	276
Jalan Tandang, Petaling Jaya	Leasehold expiring 2065-2066	15	1985-1994	26-56	Industrial land and building	46
Apartments and holiday bungalows in Malaysia	Freehold Leasehold expiring 2026	* 1	1982-2006	13-90	Apartments/holiday bungalows	2
Total Others						**333**
TOTAL GROUP PROPERTIES						**4,400**

* Less than one hectare
^ Less than RM1 million

NOTICE TO SHAREHOLDERS UNDER THE PERSONAL DATA PROTECTION ACT 2010

Sime Darby Berhad (SDB 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 SDB.

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 SDB
- To provide services to you
- To communicate with you as a shareholder of SDB
- 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 SDB 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.

NOTICE TO SHAREHOLDERS UNDER THE PERSONAL DATA PROTECTION ACT 2010

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 : (603) 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 (SDB 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 SDB.

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 SDB
- Untuk memberikan perkhidmatan kepada anda
- Untuk berkomunikasi dengan anda sebagai pemegang saham SDB
- 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 apa-apa bursa saham 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 SDB (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.

NOTIS KEPADA PEMEGANG SAHAM DI BAWAH AKTA PERLINDUNGAN DATA PERIBADI 2010

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	:	(603) 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 mengikut polisi penyimpanan kami sekiranya data tersebut tidak lagi diperlukan bagi Tujuan-Tujuan tersebut.

Sekiranya terdapat apa-apa konflik 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 dalam sini.

NOTICE TO PROXIES UNDER
THE PERSONAL DATA PROTECTION ACT 2010

Sime Darby Berhad (SDB 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 SDB.

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 SDB
- 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 SDB 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.

NOTICE TO PROXIES UNDER THE PERSONAL DATA PROTECTION ACT 2010

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.

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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 : (603) 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 (SDB 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 SDB.

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 SDB
- 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 apa-apa bursa saham 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 SDB (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.

NOTIS KEPADA PROKSI DI BAWAH AKTA PERLINDUNGAN DATA PERIBADI 2010

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.

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59200 Kuala Lumpur.

Untuk perhatian	:	Cik Lim Lay Kiow, Pengurus Kanan
No. Tel	:	(603) 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 apa-apa konflik 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 di sini.

INDEPENDENT
ASSURANCE REPORT

Independent Assurance Report
To Management of Sime Darby Holdings Berhad (2019)

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 2019 ("Sime Darby Annual Report 2019").

Management's Responsibility

Management of Sime Darby is responsible for the preparation of the Selected Information included in the Sime Darby Annual Report 2019 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 2019 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 2019:

1. Lost Time Injury Frequency Rate ("LTIFR") for the financial year ended 30 June 2019.

Criteria

Sime Darby's internal sustainability reporting guidelines and procedures by which the Selected Information is gathered, collated and aggregated internally.

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

INDEPENDENT ASSURANCE REPORT

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 2019 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 behaviour.

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 2019. 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 2019 and to be disclosed online at www.simedarby.com, in respect of the 2019 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
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
20 September 2019

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting (AGM) of Sime Darby Berhad (SDB or Company) will be held at the Grand Ballroom, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 14 November 2019 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 2019 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 RM4,200,000 from the Thirteenth 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 Thirteenth 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 83.2 of the Constitution of the Company and who being eligible, offer themselves for election:

   (i) Mohamad Idros Mosin **(Resolution 3)**
   (ii) Dato' Abdul Rahman Ahmad **(Resolution 4)**
   Refer to Explanatory Note 4

5. To re-elect the following Directors who retire pursuant to Rule 104 of the Constitution of the Company and who being eligible, offer themselves for re-election:

   (i) Tan Sri Samsudin Osman **(Resolution 5)**
   (ii) Datuk Wan Selamah Wan Sulaiman **(Resolution 6)**
   (iii) Dato' Sri Abdul Hamidy Abdul Hafiz **(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 2020 and to authorise the Directors to determine their remuneration. **(Resolution 8)**
   Refer to Explanatory Note 5

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following Ordinary/Special 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 the Directors be and are hereby authorised to purchase the ordinary shares of the Company through the stock exchange of Bursa Malaysia Securities Berhad at any time upon such terms and conditions as the Directors in their absolute discretion deem fit 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.

