



Delivering  
Sustainable Futures

ANNUAL REPORT 2018

# FUTURE FOCUSED





Sime Darby Berhad Annual Report 2018

## **FUTURE FOCUSED**

At Sime Darby Berhad, we are setting the stage for an exciting future. Our core trading businesses have growing footprints across the Asia Pacific growth region. Leaner and more agile, we are able to take advantage of new opportunities in key sectors and explore innovative technologies as potential new revenue streams. To support our strategy, we will continue to focus on operational excellence, growth acceleration and work towards rationalising our non-core businesses. The end goal is to be the leading motors and industrial player in Asia Pacific. With proven trading and services business models, balanced portfolio exposure and long-standing partnerships with established brands, we are well positioned to leverage on the region's growth and rising affluence.

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

## OUR VISION & 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.

# GENERATING PROGRESSIVE DEVELOPMENT

## A Leading Dealer of Caterpillar Products and Allied Solutions

A leader in the heavy equipment business, Sime Darby Industrial represents Caterpillar and a range of allied brands. It is among the world's largest Caterpillar dealers, offering a comprehensive range of industrial solutions across a network of 131 branches throughout 15 countries and territories in the Asia Pacific region. Sime Darby Industrial also distributes other equipment brands such as New Holland agricultural tractors, Terberg terminal tractors and Perkins engines.



### Business activities:

- Heavy Equipment Sales
  - New and Used
- Power Systems Sales
- Product Support
- Equipment Rental
- Industrial Solutions



Find out more  
Sime Darby Industrial Website



Download  
Sime Darby Industrial Fact Sheet

## ONE OF THE WORLD'S LARGEST CATERPILLAR DEALERS



**131** branches  
throughout the  
Asia Pacific region

Representing more than  
**30**  
Allied Brands and  
Solutions

**15**

Operating in 15 countries  
and territories

- Australia
- Brunei
- China
- Christmas Island
- Hong Kong
- Macau
- Malaysia
- Maldives
- New Caledonia
- Papua New Guinea
- Singapore
- Solomon Islands
- Thailand
- Vietnam
- South Korea

Read more about the performance of our Industrial Division on pages 35 to 43 of this Annual Report.



Industrial



**Industrial Valet - Sime Darby Industrial Malaysia's one-stop shop for heavy equipment parts and accessories**



Sime Darby Industrial Malaysia launched its first e-commerce platform - Industrial Valet, for non-CAT heavy machinery equipment parts and merchandise. The e-commerce platform serves as an additional sales channel for customers to purchase parts and merchandise with just a few clicks online. Industrialvalet.com is touted as one of its kind in the marketplace in Malaysia. It was created exclusively with its customers in mind, providing them with a convenient, fast, efficient and value-added innovative service.

# ACCELERATING TO SUCCESS

## One of the Leading Automotive Players in Asia Pacific

Sime Darby Motors is one of the leading automotive groups in the Asia Pacific region, representing luxury brands such as BMW, Rolls-Royce, Jaguar, Land Rover and Porsche to broad-appeal market brands including Ford and Hyundai as well as commercial vehicles. 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 serves as a bridge between its principals and customers through the extensive networks in the markets it operates in. Its retail operations feature some of the best and latest state-of-the-art facilities in the region.



### Business activities:

- Assembly
- Distributor/Importer
- Retail of New & Used Cars
- After-sales Services
- Vehicle Rental



Find out more  
Sime Darby Motors Website



Download  
Sime Darby Motors Fact Sheet

## ONE OF THE LARGEST

## BMW Dealers in the World



## More than 80,000

Vehicles sold last year

Read more about the performance of our Motors Division on pages 44 to 52 of this Annual Report.



Motors

Represents more than  
**30 brands**  
in the Asia Pacific region

MOTORS



**Sime Darby Auto Engineering (SDAE) Engine Assembly Facility - Increasing our assembly capacity with the introduction of BMW engine assembly**

In May 2018, Sime Darby Motors via its wholly-owned subsidiary, Sime Darby Auto Engineering Sdn Bhd, opened a new BMW engine assembly plant in Kulim, Kedah.

The RM132 million plant with a built-up area of 24,000 sqm has the capacity to assemble 10,000 engines for BMW's range of locally-assembled vehicles, and is the second BMW engine assembly plant in Southeast Asia after Thailand.

The new plant supports our strategy to expand our assembly capacity to cater for the domestic market with the newest capabilities in engine assembly technology, and supports BMW's export initiatives to other ASEAN markets.



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This section provides an understanding on our focus and approach with regards to Sustainability, outlining our commitment to Delivering Sustainable Futures.

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This section offers an insight into our Strategy and outlines our Business Model, Operating Environment and Key Risk and Opportunities, to understand how we create value for our stakeholders.

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This section presents an overview of our organisation, global footprint and business activities.





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The Group's Financial Statements provides a deeper understanding of our performance for FY2018.

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**Notice of Annual General Meeting and Other Matters**

The Twelfth Annual General Meeting of Sime Darby Berhad will be held at the Grand Ballroom, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 15 November 2018 at 10.00 a.m.

# ABOUT THIS REPORT

## REPORTING PHILOSOPHY, PRINCIPLES AND FRAMEWORK

The Sime Darby Berhad Annual Report (“SDAR”) for the financial year ended 30 June 2018 is our 5<sup>th</sup> Integrated Report (“IR”) and the first following the completion of the pure-play exercise. It provides our stakeholders with information about how we performed throughout the year, and how we are progressing against our medium and long-term strategic goals. The SDAR focuses on transparency and is central to Sime Darby Berhad’s shareholder communications. It provides a snapshot of the health of our business operations, which enables shareholders to make informed 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.

### SCOPE AND BOUNDARIES

The SDAR presents detailed information on the performance of the 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, where we do not directly engage or employ workers, and where we do not operate the assets under a contractual obligation. ‘Internal impacts’ relate to all operations and entities in which the Group has a controlling interest and which are under our management. While we have established consistent reporting boundaries across all of our business performance metrics, we also report on developments, impacts and data outside our reporting boundaries, if they are highly material to our business performance. The information in this Report relates to the 2018 financial year (1 July 2017 to 30 June 2018 (“FY2018”))

and encompasses all business operations of Sime Darby Berhad, which includes operations over which we have full control, as well as all subsidiaries and leased facilities unless stated otherwise. All significant items have been reported on a like-for-like basis; no major restatements were performed. This Report should be read together with the information available on our website <http://www.simedarby.com> for a comprehensive overview of the Group.

### HOW WE CAN FURTHER IMPROVE

Sime Darby Berhad engages with stakeholders frequently throughout the year. This builds trust and enables us to be highly responsive to changes in our operating environment.

We value our stakeholders’ feedback and welcome your comments and enquiries about this report. Please contact our Investor Relations team:



[\(603\) 7623 2000](tel:(603)76232000)



[investor.relations@simedarby.com](mailto:investor.relations@simedarby.com)

## NAVIGATIONAL ICONS FOR CAPITAL REPORTING

We aim to make the SDAR interactive, engaging and easy to understand. To help you navigate around our Report, we use the following navigational icons to highlight our reporting of the six capitals of value creation, as described in the IIRC Framework.

### 6 CAPITALS



## 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. As such, 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.



# OUR BUSINESS

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## **About Sime Darby Berhad**

This section presents an overview of our organisation, global footprint and business activities.



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At A Glance



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**Page 6**

Group Overview



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**Page 8**

Corporate Structure



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**Page 9**

Business Overview

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# SIME DARBY BERHAD AT A GLANCE



## SIME DARBY INDUSTRIAL

Among the world's largest Caterpillar dealers. Offers a comprehensive variety of equipment and services, from sales of new machines, engines and used equipment for rental across 15 countries and territories throughout the Asia Pacific region.



## SIME DARBY MOTORS

Involved in the assembly, import, distribution and retail businesses. A major player in the Asia Pacific automotive industry with presence in 9 markets.

# WHO WE ARE

### FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

			SIME DARBY BERHAD (GROUP)	
REVENUE*	→	RM MILLION	<b>33,828</b>	FY2017 <b>31,087</b>
PROFIT BEFORE INTEREST AND TAX*	→	RM MILLION	<b>1,074</b>	FY2017 <b>784</b>
NET PROFIT*	→	RM MILLION	<b>618</b>	FY2017 <b>615</b>
LOST TIME INJURY FREQUENCY RATE	→	INCIDENTS PER MILLION MAN-HOURS WORKED	<b>1.90</b>	FY2017 <b>2.32</b>

\* Continuing operations

### OPERATIONAL HIGHLIGHTS

INDUSTRIAL  
Order Book  
(RM billion)

→ **2.7** FY2017 **1.5**

MOTORS  
Units sold

→ **81,741** FY2017 **83,974**

Sime Darby Berhad is the partner of choice for the world's best brands in the Industrial and Motors sectors. With operations in 18 countries and territories across Asia Pacific, we continue to grow, delivering sustainable value to our stakeholders through operational excellence, high performance standards and good corporate governance. Founded in 1910, Sime Darby Berhad today has a workforce of over 20,000 employees.



## SIME DARBY LOGISTICS

Involved in Ports & Logistics in Shandong, Eastern China, with operations in Weifang and Jining.



## RAMSAY SIME DARBY HEALTH CARE

Ramsay Sime Darby Health Care is a 50:50 joint venture with Ramsay Health Care Limited. Delivers award winning, exceptional, pioneering healthcare at the forefront of medical practice in the region, utilising the latest in medical technologies at internationally accredited hospitals in Malaysia and Indonesia.

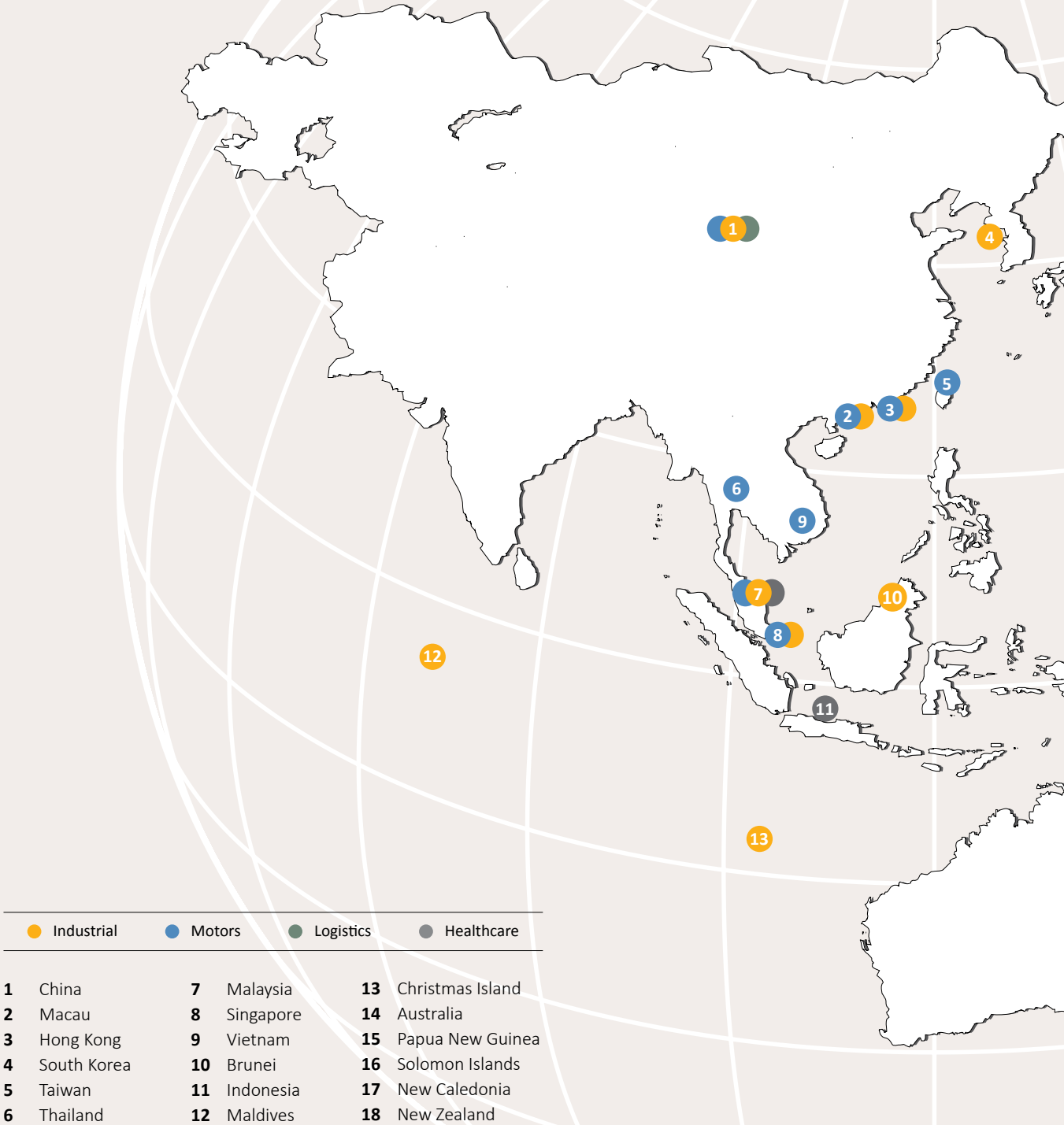
		INDUSTRIAL	MOTORS	LOGISTICS	OTHERS
REVENUE	→ RM MILLION	13,041	20,341	341	105
PROFIT BEFORE INTEREST AND TAX	→ RM MILLION	612	543	74	(155)
LOST TIME INJURY FREQUENCY RATE	→ INCIDENTS PER MILLION MAN-HOURS WORKED	1.87	2.13	1.48	-

LOGISTICS  
General cargo throughput  
(million MT)

32.6 FY2017 31.1

For more on our divisional performance, see pages 35 to 58.

# GROUP OVERVIEW



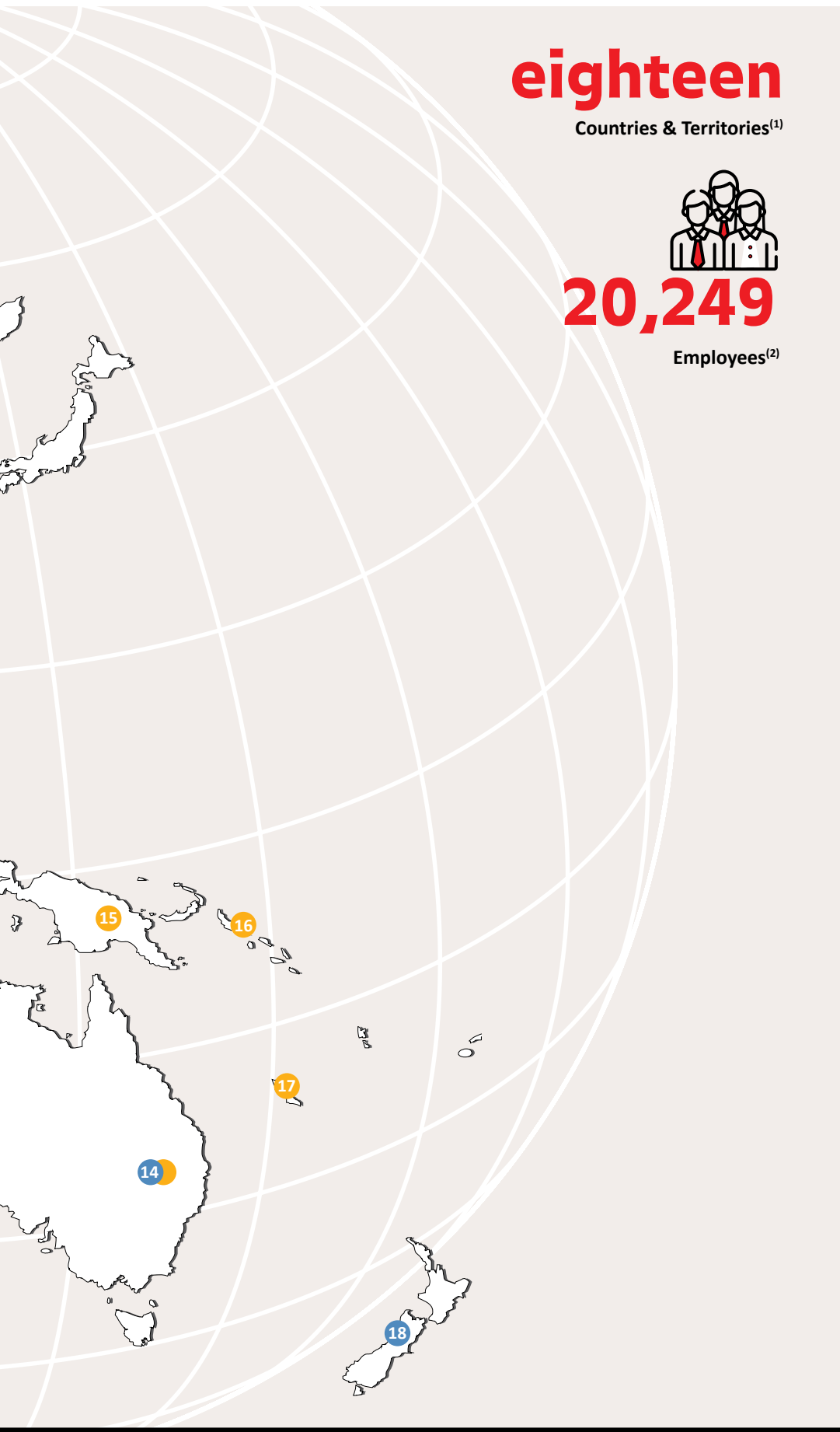
# eighteen

Countries & Territories<sup>(1)</sup>



# 20,249

Employees<sup>(2)</sup>



INDUSTRIAL

# 8,119

Staff Strength

MOTORS

# 10,403

Staff Strength

LOGISTICS

# 952

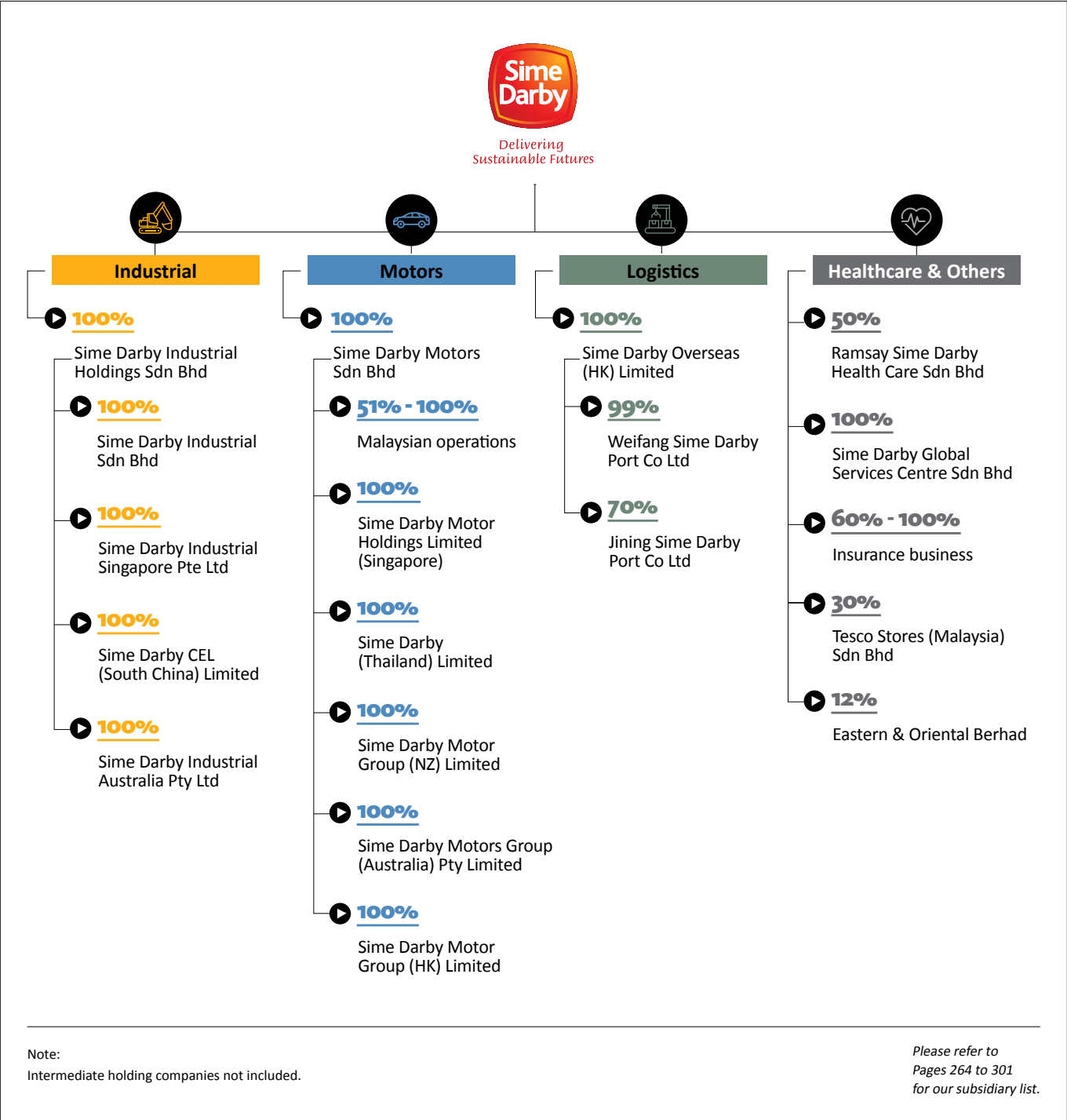
Staff Strength

Notes:

- (1) Geographical footprint 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 2018. Includes Group Head Office, Industrial, Motors, Logistics and other businesses. Excludes employees of Ramsay Sime Darby Health Care.



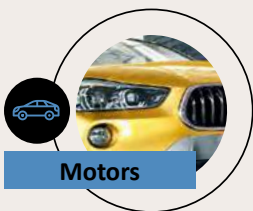
# CORPORATE STRUCTURE



# BUSINESS OVERVIEW



- Comprehensive range of equipment and services: new and used machine and engine sales, rental and full range of products and support services
- Network of 131 branches throughout Asia Pacific
- Also provides comprehensive range of industrial solutions via allied brands and energy solutions
- Caterpillar dealer since 1929 and is the third largest Caterpillar dealer globally



- Retail, distribution and assembly of motor vehicles
- Presence in 9 markets across Asia Pacific, with over 40 years' experience
- Represents more than 30 brands, ranging from luxury brands (e.g. BMW, Porsche, Rolls-Royce) to broad-appeal market brands (e.g. Ford, Hyundai, Mazda), as well as commercial vehicles (e.g. Volvo Trucks, Fuso, Hino and Mack)
- BMW dealer since 1972 and one of the largest BMW dealer groups in the world



- Ports and Logistics in Shandong, Eastern China
- Weifang Port – dry bulk, break bulk, liquid bulk, general cargo, container and storage services
- Jining Ports (3 ports) – Stevedoring and storage services for coal and coal-related products



- 50:50 joint venture with Ramsay Health Care Limited for the management of hospitals and provision of healthcare services



- 30% stake in Tesco Malaysia
- 12% stake in Eastern & Oriental
- Provision of shared services through Sime Darby Global Services Centre Sdn Bhd
- Insurance broking services in Malaysia, Singapore and Hong Kong

# MANAGEMENT DISCUSSION & ANALYSIS: STRATEGIC REVIEW

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## **Our Strategy**

This section offers an insight into our Strategy and outlines our Business Model, Operating Environment and Key Risk and Opportunities, to understand how we create value for our stakeholders.



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How We Create Strategic Value



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Value Creation Plan



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Our Business Environment



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Engaging With Our Stakeholders



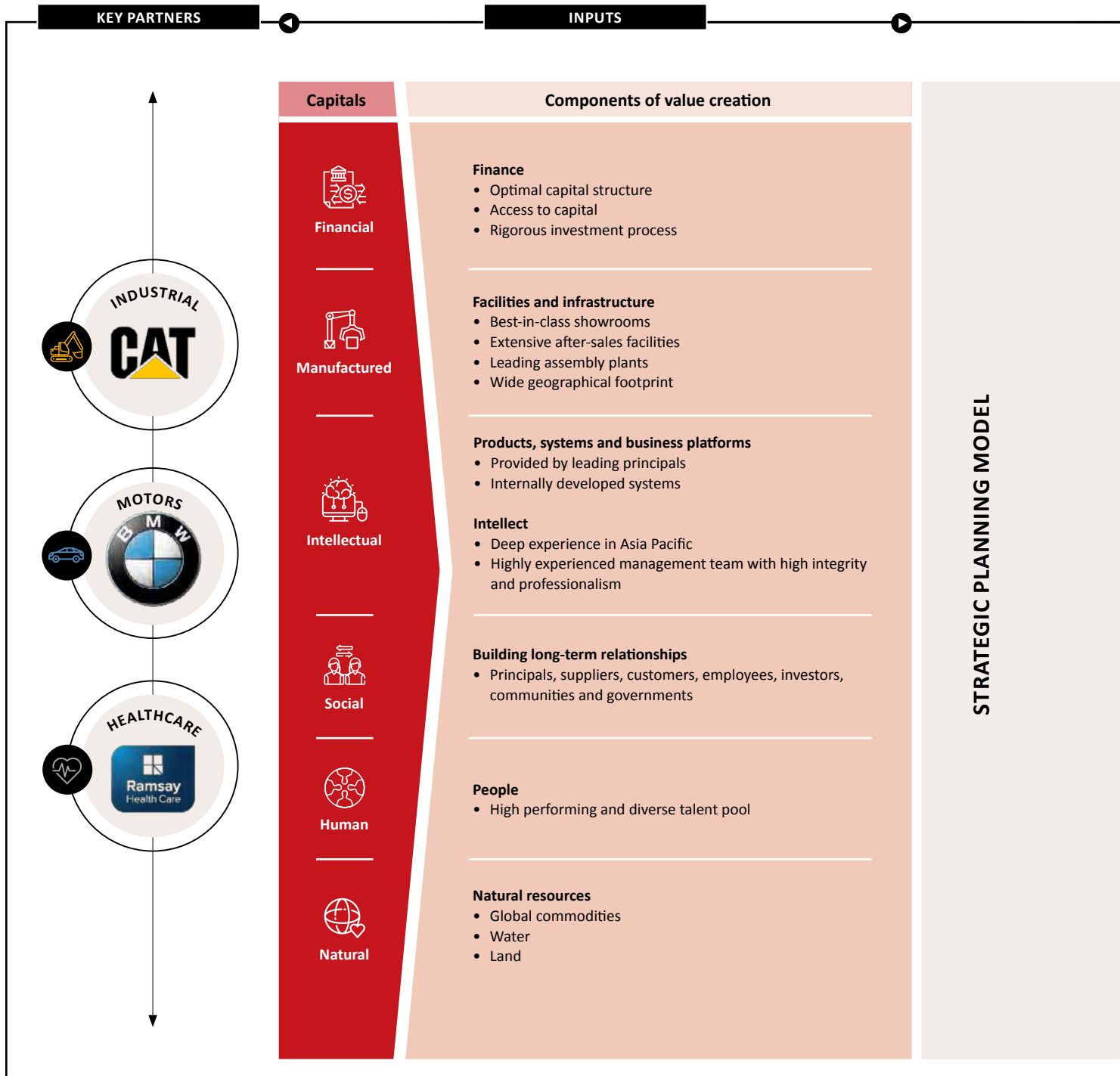
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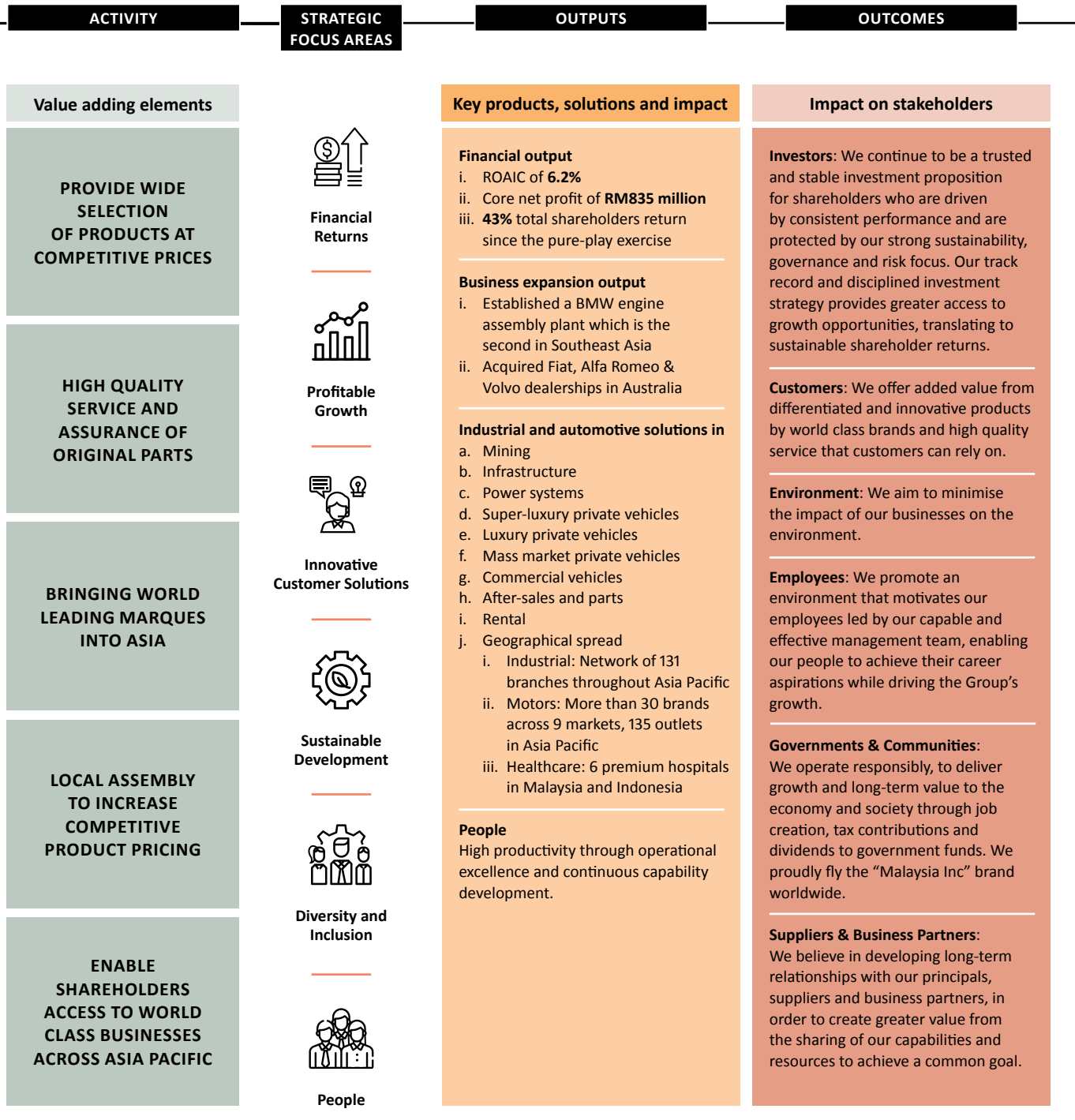
Enterprise Risk Management