AND THAT the Directors be and are hereby further authorised to deal with the treasury shares in their absolute discretion (which may be distributed as dividends, resold, transferred, cancelled and/or in any other manners as prescribed by the Companies Act 2016, and the relevant rules, regulations and/or requirements).

AND 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 conditions, modification, variations and/or amendments as may be imposed by the relevant authorities." **(Resolution 9)**
Refer to Explanatory Note 6

(ii) **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate)**

"THAT, in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), and subject to the Companies Act 2016 (CA 2016), 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 as set out in Section 2.3 of Part B of the Circular to Shareholders dated 16 October 2019 despatched together with the Annual Report, 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 CA 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of CA 2016); 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

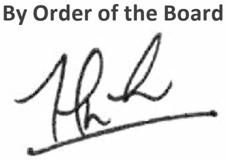
(iii) **Proposed Adoption of the New Constitution of the Company (Proposed Adoption of New Constitution)**

"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Part C of the Circular to Shareholders dated 16 October 2019 accompanying the Company's Annual Report for the financial year ended 30 June 2019 be and is hereby adopted as the new Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **(Resolution 11)**
Refer to Explanatory Note 8

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.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Thirteenth AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Rule 65 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 7 November 2019. Only a depositor whose name appears on the Record of Depositors as at 7 November 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board



Noor Zita Hassan (MIA15073)
Group Secretary

Selangor Darul Ehsan, Malaysia
16 October 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

Proxy and/or Authorised Representative

1. A Member entitled to attend and vote at the above Meeting 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 the Meeting 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.

2. A Member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.

3. 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 Thirteenth AGM of the Company shall be put to vote by way of a poll.

4. 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.

5. 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.

6. 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.

7. The Form of Proxy and the 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 at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia before 12.00 p.m. on 13 November 2019 or not less than 24 hours before the time appointed for the taking of the poll at the Thirteenth AGM, whichever is the later.

Explanatory Notes

1. **Audited Financial Statements for the Financial Year Ended 30 June 2019**

   The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 (CA 2016) 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 RM4,200,000 from the Thirteenth AGM until the next AGM of the Company**

   Pursuant to Section 230(1) of CA 2016, 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 Non-Executive Directors' (NEDs) fees up to an amount of RM4,200,000 from the Thirteenth AGM until the next AGM of the Company in accordance with the remuneration structure as approved by the shareholders at the Twelfth AGM of the Company held on 15 November 2018 as set out in the next page:

NOTICE OF ANNUAL GENERAL MEETING

	NED Fee (RM/Year)	
Board/Board Committee	**Chairman**	**Member**
Board	560,000	240,000[1] 380,000[2]
Governance & Audit Committee	80,000	50,000
Other Committees	60,000	35,000
Subsidiary	150,000	-

Notes:
[1] *Fee for Resident Director*
[2] *Fee for Non-Resident Director*

The resolution, if passed, will give approval to the Company and the subsidiary to make the payment of fees to the NEDs on a quarterly 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 quarterly basis after they have discharged their responsibilities and rendered their services to the Company throughout the period as stated herein. 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 2019 are set out in the Corporate Governance Overview Statement on page 96 of the Company's Annual Report 2019.

3. **Resolution 2 - Payment of Benefits to the Non-Executive Directors up to an amount of RM1,500,000 from the Thirteenth 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 83.2 and 104 of the Constitution of the Company**

   (i) Rule 83.2 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.

   Encik Mohamad Idros Mosin and Dato' Abdul Rahman Ahmad were appointed during the year, being eligible, have offered themselves for election at the Thirteenth AGM pursuant to Rule 83.2 of the Constitution of the Company. The Directors have completed their Mandatory Accreditation Programme pursuant to the provision of the Listing Requirements.

(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.

Tan Sri Samsudin Osman, Datuk Wan Selamah Wan Sulaiman and Dato' Sri Abdul Hamidy Abdul Hafiz being eligible, have offered themselves for re-election at the Thirteenth 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.

Dato Sri Lim Haw Kuang has informed the Board in writing of his intention to retire as a Senior Independent Non-Executive Director and therefore would not be seeking re-election at the AGM under Rule 104 of the Constitution of the Company. Hence, he will retain office until the conclusion of this AGM in accordance with Rule 103 of the Constitution of the Company.