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# HOW WE CREATE STRATEGIC VALUE



**Our partnerships, scale and experience allow us to provide optimal pricing and highest service quality**









# VALUE CREATION PLAN

**TO BE THE LEADING  
Motors and Industrial player  
in Asia Pacific**



- One of the largest BMW dealers in the world
- More than 30 brands represented in the Asia Pacific region
- Sells more than 80,000 vehicles a year

REVENUE ENHANCEMENT	COST OPTIMISATION	ORGANIC BUSINESS EXPANSION
 <p><b>INDUSTRIAL</b></p> <ul style="list-style-type: none"> <li>• Enhanced sales from mining recovery and infrastructure spending</li> <li>• Digitalisation as an enabler to increase and protect market share</li> <li>• Growth in after-sales, parts and services</li> </ul>	 <p><b>INDUSTRIAL</b></p> <ul style="list-style-type: none"> <li>• Operational excellence to strengthen resilience in downcycles via process standardisation, robotic process automation, Lean Six Sigma and procurement controls among others</li> </ul>	 <p><b>INDUSTRIAL</b></p> <ul style="list-style-type: none"> <li>• Expansion into adjacent businesses for counter-cyclicality and to increase recurring income profile</li> </ul>
 <p><b>MOTORS</b></p> <ul style="list-style-type: none"> <li>• Enhanced sales from new model cycle</li> <li>• Focus on growth of used cars and after-sales business to improve margins</li> </ul>	 <p><b>MOTORS</b></p> <ul style="list-style-type: none"> <li>• Focused plan to turn around underperforming businesses</li> <li>• Explore operational efficiency through digitalisation</li> </ul>	 <p><b>MOTORS</b></p> <ul style="list-style-type: none"> <li>• Expand assembly capability for existing partners for the ASEAN region and introduce new marques to assemble for local and export markets</li> </ul>

REVENUE ENHANCEMENT, COST OPTIMISATION,

**To achieve our targets, we have developed initiatives to drive earnings, optimise cost, expand into new markets and rationalise our portfolio**

## INDUSTRIAL



- One of the largest Caterpillar dealers in the world
- Operating in 15 countries and territories
- Oldest Caterpillar dealership in Asia

### 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

### EXPAND HEALTHCARE

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

### SYNERGISTIC M&A

- 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



**BUSINESS EXPANSION & PORTFOLIO RATIONALISATION ARE KEY DRIVERS**

# OUR BUSINESS ENVIRONMENT

Sime Darby Berhad (SDB) operates in a challenging environment that is prone to commodity cycles, changing consumer preferences and trade flows.

We continuously scan our business environment and closely watch trends and developments that may affect our operations. Our broad geographical footprint and core businesses that move in line with different macro trends help us mitigate the effects of the external environment. We consider economic, social, legal, technological and political factors and have structured SDB to allow us to adapt and change quickly to respond to market forces.

Some of the megatrends that are currently on our radar include:

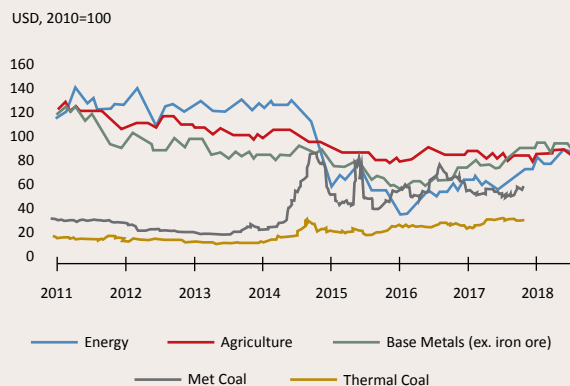
MATERIAL MEGATRENDS THAT MAY IMPACT THE BUSINESS		
MEGATREND	SUPPORTING DATA	POTENTIAL IMPACT ON OUR BUSINESSES

## UPTICK IN COMMODITY CYCLE

Broad-based commodity price increases were supported by both demand and supply factors in FY2018. At present, accelerating global growth lifted the demand for commodities, while a number of commodities faced supply constraints. These factors helped support commodity prices.

For several years, we have seen under-investment across the mining industry and as demand returns, supply is expected to be constrained until investment in new equipment and new mines catch up. This offers mining companies a window of opportunity if they gear up their existing operations now.

Commodity price indexes, monthly



Strong commodity prices will lead to increased demand for our industrial equipment, parts and services as our customers expand operations.

Demand from the Asian market is pushing prices for both thermal and metallurgical coal up, and according to analysts, the trend is set to continue.

Strong coal prices will result in increased mining activity from large mining players, leading to stronger demand for our equipment, parts and services, which will be positive for our Australian Industrial business. Our biggest mining customers operate mainly in metallurgical coal.

In fact, large miners have started injecting capital to expand production, which is positive for our business.



**MATERIAL MEGATRENDS THAT MAY IMPACT THE BUSINESS**

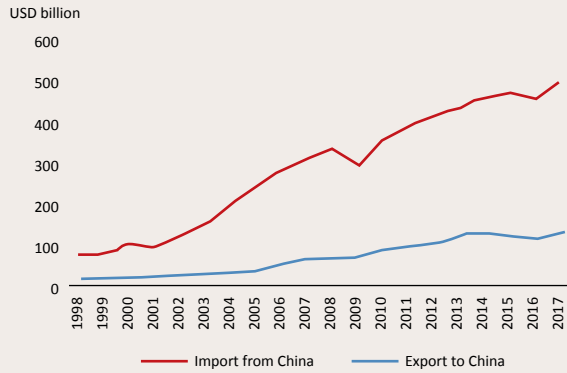
MEGATREND	SUPPORTING DATA	POTENTIAL IMPACT ON OUR BUSINESSES
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**CHANGE IN GLOBAL TRADE SCENE**

Trade tensions between the US and China have arisen largely due to the efforts by the US to correct the imbalances in trade between the countries. The US has imposed three rounds of tariffs on Chinese products this year, totalling USD250 billion. The first two rounds placed 25% tariffs on USD50 billion worth of imports from China and Beijing retaliated in kind. The US delivered a sharp escalation in tariffs in September with a set of tariffs on USD200 billion worth of goods.

The concern is that the trade war between the two largest countries in the world could dampen the global economy.

**Widening trade gap between the US and China**



Source: US Census Bureau

While China is a key market for the Group and is the source of 40% of our revenue, any direct impact may be mitigated due to the following:

Industrial – 95% of our equipment are manufactured in China and not imported into China. Our Caterpillar equipment are sourced from China, Indonesia, India, Thailand, Brazil and the UK.

Motors – 75% of BMW cars in China are already assembled in China, which include our bestselling models.

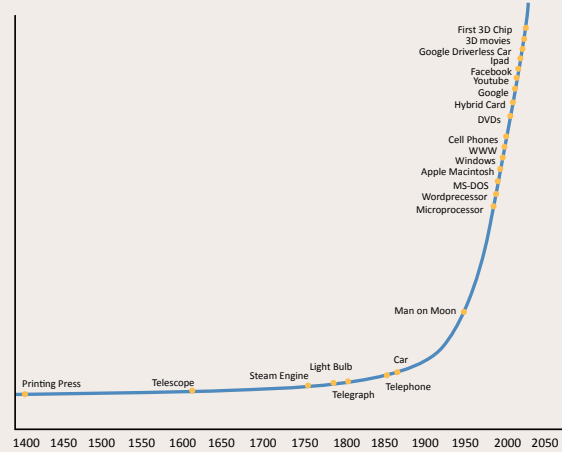
Nevertheless, trade tensions may dampen the global economy due to rising cost of our businesses (CAPEX, hiring, cost for manufacturers). We are monitoring the discussions closely.

**RAPID ADVANCES IN TECHNOLOGY CHANGING THE BUSINESS LANDSCAPE**

The automotive industry may undergo a change in consumer mobility patterns through ride sharing and autonomous vehicles. There is also the potential for consumer buying points to shift to online sales channels.

For our Industrial Division, developments such as machine learning, edge computing, 3D printing and drones are expected to change the traditional operating landscape. The trend towards renewable energy may also impact demand for traditional energy sources.

**Accelerating Growth in Technology**



Source: Milford Asset

A shift towards online sales portals may impact our business as it allows original equipment manufacturers to sell directly to consumers, removing the need for dealerships.

Changing mobility patterns, as a result of ride sharing and autonomous vehicles, may result in a fall in car sales and service revenue as the primary purchasers will no longer be retail customers but fleet owners (eg. Uber and Grab). The proliferation of electric vehicles (EVs) may reduce service revenue, as EVs have fewer moving parts.

However, there is an opportunity in the industrial equipment sector for early adopters of new technologies such as 3D printing, machine learning and drone technologies.

We are conscious of the new trends impacting our businesses and are developing plans on how to navigate the new landscape.

**MATERIAL MEGATRENDS THAT MAY IMPACT THE BUSINESS**

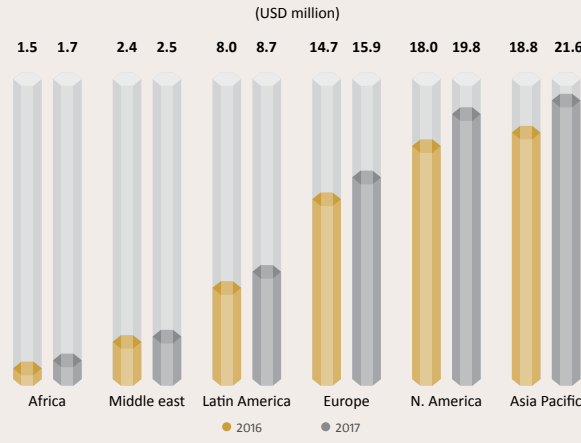
MEGATREND	SUPPORTING DATA	POTENTIAL IMPACT ON OUR BUSINESSES
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**RIISING AFFLUENCE IN ASIA**

According to the Boston Consulting Group, wealth in Asia has dramatically increased in the last two years, making it the world's richest region today. Wealth assets held by high-net-worth individuals in the Asia Pacific region jumped almost 15% to USD21.6 trillion in 2017.

**Asia Rules**

Wealth in Asia Pacific surpasses other regions



Source: Capgemini's World Wealth Report 2018

Sime Darby Motors operates predominantly in the luxury and super-luxury segments of the automotive industry. Our products, such as BMW, Porsche, Lamborghini, Ferrari and Rolls-Royce, are aspirational in nature and our extensive network across the Asia Pacific region will allow us to capitalise on the region's growing affluence.

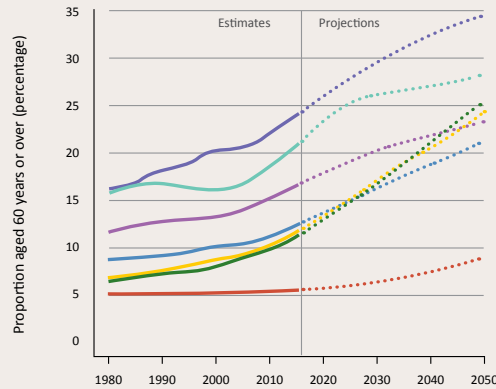
The growing affluence will also be positive for our healthcare business due to the increasing demand for quality healthcare.

**AGEING POPULATION IN ASIA**

The ageing population in Asia is driving up the demand for healthcare. Asia is predicted to be home to 60% of the world's over 65s by 2030. This will provide added strain to economies due to rising life expectancies, greater demand for healthcare and tightening public sector budgets.

The ageing population will result in increased demand for healthcare in the region.

**Percentage of population aged 60 years or over by region**



Source: United Nation World Population Prospects: the 2017 Revision

- World
- Europe
- Northern America
- Latin America and the Caribbean
- Asia
- Oceania
- Africa

The ageing population will generate new opportunities in healthcare, such as geriatrics, senior living solutions, medical tourism and nutrition & supplements.

There could also be opportunities in fertility clinics as governments encourage child birth to balance the demographics.

# ENGAGING WITH OUR STAKEHOLDERS

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

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

STAKEHOLDER	HOW WE ENGAGE
<b>Investors</b>	<ul style="list-style-type: none"> <li>Analyst briefing sessions</li> <li>Roadshows</li> <li>One-on-one engagements</li> <li>Conference calls</li> <li>Site visits</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Tradeshows &amp; exhibitions</li> <li>Product launches</li> <li>Direct engagements</li> <li>Visits to sites and plants operated by the Group</li> </ul>
<b>Suppliers/Business Partners</b>	<ul style="list-style-type: none"> <li>Relationship building via networking sessions</li> <li>Vendor Development Programme</li> </ul>
<b>Employees (current and potential)</b>	<ul style="list-style-type: none"> <li>Town halls, engagement sessions and staff activities</li> <li>Focused group discussions on targeted issues</li> <li>Employee portal</li> <li>Career fairs and website</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>Community engagement and outreach</li> <li>Strategic partnerships</li> </ul>
<b>Government/Authorities/Regulators</b>	<ul style="list-style-type: none"> <li>Regular engagements, communications and dialogues</li> <li>Consultation on regulatory matters</li> </ul>
<b>Others (Media, Academics and Industry Association)</b>	<ul style="list-style-type: none"> <li>Periodic updates on corporate developments, key events and press release issuance</li> <li>Group and one-on-one Q&amp;A sessions</li> </ul>

The Group is committed to ensure that communications on our businesses, operations and financial performance are 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 to is set out in the Sime Darby Berhad Group Policies and Authorities.

# ENTERPRISE RISK MANAGEMENT

## OUR APPROACH TO RISK MANAGEMENT

We believe the identification and management of risk is critical in achieving the strategic objectives central to our corporate mission and in creating long term shareholder value. Enterprise Risk Management (“ERM”) can present itself in many forms, and has the potential to impact us in many different ways.

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 in our portfolio of businesses is a key element in our ERM approach.

ERM is embedded in our critical business activities, functions and processes. Our appetite for risk is a key consideration in our decision making.

Our risk appetite reflects the scale of risk on a broad level which the Group is prepared to take, in pursuit of our strategic objectives. The amount of risk the Group tolerates reflects the unique circumstances faced by the Group, including the external environment, strategy, people, business, systems and policies. Key features of the Group’s risk appetite cover strategic, operational, financial and regulatory parameters. They guide the Group as to how it can manage its risks effectively.

The following are details relating to the key risks faced by the Group. Also outlined is our approach in managing the key risks within the Group’s risk appetite parameters.

PRINCIPAL RISK	DESCRIPTION & IMPACT	RISK TREND	KEY MITIGATION MEASURES
<b>STRATEGIC/ FINANCIAL</b>			
Global, regional, local economic volatility impact revenue.	<p>The Group’s earnings are dependent on various factors including commodity prices, government spending, global economy and demographics.</p> <p>The recent global forecast showed that coal demand will remain flat between 2017 and 2022. The drop in demand for coal will have an impact on heavy equipment sales.</p> <p>The trade war between the US and China resulted in an increase in steel prices which may affect our businesses in the mining and engines sectors. Possible anti-US sentiment may impact Caterpillar’s market share in China.</p> <p>With global trade tensions, economic slowdown and volatile oil prices, the Malaysian Ringgit is expected to weaken against the US Dollar.</p>	Neutral	<ul style="list-style-type: none"> <li>The Group continues to focus on its strategic expansion into diverse businesses and geographies. Innovation sufficiency and resource allocation strategies will be put in place to withstand economic downturns.</li> <li>Specific strategies such as innovative sales, marketing and promotional strategies are employed to respond to market conditions with emphasis on customer relationship building activities.</li> <li>A Group Treasury policy is in place to mitigate foreign exchange rate risk through internal hedging.</li> </ul>

PRINCIPAL RISK	DESCRIPTION & IMPACT	RISK TREND	KEY MITIGATION MEASURES
<b>STRATEGIC</b>			
Increasing competition reduces market share or limits growth.	<p>Competition remains intense for our product offerings across all markets.</p> <p>Cheaper parts and products offered by our competitors particularly in China will have a significant impact on sales.</p> <p>New model line-up from competitors, coupled with attractive prices for their Complete-Knock-Down (CKD) models may erode market share.</p>	Upward	<ul style="list-style-type: none"> <li>• Close monitoring of competitor strategies, activities and practices help mitigate this risk.</li> <li>• We focus on being responsive to customers' needs and on improving the quality and delivery of our products and services.</li> <li>• We hold premium positioning through branding.</li> <li>• Through the diversification of brands, the impact from the cyclical nature of individual brand performance is partially mitigated.</li> </ul>
Evolving technologies and business innovations that threaten existing business models.	<p>The uberisation of vehicles and industrial equipment will have an impact on sales.</p> <p>Online sales models and autonomous vehicle trends will impact our role as an intermediary.</p>	Upward	<ul style="list-style-type: none"> <li>• We develop digital strategies for our Motors and Industrial Divisions to counter the threat of digitalisation.</li> <li>• We explore partnerships with online sales portal to influence outcome and build competency.</li> </ul>
Overdependence on principals.	<p>Caterpillar and BMW exert strong influence over our businesses.</p> <p>Our business is heavily dependent on their performance.</p>	Upward	<ul style="list-style-type: none"> <li>• We continually engage and maintain close relationships with all our principals and perform up to principal's requirements.</li> <li>• We explore new franchise opportunities to spread risk.</li> </ul>
Inappropriate governance and oversight of partner selection and/or management.	<p>The Group is increasingly operating its businesses via partnerships with other entities in the form of joint ventures.</p> <p>Inappropriate governance over the selection and management of our partners may result in the lack of protection for Sime Darby Berhad's interests.</p>	Neutral	<ul style="list-style-type: none"> <li>• We apply stringent partner selection criteria and guidelines including appropriate governance arrangements.</li> <li>• During the lifetime of any joint venture partnership, continual engagements and dialogues with partners are conducted to ensure alignment of objectives.</li> </ul>
Merger and acquisition activities to capitalise on market opportunities occurs without effective planning and integration.	<p>The Group's decision to diversify via mergers and acquisitions may not add significant value to current line of businesses.</p>	Neutral	<ul style="list-style-type: none"> <li>• Pursuing merger and acquisition opportunities to diversify the business is a key risk mitigation strategy with appropriate due diligence and effective business decisions.</li> <li>• Current market opportunities include incentives offered by the Malaysian government to encourage local car assembly. This provides significant opportunities for the Group to expand its assembly model line-up and increase production with existing and new manufacturers.</li> </ul>

PRINCIPAL RISK	DESCRIPTION & IMPACT	RISK TREND	KEY MITIGATION MEASURES
<b>FINANCIAL</b>			
Growth initiatives give rise to significant capital expenditure and cashflow requirements.	The Group's ability to fund planned expenditure such as capital growth, mergers and acquisitions and its other obligations may falter if its cash position proves inadequate.	Neutral	<ul style="list-style-type: none"> <li>• Our strategy blueprint and portfolio reviews takes into account intertemporal analysis of portfolio returns and cash requirements.</li> <li>• We have established a Group Policies and Authorities, which guides investment and financing activities.</li> <li>• We have access to a diverse range of funding sources and ensure maintenance of sufficient credit facilities. We also enforce stringent working capital measures.</li> <li>• We do regular reviews of cash projections and funding plans.</li> </ul>
<b>OPERATIONAL</b>			
Operating inefficiencies impact profitability.	Operational inefficiencies will impact profit given existing thin margins.	Neutral	<ul style="list-style-type: none"> <li>• Cost optimisation measures are in place for the Divisions, including process standardisation, lean six sigma, procurement control and rightsizing.</li> </ul>
Talent gap to bring business forward.	The organisation may not have the right talent to bring the business forward.  Robust succession plan may be lacking.	Neutral	<ul style="list-style-type: none"> <li>• We have developed a comprehensive HR plan to recruit vital strategic positions which the Group currently lacks.</li> <li>• We make succession planning part of the KPI of key positions.</li> </ul>
Inadequate project management of major initiatives.	Possibility of underestimating the cost or time required to complete projects. Failure to manage projects effectively due to unforeseen challenges.  Any of this may result in increased capital costs and schedule delays, adversely affecting our projects and impacting anticipated financial returns.	Neutral	<ul style="list-style-type: none"> <li>• We devote significant time and resources to the planning, approval and review of projects, and have established a robust project risk management framework.</li> <li>• We conduct regular identification of risks throughout the project lifecycle. We monitor and report the status of major projects to senior management and Board on a regular basis.</li> <li>• Major projects are subject to Board approval and oversight. Experienced project management teams are assigned to monitor projects.</li> </ul>

PRINCIPAL RISK	DESCRIPTION & IMPACT	RISK TREND	KEY MITIGATION MEASURES
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REGULATORY

<p>Changes in government policy undermining investment.</p>	<p>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.</p> <p>Changes in regulations relating to the environment and motor vehicle ownership can adversely affect our Divisions' operations in terms of decreased sales, increased costs, litigation or in extreme cases, the viability of a business.</p>	<p>Upward</p>	<ul style="list-style-type: none"> <li>• We regularly engage and communicate with governments, regulators and authorities to ensure the potential adverse impacts of proposed regulatory changes are understood and where possible, mitigated.</li> <li>• Continual monitoring of changes in requirements and ensuring adherence is a key feature of our approach.</li> <li>• We source for credible local partners to meet local ownership regulatory requirements, continuously engage industry bodies and leverage on our government to government (G2G) relationships.</li> </ul>
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# MANAGEMENT DISCUSSION & ANALYSIS: PERFORMANCE REVIEW

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## Our Performance Review

In this section, we provide our Leadership Statements and Performance Reports for our Divisions for FY2018.



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Chairman's Statement



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Group Chief Executive Officer's Review



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Group Chief Financial Officer's Review



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Divisional Operations Review

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  - Sime Darby Logistics **53**
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# CHAIRMAN'S STATEMENT



In the second half of FY2018, investors were already seeing one of the benefits of the pure-play exercise, as more focused and comprehensive business insights and performance analyses were being provided. This will enable shareholders to better understand the businesses and allow them to rebalance their portfolios in the three pure-play entities according to their investment preferences.

The SDB Board is committed to pursuing its strategic vision to be a leading motors and industrial player in Asia Pacific, whilst ensuring sustainable growth, and unlocking greater value for our shareholders. Our strategies will enhance our operations and position us well for the future and help us realise these aspirations.

## DEAR VALUED SHAREHOLDERS,

FY2018 was a transformative year for both Malaysia and for Sime Darby Berhad (SDB). In November 2017, SDB completed a bold restructuring plan and created three pure-play entities, in the plantation, property, and trading and logistics sectors, each listed on Bursa Malaysia. While still benefitting from 100 years of Sime Darby heritage and experience, each entity can now be more focused on its core expertise, and is more agile in pursuing individual growth strategies.



**RM1.1 billion**

PROFIT BEFORE INTEREST AND TAX (PBIT)



**RM33.8 billion**

REVENUE

## FINANCIAL PERFORMANCE

I am pleased to present SDB's financial results for the year ended 30 June 2018. We posted strong results across all our core divisions for the year. Our new leaner structure leverages on our core trading expertise and has allowed us to respond quicker to changing market conditions.

For the year under review, SDB's continuing operations reported a revenue of RM33.8 billion and a Profit Before Interest and Tax (PBIT) of RM1.1 billion. This represents an increase of 8.8% from RM31.1 billion and 37% from RM784 million in FY2017 respectively. The Group's net profit from continuing operations rose 0.5% year-on-year (YoY) to RM618 million. The modest increase in net profit was mainly due to the significant reduction of interest income from discontinued operations following the pure-play restructuring.

We have a healthy balance sheet with a low gearing level of about 20%, which provides us with ample debt headroom for strategic expansion and mergers and acquisitions (M&As).

Please refer to the Group Chief Financial Officer's Review on pages 28 to 34 for a more in-depth appraisal of our financial performance.

## CORPORATE GOVERNANCE

We recognise that good governance is essential in assisting the business to deliver its strategy, generate shareholder value and safeguard shareholders' long-term interests. In the last 12 months, we have spent a great deal of time finalising the Board composition and its structures, while also considering matters relating to group and divisional strategies. We have enhanced our Board to better suit the new business requirements of the organisation, focusing on diversity in terms of skills and geographical experience relevant to our businesses. The new Board comprises 12 directors, the majority of whom are Independent Non-Executive Directors. Tan Sri Samsudin Osman, Dato Sri Lim Haw Kuang and Datuk Wan Selamah Wan Sulaiman continue to serve from the previous Board. New members of the Board include Datin Paduka Kartini Hj. Abdul Manaf, Tan Sri Dato' Mohamed Azman Yahya, Dato' Ahmad Pardas Senin, Dato' Sri Abdul Hamidy Abdul Hafiz, Mr. Thayaparan Sangarapillai, Dato' Lawrence Lee Cheow Hock and Ms. Moy Pui Yee. I believe

the Board is appropriately balanced in terms of diversity with a good mix of specialist skills and broad market expertise, making them well placed to continue raising the standards of good practice in relation to Board leadership and effectiveness, as well as contributing valuable insights for business expansion.