5. Resolution 8 - Re-appointment of Auditors

The Governance & Audit Committee (GAC) at its meeting held on 19 September 2019 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 SDB Group as prescribed under Paragraph 15.21 of the Listing Requirements.

The Board at its meeting held on 25 September 2019 approved the GAC's recommendation that the shareholders' approval be sought at the Thirteenth AGM on the re-appointment of PwC as external auditors of the Company for the financial year ending 30 June 2020, 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 allow the Company to purchase its own shares through Bursa Malaysia Securities Berhad up to ten per cent (10%) of the total number of issued shares of the Company. Please refer to the Share Buy-Back Statement dated 16 October 2019 for further information.

7. Resolution 10 - Proposed Shareholders' Mandate

The proposed Resolution 10, if passed, will enable the Company and/or its subsidiary companies to enter into recurrent transactions involving the interests of the related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business on terms not more favourable 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 16 October 2019 despatched together with the Company's Annual Report 2019.

8. Resolution 11 - Proposed Adoption of New Constitution

The proposed Resolution 11 is primarily for the purposes of facilitating effective communication via electronic means for the benefit of the shareholders and streamlining the Company's existing Constitution with the amendments made to the Act, the Malaysian Code on Corporate Governance 2017, the Listing Requirements and the prevailing statutory and regulatory requirements applicable to the Company. The proposed adoption is also undertaken to render greater clarity and consistency throughout the Constitution as well as to facilitate and further enhance administrative efficiency.

The proposed new Constitution is set out in the Circular to Shareholders dated 16 October 2019 accompanying the Company's Annual Report 2019.

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 Thirteenth AGM of SDB are set out in the "Profile of Directors" section on pages 82 to 85 of the Company's Annual Report 2019.

The details of any interest in securities held by the said Directors are set out in the "Directors' Report" section on pages 124 to 128 of the Company's Annual Report 2019.

FORM OF PROXY

SIME DARBY BERHAD
(Company No. 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 attend and vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting (AGM) of Sime Darby Berhad (Company) to be held at the Grand Ballroom, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 14 November 2019 at 10.00 a.m. and at any adjournment thereof.

No.	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 30 June 2019 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 RM4,200,000 from the Thirteenth 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 Thirteenth AGM until the next AGM of the Company	2		
4.(i)	To elect Mohamad Idros Mosin who retires in accordance with Rule 83.2 of the Constitution of the Company	3		
4.(ii)	To elect Dato' Abdul Rahman Ahmad who retires in accordance with Rule 83.2 of the Constitution of the Company	4		
5.(i)	To re-elect Tan Sri Samsudin Osman who retires in accordance with Rule 104 of the Constitution of the Company	5		
5.(ii)	To re-elect Datuk Wan Selamah Wan Sulaiman who retires in accordance with Rule 104 of the Constitution of the Company	6		
5.(iii)	To re-elect Dato' Sri Abdul Hamidy Abdul Hafiz who retires in accordance with Rule 104 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 renewal of Share Buy-Back authority for the Company to purchase its own shares	9		
7.(ii)	To approve the renewal of shareholders' mandate for existing Recurrent Related Party Transactions and new shareholders' mandate for additional Recurrent Related Party Transactions of a Revenue or Trading Nature	10		
7.(iii)	To approve the adoption of the New Constitution of the Company	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 each proxy 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 2019 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 ____________________ 2019

____
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 of 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. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to exercise all or any of his rights to attend, participate, speak and vote at the Meeting 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.

2. A Member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.

3. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Thirteenth AGM of the Company shall be put to vote by way of a poll.

4. 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.

5. 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.

6. 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.

7. The Form of Proxy and the 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 at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia before 12.00 p.m. on 13 November 2019 or not less than 24 hours before the time appointed for the taking of the poll at the Thirteenth AGM, whichever is the later.

8. Only Members registered in the Record of Depositors as at 7 November 2019 shall be eligible to attend, speak and vote at the Thirteenth AGM or appoint proxy(ies) to attend, speak and/or vote on their behalf.

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Affix
Postage Stamp

THE SHARE REGISTRAR

SIME DARBY BERHAD (752404-U)
c/o Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Please fold here to seal

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Email: communications@simedarby.com