Our Corporate Governance Overview, which provides a deeper insight into our Board composition and background, as well as our priorities and activities this year is available on pages 68 to 98.

## SHARE PRICE PERFORMANCE AND DIVIDEND

Following the pure-play exercise, SDB's share price has performed exceptionally well (+43% from the reference price of RM1.85 as at 30 June 2018), indicating a positive response from investors towards the business focus, strategies and prospects of the company. Our strong partnership with world-class brands (Caterpillar and BMW among others), and our broad regional footprint has resonated well with investors. SDB has also attracted additional foreign investor interest, as evidenced in the increase in our foreign shareholding from 15.2% in November 2017 to 18.2% in August 2018.

We declared a total of 8 sen dividend for FY2018, including a special dividend of 2 sen, to reward our shareholders following the successful completion of the pure-play exercise.

Please refer to the Investor Relations Review on pages 106 to 107 for more information.



# 8 sen

## DIVIDEND FY2018

including a special dividend of 2 sen to reward our shareholders



# 18.2%

## INCREASED FOREIGN SHAREHOLDING

from November 2017 to August 2018

## **PURE-PLAY**

The pure-play exercise helped us unlock value and showcased the “hidden gems” in our Industrial and Motors businesses to the market. It allowed SDB to refine our focus on our core trading expertise in the automotive and heavy equipment sectors across the Asia Pacific region, and gave us a platform to build on our strengths. We also have a valuable healthcare component through our joint venture with Ramsay Health Care, which we are looking to expand as a core business.

The focus on our core expertise is especially pertinent with the world fast evolving as a result of technological advancement.

We are positive it will allow us to respond quicker to the changing business landscape.

The exercise was not without its challenges. We have slim margins due to the trading nature of our business and our earnings are susceptible to commodity cycles. Hence, good cost and working capital management is imperative to manage our cash flows. We also seek to expand our after-sales business and explore adjacencies to strengthen our margins and smoothen our earnings profile. Fortunately, our strong balance sheet gives us room to manoeuvre. With a smaller and leaner organisation, we are mindful that astute capital allocation in pursuing investment opportunities is essential.

Our corporate structure as at 30 June 2018 is on page 8.

## **RISK MANAGEMENT**

Identifying and managing risks are central to our strategic planning process and enhances long-term shareholder value. The Board’s Risk Management Committee identifies, evaluates and manages financial and non-financial risks, by applying a tailored Risk Management Framework.

In FY2018, we noted several disruptive trends that were brought about by advances in technology. For Motors, omni-channel

sales portals may cause disintermediation of our business while the onset of ride-sharing and autonomous vehicles has the potential to decrease car purchases. For the Industrial division, the shift to renewable energy sources may impact demand for coal, an important commodity for our customers. We are conscious of these threats and are developing “future proofing” strategies that will help to counter these trends and position us strategically for the future.

For more information about how we manage risk, please refer to our Statement on Risk Management and Internal Control on pages 99 to 105.

## **SUSTAINABILITY**

SDB has always endeavoured to operate in an economically, socially and environmentally sustainable manner, whilst balancing the interests of diverse stakeholders. Following the pure-play exercise, we have redefined sustainability in a way that is relevant to our Motors and Industrial business models.

Our future focus will be on the following sustainability matters:

- Business Ethics and Compliance;
- Occupational Health and Safety;
- Environmental Sustainability;
- Employee Development and Engagement;
- Fair Employment Practices; and
- Community Contributions and Development.

Our detailed Sustainability Statement starts on page 59.

## **ACKNOWLEDGEMENTS**

On behalf of the Board of Directors, I would like to record my appreciation to all our valued stakeholders for their continued trust, loyalty and support, and for standing alongside us as we embark on this exciting growth phase.

I would like to thank my colleagues on the Board for their substantial contributions this year, and for positioning the business to succeed for years to come.

Datin Paduka Kartini Hj Abdul Manaf has expressed her intention to retire as a Non-Independent Non-Executive Director and would therefore not be seeking for election at the forthcoming Annual General Meeting of the company. I would like to thank Datin Paduka Kartini for her dedicated service and commitment during her tenure of service with SDB.

My heartfelt gratitude also goes out to the management team and all members of the SDB team around the globe for their outstanding commitment and performance, particularly during this transformative period. With your unwavering support, we are well positioned to accelerate our growth and improve our performance.

## **TAN SRI DATO’ SRI DR WAN ABDUL AZIZ WAN ABDULLAH**

Chairman

# GROUP CHIEF EXECUTIVE OFFICER'S REVIEW



## DEAR VALUED SHAREHOLDERS,

Sime Darby Berhad is today leaner and focused on our heavy equipment and motors operations, with the listing of our plantation and property Divisions as pure-plays in November 2017. We are powering up our Industrial and Motors Divisions, both already leading lights in their respective sectors, to boost our earnings and create more value for our stakeholders.

### STRATEGIC REVIEW

During the year, we implemented a Value Creation Plan that outlines a clear path between where we are now and where we want to be in five years' time. The Plan identifies four primary areas that we will focus on and sets ambitious targets for our Industrial and Motors Divisions. We will be aggressively pursuing results in these four areas:

- Revenue enhancement
- Cost optimisation
- Business expansion
- Portfolio rationalisation

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**We implemented a Value Creation Plan that outlines a clear path between where we are now and where we want to be in five years' time.**

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## Revenue enhancement

We will continue our focus on driving unit sales for our Industrial Division by capitalising on the recovery of the mining sector and the increased spend on infrastructure. As for our Motors Division, we aim to take full advantage of the burgeoning demand for luxury and super-luxury cars in Asia, the world's fastest growing region. Simultaneously, we will focus on the growth and efficiency of our after-sales business to improve margins and increase recurring income. We are conscious of the rapid advancement of technology in our sectors such as omni-channel sales portals, ride sharing, electrification and autonomous vehicles. In line with this, digitalisation initiatives are being explored to enhance customer experience, increase efficiency and to grow our market share.

## Cost optimisation

Cost optimisation is critical in strengthening our resilience during down cycles. For this, operational excellence initiatives to improve efficiency, reduce cost and enhance margins will be instituted. This includes vendor consolidation measures, process standardisation, process automation, paperless initiatives and procurement controls. Digitalisation will be explored to further drive efficiency in areas such as service centre optimisation, predictive maintenance and customer analytics. Clear plans will be formulated to turn around underperforming businesses. In FY2018, we launched Project CREATE, a plan to rationalise manpower and optimise branch network in the Industrial Division.

## Business expansion

Business expansion will be undertaken organically and via mergers and acquisitions (M&A). We will explore organic expansion into adjacent businesses such as vehicle assembly, asset management and energy solutions to broaden our earnings base and increase the recurring income profile of our businesses. The launch of the BMW engine facility in Kulim, Kedah this year is in line with this plan and we are looking at more assembly options. Disciplined pursuit of M&A is always a strategy to gain scale, access markets and diversify into new marques. We are always on the lookout for great businesses that fit into our strategic plans. In this respect, during the year under review, we completed the acquisition of Alfa Romeo, Fiat and Volvo dealerships in Australia. Healthcare is a valuable component in our portfolio and we will explore more opportunities to grow this business.

## Portfolio rationalisation

In line with our pure-play strategy, a review of our non-core assets has been conducted and a strategic disposal plan has been developed. Our aim is for a streamlined portfolio to help us redeploy capital to our core businesses and sharpen management focus. Towards this end, during the year under review, we undertook the disposal of our 100% stake in Weifang Water.

### 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. To spearhead this, we have appointed a new Group Chief Human Resources Officer who will drive our talent development initiatives.

Read more on our employee development and engagement initiatives on pages 64 to 66.

### FY2018 REVIEW

SDB is a leading Industrial and Motors multinational corporation with a broad footprint across Asia Pacific and strong partnerships with world leading brands. Notwithstanding our Malaysian home base, 86% of revenues are generated outside Malaysia; with Greater China and Australasia being our most important markets (38% and 30% of total revenue, respectively).

### INDUSTRIAL

The uptick in the mining sector in Australia has contributed positively to our earnings. Demand for equipment and after-sales parts and services has increased as the mining industry emerges from the downturn in previous years. Coal prices have stabilised, driven by steel-making in China and regional demand for high quality thermal coal. Outlook for other metals like manganese, copper and nickel is also positive due to electrification and urbanisation.

China's economy has performed well in 2017, achieving a GDP growth of 6.9%. This growth was reflected in strong infrastructure spend (27.8% of China's total fixed asset investment in 2017). SDB benefitted from this trend which translated into increased demand for Caterpillar equipment.

As a reflection of the strong demand from Australia and China, our Industrial Division's core PBIT jumped significantly by 72% from RM253 million in FY2017 to RM434 million in FY2018. Our order book grew by 80% to RM2.7 billion as at June 2018 from RM1.5 billion as at June 2017.

In addition, we have instituted numerous operational excellence initiatives, including implementing leaner structures, which has enabled us to focus on using technology and innovation to serve our customers better. An online sales portal launched in China and Australia has successfully enhanced customer experience and contributed to increased market share.

For deeper insights into the performance of our Industrial Division see pages 35 to 43.

## MOTORS

Our Motors Division posted positive results for the year with strong performance across most markets. China has been the biggest contributor, driven by increased consumer spend on vehicles. Unit sales grew from 34,293 in FY2017 to 35,601 in FY2018.

In Malaysia, we officiated the opening of a new BMW engine assembly facility in Kulim, Kedah to meet the demand for locally-assembled vehicles and to support BMW's export initiatives. We are proud of this achievement as it is only the second BMW engine plant in the region, after Thailand. Nevertheless, vehicle sales in our home country were lower compared to the previous year (16,611 units in FY2018 and 17,663 units in FY2017) in a generally sluggish new vehicles sales market, although the luxury segment remained robust. The "tax holiday" from June to August 2018 provided a much welcomed boost to the local car market.

In other regions, Motors posted a good set of numbers in both Australia and New Zealand. A stable economy and low interest rates spurred our results in Australia, while attractive financing rates, a buoyant tourism sector and increased government spend on infrastructure worked in our favour in New Zealand.

The FY2018 results for Motors were impacted by the losses from the Group's exit of the BMW business in Vietnam, which was a key factor in the Division's decline of 14.2% in PBIT. Excluding this and other one-off items, the Division's core PBIT increased by 3.4% as compared to FY2017.

A more comprehensive report about the performance of our Motors Division is on pages 44 to 52.

## LOGISTICS

The Logistics Division reported a PBIT of RM74 million for FY2018, compared to RM64 million in FY2017 due to higher throughput at Weifang Port and higher profits from Weifang Water. In line with Sime Darby Berhad's strategy to streamline its portfolio, the water treatment company in Weifang has been divested. The transaction was completed in September 2018.

Read more about the performance of our Logistics Division on pages 53 to 58 .



## HEALTHCARE

Ramsay Sime Darby Health Care, Sime Darby Berhad's 50:50 joint venture with Ramsay Health Care achieved higher revenue in FY2018 as compared to FY2017, which contributed to a 58% increase in Sime Darby Berhad's share of profits. The joint venture's Malaysian operations registered improved results from higher revenue and lower corporate expenses.

## OUTLOOK

Moving forward, we are cautiously optimistic on the continued momentum in the Australian mining sector. There has been under-investment across mining over the last several years and as commodity demand returns, supply is expected to be constrained until investment in new equipment and new mines catch up. This bodes well for demand for heavy equipment products.

On the Motors front, new model launches are underway and are expected to enhance unit sales. The launch of the new BMW 3-series which is the bestselling model for BMW at the end of 2018 is anticipated to excite buyers and be a worldwide hit. It has been touted as BMW's most important car of the decade. The recently released new BMW X3 and the soon-to-be launched new BMW X5 are also poised to be bestsellers. In the super-luxury space, new models from Rolls-Royce; the Phantom and the Cullinan, and the first ever SUV from Lamborghini, the Urus, are expected to further drive sales.

## ACKNOWLEDGEMENTS

On behalf of the Management team, I would like to express our gratitude to the Board of Directors and shareholders for your confidence and support. I would also like to record my sincere thanks and appreciation to my colleagues in the management team and fellow colleagues across the Group who have worked tirelessly throughout the year. I am truly appreciative of their dedication and contributions.

## JEFFRI SALIM DAVIDSON

Group Chief Executive Officer



# GROUP CHIEF FINANCIAL OFFICER'S REVIEW



## DEAR VALUED SHAREHOLDERS,

I am pleased to present an overview of Sime Darby Berhad's financial results for the year ended 30 June 2018.

FY2018 marks the beginning of a new chapter in Sime Darby Berhad, with the Group focused on the Industrial and Motors businesses following the successful completion of the pure-play exercise. The Group achieved a commendable Net Profit of RM1.9 billion for the year. Net Profit from continuing operations increased by 0.5% to RM618 million while Net Profit from discontinued operations was RM1.3 billion for the five months prior to deconsolidation in November 2017. We achieved underlying growth in our long-term markets in Australasia and China, despite the short-term challenges in Southeast Asia due to changing market conditions.

### 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). These indicators are regularly reviewed by the Board and senior management in managing the business and in measuring the Group's performance against targets. Following the pure-play exercise, this year's reporting will focus on the results of continuing operations as this represents the businesses of the Group going forward. For ease of comparability, this review would focus on Revenue, PBIT and ROAIC.



## 86%

### REVENUE GENERATED OUTSIDE MALAYSIA

38% from China, 30% from Australasia and 18% from Southeast Asia excluding Malaysia

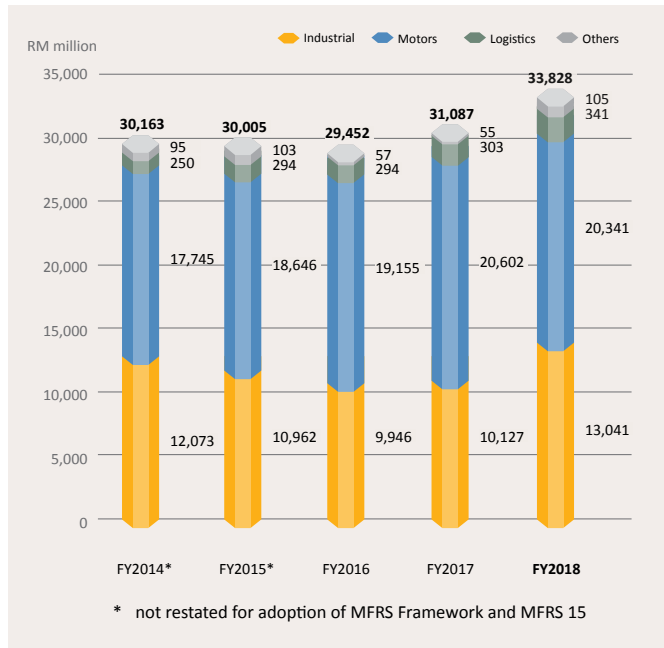


## RM618 million

### NET PROFIT FROM CONTINUING OPERATIONS FOR THE YEAR

Net Profit from continuing operations increased by 0.5% from the previous financial year

## REVENUE



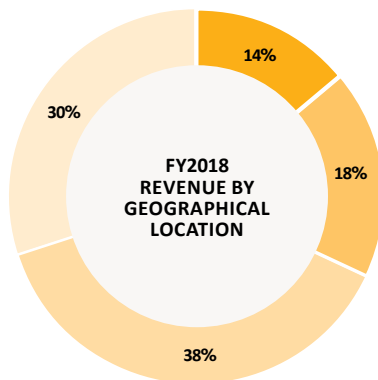
The Group achieved a turnover of RM33.8 billion in FY2018, which is an increase of 8.8% from the previous financial year. In our Industrial Division, increased demand fuelled revenue growth of 28.8% to RM13 billion, while revenue from our Motors Division decreased only slightly, by 1.3% to RM20.3 billion, despite the winding down of our Vietnam operations. Logistics Division's revenue increased by 12.5% to RM341 million, aided by higher throughput at Weifang Port and higher revenue from our water operations.

In terms of geographical breakdown, about 86% of the Group's revenue was generated from operations outside Malaysia, with 38% from China\*, 30% from Australasia\* and 18% from Southeast Asia excluding Malaysia. This was slightly higher than the 85% revenue contribution from foreign operations in the previous year.

\* China includes China, Hong Kong, Macau and Taiwan

\* Australasia includes Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands

- Malaysia
- Southeast Asia excluding Malaysia
- China
- Australasia



## PROFIT BEFORE INTEREST AND TAX (PBIT)

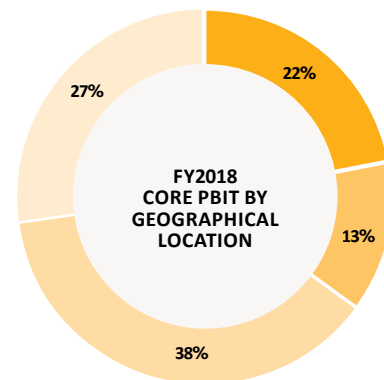


PBIT for FY2018 increased by 37.0% from RM784 million to RM1,074 million. Excluding one-off items, the core PBIT for the Group's continuing operations increased by 29.4% year-on-year (YoY) from RM949 million to RM1,228 million. Items excluded from core profit include gain from disposal of properties, impairments, the deconsolidation of Yayasan Sime Darby and losses from the Group's departure from the BMW business in Vietnam.

In terms of geographical segment, approximately 91% of the Group's FY2018 PBIT was derived from operations outside Malaysia as compared to 44% in FY2017. However, these percentages have been distorted by the significant number of one-off items in both years. Based on the core PBIT, the contribution from overseas operations was about 78%, compared to 77% in FY2017.

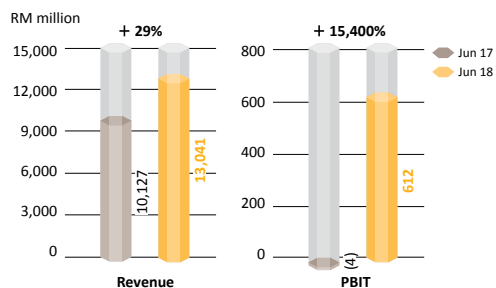
Approximately 38% of the Group's core profit was from our China operations, while 27% is from Australasia and 13% from Southeast Asia excluding Malaysia.

- Malaysia
- Southeast Asia excluding Malaysia
- China
- Australasia



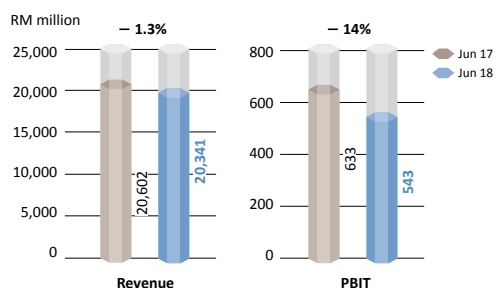


## Industrial



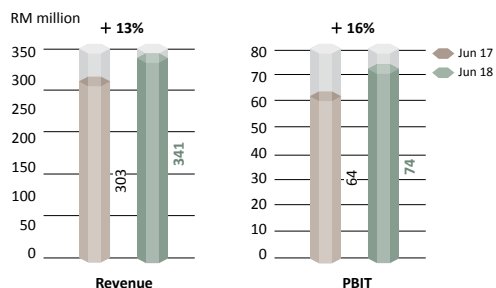
The Industrial Division recorded a profit of RM612 million in FY2018, as compared to a loss of RM4 million in the previous year. The profit for FY2018 includes a gain from disposal of properties amounting to RM178 million. The loss in the previous financial year includes an impairment of the Bucyrus distribution rights and a provision for onerous contracts for the leasing of Bucyrus equipment, totalling RM257 million. Excluding these items, profit for the Division increased 72% from RM253 million in FY2017 to RM434 million in FY2018, primarily due to higher equipment and parts sales to the mining and construction sectors in Australia and China.

## Motors



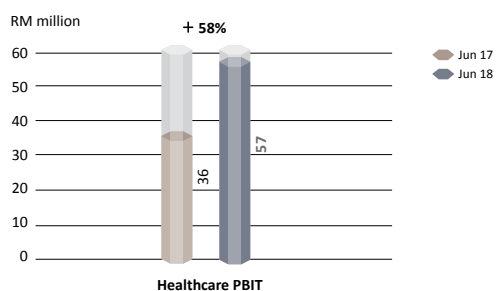
The Motors Division recorded a decline in profit of 14.2%, which was primarily attributable to losses of RM199 million (RM66 million in FY2017), following the Group's exit from the BMW business in Vietnam. This was partly mitigated by the gain from land compensation in China of RM41 million and RM9 million branch compensation in Malaysia. The previous year's results also included RM30 million gain on disposal of a property in Hong Kong. Excluding these items, profit increased by 3.4% from RM669 million to RM692 million, driven by higher contribution from the Hong Kong and Macau operations, and improvements in our Taiwan operations. The Motors Division's results were also supported by higher profits in Australia, following the divestment of its loss-making operations.

## Logistics



The Group's Logistics Division posted a 15.6% increase in profit, mainly due to higher throughput at Weifang Port and higher profit from Weifang Water. On 29 June 2018, we announced the disposal of the Group's entire equity interest in Weifang Water for USD68 million. In accordance with MFRS 5 relating to non-current assets held for sale and discontinued operations, the operations of Weifang Water has been reclassified to assets held for sale, and the depreciation and amortisation has ceased since the reclassification. The transaction was completed in September 2018.

## Others



The Group recorded higher share of profit from the Ramsay Sime Darby Healthcare joint venture, mainly attributable to higher profit from the Malaysian operations and additional tax adjustments taken up in FY2018.

As part of the review of our assets, the investment in Eastern & Oriental Berhad (E&O), which is involved in the property development and investment business, is now considered a non-core asset, and has been earmarked for disposal. Since the recovery of E&O's value will be via a disposal, the carrying value has been written down to its fair value of RM240 million as at 30 June 2018, resulting in an impairment of RM103 million.

The carrying value of our legacy oil & gas business was also reviewed again in FY2018, and the long outstanding accrued billings relating to the ONGC Process project of RM28 million have been fully impaired.

As part of the pure-play exercise, the membership of Yayasan Sime Darby (YSD) has been changed, making each of the three pure-plays members of YSD. The change in membership resulted in YSD, which had been previously consolidated as a subsidiary, being reclassified to an associate company. The deconsolidation of YSD resulted in a loss on deconsolidation of RM61 million. Going forward, donations to YSD would be recorded as expenses by the Group.

## FINANCE INCOME

Finance income saw a significant reduction from RM512 million in FY2017 to RM104 million in FY2018, mainly due to the reduction in finance income from Sime Darby Plantation Berhad (SD Plantation) and Sime Darby Property Berhad (SD Property) from RM467 million to RM48 million. With the settlement of the inter-company loans owed by SD Plantation and SD Property as part of the pure-play exercise, there would be no such income going forward.

## FINANCE COST

The reduction in finance costs was mainly due to the repurchase and novation of the multi-currency sukuk of USD800 million in May 2017, and the early redemption of the RM700 million from the Islamic Medium Term Note (iMTN). The restructuring of the borrowings was part of the pure-play exercise. The Weighted Average Cost of borrowings for continuing operations remained at 3.7%.

## TAXATION

Following a review of the carrying value of the legacy oil & gas business, a provision of RM71 million was made for the outstanding India withholding tax recoverable related to ONGC projects. The carrying value was RM63 million as at 30 June 2018. The Group's effective tax rate, excluding share of associate and joint venture results, was 35% against an applicable tax rate of 25%. This was mainly due to the provision for withholding tax, non-deductible expenses and deferred tax assets not recognised for certain loss-making subsidiaries.

## NET PROFIT AND ROE

The Group's net profit from continuing operations increased 0.5% from RM615 million in FY2017 to RM618 million in FY2018. This resulted in a return on shareholders' equity\* (based on shareholders' equity as at 30 June 2018 of RM14.4 billion) of 4.3%. We are working towards increasing this return to over 8% in the medium term.

## BALANCE SHEET

The Group's balance sheet underwent a significant change following the pure-play exercise. The carrying value of the net assets of SD Plantation and SD Property were deconsolidated, which resulted in a RM22.6 billion (or over 60%) reduction in the Group's shareholders' equity. Included in the net assets deconsolidated was borrowings of RM9.7 billion and RM2.2 billion in perpetual sukuk.

RM million	FY2017	FY2018
Non Current Assets	10,853	10,412
Other Assets excluding Bank & Cash balances	12,286	12,789
Bank & Cash balances	2,072	1,672
Discontinued operations	42,469	-
<b>Total Assets</b>	<b>67,680</b>	<b>24,873</b>
Borrowings	3,205	2,889
Other Liabilities	6,636	7,225
Discontinued operations	17,290	-
<b>Total Liabilities</b>	<b>27,131</b>	<b>10,114</b>
Share Capital	9,299	9,299
Reserves	28,044	5,071
<b>Shareholders' Equity</b>	<b>37,343</b>	<b>14,370</b>
Non Controlling Interests and Perpetual Sukuk	3,206	389
<b>Total Equity</b>	<b>40,549</b>	<b>14,759</b>
<b>Total Equity and Liabilities</b>	<b>67,680</b>	<b>24,873</b>

We ended FY2018 with a stronger balance sheet, which shows a lower debt to equity ratio of 20% compared to 32% in FY2017. This gives the Group sufficient debt headroom to fund any future growth plans. For further information, see page 128.

## INVESTED CAPITAL AND ROAIC

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

	ROAIC (%)		Invested Capital (RMm)	
	FY2017	FY2018	FY2017	FY2018
Industrial	(0.1)	7.8	8,089	7,700
Motors	10.9	9.3	5,826	5,896
Logistics	2.9	3.2	2,294	2,334
Healthcare	5.4	8.1	682	730
Others	-	-	1,306	718
<b>SDB</b>	<b>4.4</b>	<b>6.0</b>	<b>18,197</b>	<b>17,378</b>

Note:

\* Continuing operations only

## CASH FLOW AND BORROWINGS

RM million	FY2017	FY2018
Operating cash flow	1,539	677
Interest received	512	87
Capital expenditure and investments	(696)	(549)
Proceeds from disposals	500	451
Other investing cash flows	50	(108)
Finance costs paid	(371)	(131)
Free cash flow	<b>1,534</b>	<b>427</b>

The Group's continuing operations' operating cash flows declined from RM1,539 million in FY2017 to RM677 million in FY2018. The Industrial Division's increase in sales resulted in higher receivables and inventories, which led to higher working capital requirements. This is in contrast with FY2017, when the reduction in revenue and efforts to reduce inventories resulted in a positive change in working capital.

There was a significant reduction in investing cash inflow from continuing operations from RM1,914 million to RM616 million due to lower repayments from discontinued operations (RM735 million in FY2018 versus RM1,548 million in FY2017) and lower interest income from discontinued operations from RM467 million to RM48 million in FY2018. Excluding these items which would not recur in future years, the level of spending on capital expenditure and proceeds from disposals were generally comparable in both years.

Finance costs paid was also lower at RM131 million against RM371 million in the previous year, mainly due to the lower finance costs as explained on page 31.

The Group's cash balance reduced from RM2,072 million in FY2017 to RM1,672 million in FY2018.

Borrowings of continuing operations reduced from RM3,205 million to RM2,889 million, mainly due to net repayment of RM146 million and translation differences as a result of the stronger Malaysian Ringgit against various foreign currencies as at 30 June 2018, in comparison with the previous year. Net borrowings repaid include the early redemption of the Islamic Medium Term Note (iMTN) outstanding of RM700 million in August 2017. The iMTN programme was novated to SD Property as part of the pure-play debt allocation exercise.

Additional information is provided in our Cash Flow Statement on pages 136 to 138.

### DIVIDENDS

The Group's dividend policy is to distribute a dividend of not less than 50% of net earnings each financial year. For FY2018, the Group declared a total dividend payout of 88%, consisting of the 1st interim dividend of 2 sen per share (RM136 million) paid in May 2018, a second interim dividend of 4 sen per share (RM272 million) payable in October 2018 and a special dividend of 2 sen per share (RM136 million) also payable in October 2018.

The two interim dividends would give a total payout of 66%, consistent with the dividend payout in recent years of about 60%-70%. The special dividend of 2 sen per share was declared as a reward to shareholders upon the successful completion of the pure-play exercise.

### OUTLOOK

Ongoing trade tensions between the world's major economies and the expectation of further interest rate hikes caused volatility in the equity and foreign exchange markets, and increased uncertainty surrounding the growth prospects of the global economy. Despite this, economic growth is expected to remain strong in the Asian economies in which we operate.

We also expect the Industrial Division to continue to perform strongly in Australia and China, and for operational excellence initiatives to keep improving margins in the years ahead.

The Motors Division is expected to feel the impact of strong competition and cautious consumer sentiment due to the ongoing US-China trade war. Despite the Division's hedging activities, margins are susceptible to fluctuation in foreign exchange rates due to competitive pressures. Continuous improvement through operational excellence initiatives should mitigate any adverse effects.

Port operations within our Logistics Division will continue to face competition from other ports, while a weaker Chinese Renminbi has the potential to affect profitability.

### FY2019 PRIORITIES

In FY2019 and beyond, the finance function would be focusing on improving our capital and funding structure in the Group.

For a deeper understanding of SDB's FY2018 financial performance, please see our comprehensive Financial Statements, which start on page 111.

### MUSTAMIR MOHAMAD

Group Chief Financial Officer

## 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'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	FY2017	FY2018
Director and employees	2,863	2,863
Government and society <sup>1</sup>	264	405
<b>PROVIDERS OF CAPITAL</b>		
Dividends <sup>2</sup>	395	544
Finance costs <sup>3</sup>	320	129
Non-controlling interests and perpetual	180	67
	895	740
Reinvestment and future growth	801	695
<b>Total Distributed</b>	<b>4,823</b>	<b>4,703</b>

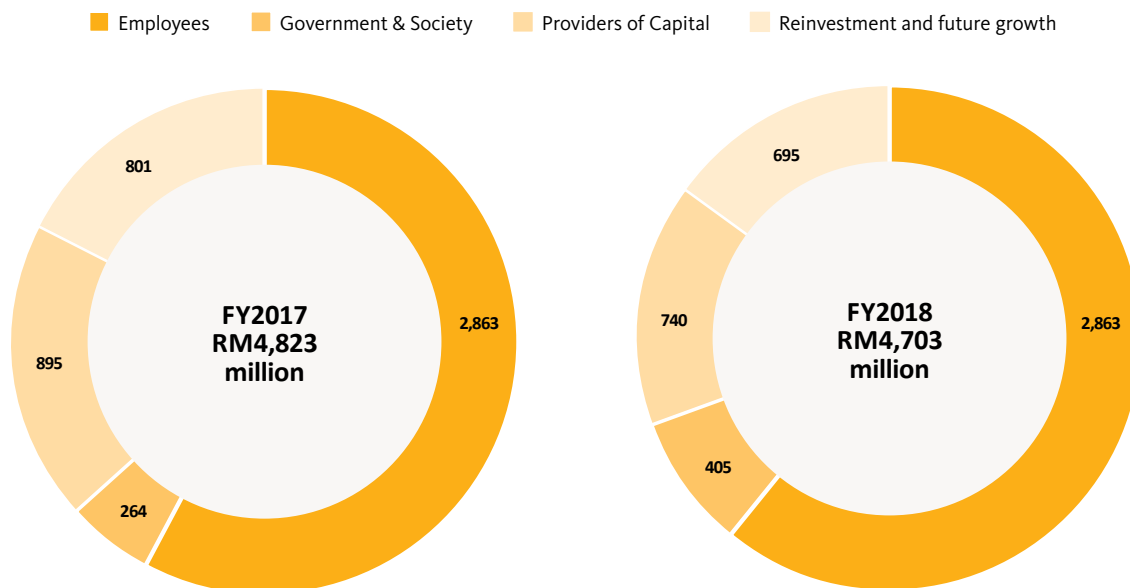
Notes:

<sup>1</sup> Tax and CSR expenses

<sup>2</sup> Dividends refer to dividends declared for the respective financial years

Dividends for FY2017 calculated based on percentage of net profit from continuing operations to Group net profit

<sup>3</sup> Gross finance costs



## 5-YEAR FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 30 JUNE (RM MILLION)	2014 <sup>1</sup>	2015 <sup>1</sup>	2016 <sup>2</sup>	2017	2018
<b>FINANCIAL RESULTS</b>					
Revenue*	30,163	30,005	29,452	31,087	<b>33,828</b>
Profit before interest and tax*	1,769	1,240	943	784	<b>1,074</b>
Profit before tax*	1,809	1,250	1,046	1,007	<b>1,065</b>
Profit after tax*	1,560	1,042	864	795	<b>685</b>
Non-controlling interests and perpetual sukuk*	(77)	(26)	(72)	(180)	<b>(67)</b>
<b>Profit attributable to owners of the Company</b>					
- continuing operations	1,483	1,016	792	615	<b>618</b>
- discontinued operations	2,019	1,414	1,626	1,823	<b>1,301</b>
- Total	3,502	2,430	2,418	2,438	<b>1,919</b>
<b>FINANCIAL POSITION</b>					
Share capital and share premium	3,587	4,901	5,766	9,299	<b>9,299</b>
Reserves other than share premium	24,866	25,668	26,629	28,044	<b>5,071</b>
Shareholders' equity	28,453	30,569	32,395	37,343	<b>14,370</b>
Perpetual sukuk	-	-	2,230	2,230	-
Non-controlling interests	860	1,003	965	976	<b>389</b>
Total equity	29,313	31,572	35,590	40,549	<b>14,759</b>
Borrowings <sup>3</sup>	11,327	18,209	15,968	3,205	<b>2,889</b>
Liabilities associated with assets held for distribution	-	-	-	17,290	-
Other liabilities	10,584	12,457	12,951	6,636	<b>7,225</b>
<b>Total equity and liabilities</b>	<b>51,224</b>	<b>62,238</b>	<b>64,509</b>	<b>67,680</b>	<b>24,873</b>
Non-current assets	26,439	36,307	39,826	10,853	<b>10,412</b>
Current assets excluding Cash	19,889	21,730	21,162	12,286	<b>12,789</b>
Assets held for distribution	-	-	-	42,469	-
Cash	4,896	4,201	3,521	2,072	<b>1,672</b>
<b>Total assets</b>	<b>51,224</b>	<b>62,238</b>	<b>64,509</b>	<b>67,680</b>	<b>24,873</b>
<b>FINANCIAL RATIOS</b>					
Operating margin (%) <sup>*</sup>	5.6	4.2	3.1	2.4	<b>3.3</b>
Return on average shareholders' equity (%)	12.7	8.2	7.7	7.0	<b>7.4</b>
Debt/Equity (%) <sup>4</sup>	38.6	57.7	44.9	32.4	<b>19.6</b>
<b>SHARE INFORMATION</b>					
Basic earnings per share (sen)	58.0	39.6	38.5	36.7	<b>28.2</b>
Net assets per share attributable to owners of the Company (RM)	4.7	4.9	5.1	5.5	<b>2.1</b>
Net dividend per share (sen)	36	25	27	23	<b>8</b>

Notes:

<sup>1</sup> 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

<sup>2</sup> Restated following adoption of the MFRS framework and early adoption of MFRS 15

<sup>3</sup> Borrowings include finance leases

<sup>4</sup> Debt includes borrowings under liabilities associated with assets held for distribution

\* The financial results have been restated to exclude discontinued operations

# SIME DARBY INDUSTRIAL

## ABOUT SIME DARBY INDUSTRIAL

Sime Darby Industrial (SDI) is a leader in the global heavy equipment business. Our partnership with Caterpillar (CAT), spanning nearly 90 years has continued to grow and strengthen since 1929. Ranking among the world's largest CAT dealer groups, SDI also represents world-renowned premium brands including New Holland, Terberg and Perkins. SDI's core businesses are in the trading and rental of heavy equipment and power systems, providing after-sales product support, and developing industrial solutions for customers in the mining, construction, power generation, forestry, marine, agricultural and oil & gas sectors.



## **SIME DARBY INDUSTRIAL**

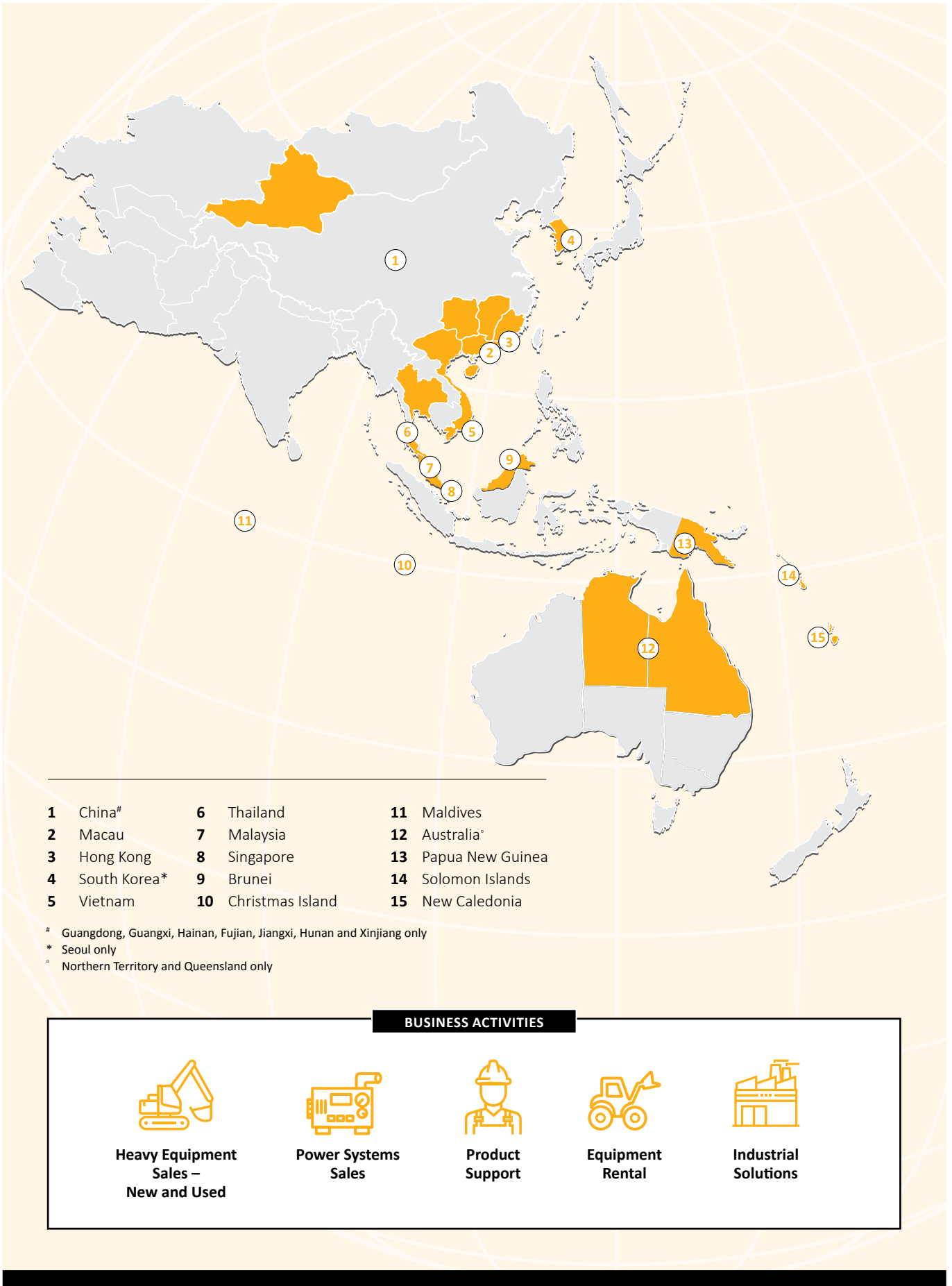
### ➔ VISION

To deliver world-class industrial solutions with Caterpillar and allied products.

### ➔ PRESENCE

SDI has a network of 131 branches across 15 countries and territories.

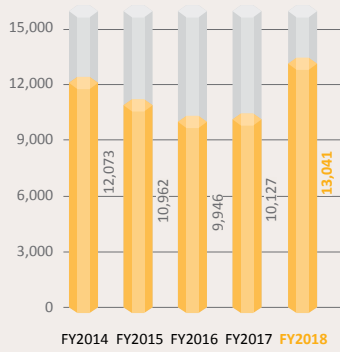




KEY HIGHLIGHTS

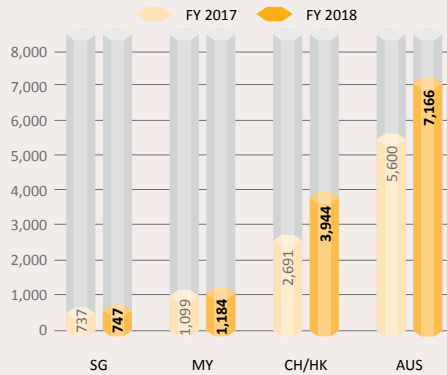
**REVENUE**

(RM million)



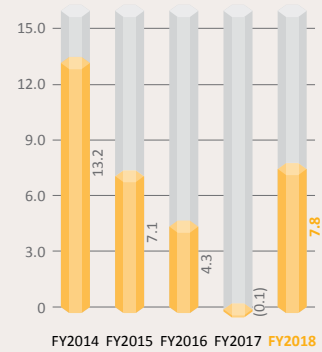
**REVENUE BY REGION**

(RM million)



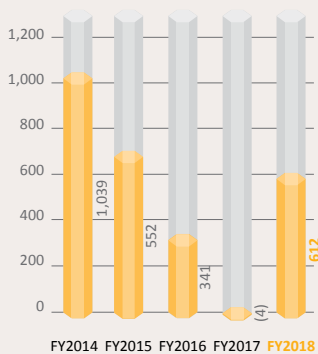
**RETURN ON AVERAGE INVESTED CAPITAL (ROAIC)**

(%)



**PROFIT BEFORE INTEREST AND TAX\* (PBIT\*)**

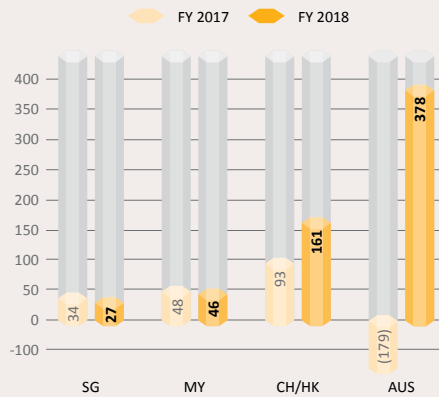
(RM million)



\* Including One-off Items

**PBIT BY REGION\***

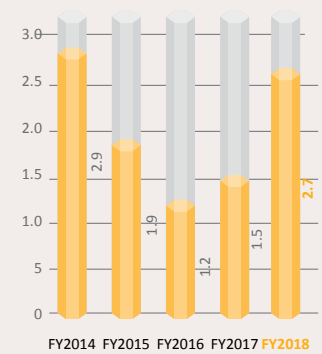
(RM million)



\* Including One-off Items

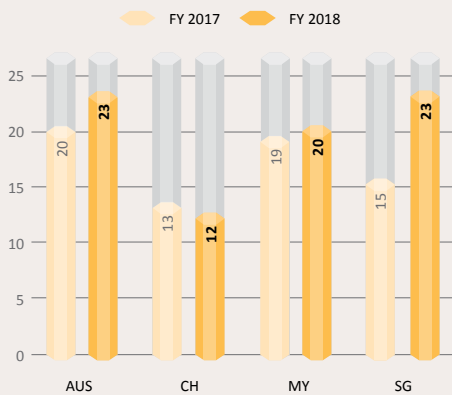
**DIVISION ORDER BOOK**

(RM billion)



**PERCENTAGE OF INDUSTRY SALES BY REGION (PINS)**

(%)



MY: Malaysia SG: Singapore CH: China HK: Hong Kong AUS: Australasia



## OUR BUSINESS MODEL

SDI's Business Model includes the use of the resources and capitals, that create long-term value for stakeholders.

CAPITALS	COMPONENTS OF VALUE CREATION	OUTPUTS/OUTCOMES
 <p><b>Intellectual Property and Processes</b></p>	<ul style="list-style-type: none"> <li>• Almost 90 years' experience in, and extensive knowledge of the heavy equipment industry.</li> <li>• Highly skilled and trained professional workforce supported by the Felt Leadership Programme.</li> <li>• World leading maintenance management systems and processes for the support and repair of engines and mobile equipment.</li> <li>• Digital innovations:               <ul style="list-style-type: none"> <li>- CAT Connect advanced telematics, Sitech's Trimble (job-site interfaces), industrialvalet.com.</li> </ul> </li> <li>• Exclusive rights to develop patented technologies in high density compressed natural gas as a fuel source in mining and related applications.</li> </ul>	<ul style="list-style-type: none"> <li>• We provide high quality, reliable products and services at competitive prices.</li> <li>• Customers receive tailored equipment and maintenance solutions that fit their requirements and reduce their costs.</li> <li>• Digital strategies and innovative solutions enhance Customer Experience (CX), Employee Experience (EX) and boost business efficiency.</li> <li>• Working with customers to lower their costs with the implementation of a cleaner and more efficient fuel alternative.</li> </ul>
 <p><b>Financial</b></p>	<ul style="list-style-type: none"> <li>• Access to capital from a strong parent company.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved financial returns – FY2018 ROAIC 7.8%.</li> <li>• Sustainable growth and expansion.</li> <li>• Stakeholder confidence.</li> </ul>
 <p><b>Manufactured</b></p>	<ul style="list-style-type: none"> <li>• An extensive footprint of world-class dealership facilities in Asia Pacific.</li> </ul>	<ul style="list-style-type: none"> <li>• Products and services offered to our customers meet the stringent quality standards and demands of our customers and Principals.</li> <li>• Our extensive branch footprint throughout the region provides customers close support for their operations and rapid fulfilment of logistics requirements.</li> </ul>
 <p><b>Social</b></p>	<ul style="list-style-type: none"> <li>• Continuous engagement with stakeholders including our Principals, suppliers, customers, employees, investors, communities and governments.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced brand value results in long-term partnerships, increased confidence from business partners, and attracts new associations.</li> <li>• We forge close relationships with stakeholders to ensure all of their interests are considered.</li> </ul>
 <p><b>Human</b></p>	<ul style="list-style-type: none"> <li>• World-class employee training centres with comprehensive training programmes*.</li> <li>• Safe work environments.</li> <li>• Number of Employees: 8,119.</li> </ul>	<ul style="list-style-type: none"> <li>• Recognised by customers as having a highly skilled workforce.</li> <li>• Employees gain knowledge and skills that maximise efficiency and effectiveness leading to high workplace productivity.</li> <li>• Zero-harm workplaces.</li> </ul>
 <p><b>Natural</b></p>	<ul style="list-style-type: none"> <li>• Solar energy.</li> <li>• Water capture.</li> </ul>	<ul style="list-style-type: none"> <li>• Where economically feasible, we are:               <ul style="list-style-type: none"> <li>- Selectively implementing solar energy to power our facilities; and</li> <li>- Capturing and storing water in replacement of purchased water.</li> </ul> </li> </ul>

\* SDI owns accredited training facilities in Malaysia, Singapore, Australia and China, which provide comprehensive, nationally recognised training in operating and servicing heavy equipment.

In Malaysia, SDI Academy is recognised by the Construction Industry Development Board and Jabatan Pembangunan Kemahiran.

In Australia, Hastings Deering is recognised by the Australian Skills Quality Authority (ASQA).

In China, CEL's Industrial Equipment Training Centre is recognised by the China Association of Construction Education, and the Occupational Skill Testing Authority Of Machinery Industry.

## OUR STRATEGY

Sime Darby Industrial's strategy is crafted around its goals and aligned with the vision to deliver world-class industrial solutions.

Our goals are:

- To increase profitability by increasing our capability to provide end-to-end solutions to our customers, and improve cost optimisation by increasing efficiency and productivity.
- To be the leading regional CAT dealer through a relentless focus on the requirements of our customers.
- To employ, train and sustain a world-class workforce to support our customers.
- To grow by expanding existing operations and also through acquisition.

There are three pillars to our Strategy:

### 1. Delivering World-Class Customer Experience (CX)

- Expanded Offerings
  - Working with Caterpillar to provide technology-enabled market-leading equipment solutions.
  - Further leverage on our current preventative maintenance capability through technology and predictive analytics to help customers achieve significant cost reduction, safety and productivity improvements, which, in turn, builds on fleet management capability.
  - Invest in digital technologies across the region to enhance both CX and EX. For example, Tractors Malaysia has launched "industrialvalet.com" in FY2018. This is an e-commerce platform that enables our customers to buy equipment parts online.

- Operational Excellence
  - Optimisation of costs and operations through three key initiatives: procurement savings, Lean Six Sigma and Business Transformation Programme.
- Services
  - Increasing SDI's investment in both capability and capacity, and offering more extensive maintenance services. This will involve increasing the number of trained technicians and identifying opportunities through technologies that connect the business with our customers' machines.

### 2. Promoting Safety and Sustainability

- Sime Darby Industrial fosters a safety culture and has embedded the belief that all incidents are preventable. The Felt Leadership Programme continues to be deployed, and we are progressively making safety a more current experience through the deployment of digital solutions such as handheld devices that transmit information in real time. It has been instilled in employees that incident reporting leads to safety improvements. In the year ahead, employees will be trained in Life Saving Rules to help minimise the risks of serious injury or death at the workplace.

For more information on our safety performance, please refer to the Sustainability Statement on pages 59 to 67.

### 3. Sourcing New Revenue Streams

- SDI recognises that carefully planned business expansion can strengthen operations and spread risk.

## RISK MANAGEMENT

KEY RISKS	KEY MITIGATION MEASURES
<p><b>Cyclical Market</b> (primarily in the mining and oil &amp; gas sectors) A cyclical market results in companies exercising caution in relation to capital expenditure and operating costs.</p>	<ul style="list-style-type: none"> <li>• Diversification of products and markets.</li> <li>• Building on and adjacent to the CAT business.</li> <li>• Establishing a downturn strategy that helps to better predict the timing of cyclical downturns with specific actions to protect both profitability and the balance sheet.</li> <li>• Continued focus on cost management and operational efficiency by hiring more contracted manpower to enable more flexibility with our costs.</li> </ul>
<p><b>Trend towards digital</b> The business environment is rapidly changing with the availability of big data processing, Internet of Things and process automation. This increases the risk of disruption by non-traditional competitors.</p>	<ul style="list-style-type: none"> <li>• Embrace the digital landscape by creating a digital culture and embedding it in our strategy.</li> <li>• Execute our Digital Enablement Strategy to enhance CX and EX.</li> </ul>
<p><b>Price competition from Chinese brands</b> Significantly lower prices offered by other players in the heavy equipment market could affect our market share.</p>	<ul style="list-style-type: none"> <li>• Provide an end-to-end solutions for our customers and differentiate ourselves from the competitors through better customer solutions and value propositions.</li> </ul>
<p><b>Foreign exchange risk</b> SDI is exposed to foreign exchange risk with the purchase of equipment and inventory in US Dollar. The strengthening of the US Dollar could impact sales margins across all regions, due to increased purchase costs.</p>	<ul style="list-style-type: none"> <li>• Maintain regional coverage in areas that have a higher conversion rate to the Malaysian Ringgit.</li> <li>• Undertake assets hedging to mitigate the impact of fluctuations in the foreign exchange rate market.</li> <li>• Reduce costs through Operational Excellence initiatives to maximise our margins.</li> <li>• Minimise working capital to ensure that related currency exposures are also minimised.</li> </ul>



Hastings Deering field-service technicians re-installing and commissioning the hoist drum for this Caterpillar 7495 mining machine

### FY2018 OPERATIONS REVIEW

With the Australian mining sector recovering from cyclical lows and construction activities buoyed by infrastructure projects, our Industrial Division's revenue increased by 29% to RM13 billion. PBIT improved to RM612 million which reflects a sales margin of 5%. Included in this result are one-off items of RM178 million, mainly from the real estate disposals in Australia and Malaysia. Without the one-off items, our underlying PBIT would be RM434 million, with a sales margin of 3.3%.

With workshops and warehouses operating at more traditional levels, productivity (Profit Before Interest and Tax per Headcount) improved 100% from FY2017, despite an increase in the number of employees across all regions. Total benefits of RM128 million from Operational Excellence initiatives were achieved in FY2018, which was a 374% increase from the previous financial year. These benefits principally reflect the bedding down of the new Microsoft ERP system, which has become a platform on which the business can build its future digital base.

### Australasia

Operations in Australasia delivered an increase in PBIT from a loss of RM179 million in FY2017 (loss due to impairment of Bucyrus and onerous lease charges) to RM378 million on the back of revenue of RM7.2 billion in FY2018, mainly driven by product support. As a result, the Australasian dealerships were able to strengthen their market leadership position.

The recovery in the mining sector was the principal key driver behind this improvement. Both metallurgical and thermal coal prices increased, backed by improved global commodity demand. The construction sector was also strong, partly due to the upturn in the mining sector, which fuelled investment in related infrastructure.

Equipment markets realised an average of 63% growth in unit sales across all market segments, while product support benefitted from the repair and rebuild of previously idle mining machines.

Throughout the territory, most of the mining equipment are now back at work and fully utilised. The company's rental fleets are also back to normal levels of operation. Rental operations returned to profitability after several years of losses that were attributable to the mining rental segment.

The Division's results benefitted from productivity gains as all workshops became fully utilised, while parts warehouse activity headed to record levels in several locations. Operational Excellence initiatives delivered total cost reduction benefits of RM81 million, up from RM5 million in FY2017.

On the back of improving confidence in the mining sector, the apprenticeship intake in the region more than doubled. Hastings Deering is currently the third largest trainer of apprentices in Queensland.

### AWARDS IN AUSTRALASIA

#### SILVER DEALER AWARD

- Asia Pacific CIS Africa Middle East (ACAM) Service Excellence Awards

#### MEDIUM EMPLOYER OF THE YEAR

- Annual Northern Territory Training Awards

#### FINALIST - LARGE EMPLOYER AWARD

- Queensland Training Awards



Terberg Tractors Malaysia is the first terminal tractor manufacturer to introduce the Lifecycle Maintenance Contract to our customers

### Malaysia

Driven by our product support business, we closed the year at the top rung in the Malaysian market, generating a profit of RM46 million on the back of RM1.2 billion in revenue.

Due to the slowdown in the construction sector in Q4 FY2018, customers were cautious on spending. Despite this, we secured packages in the Pan Borneo Highway Sarawak and in other key infrastructure projects.

Productivity remained steady and in the face of challenging trading conditions, we remained resilient through our aggressive cost optimisation initiatives. These included implementing a leaner structure with a focus on innovative technology to serve our customers better. In FY2018, we realised RM18 million in benefits, an increase from RM12 million achieved in FY2017, from Operational Excellence initiatives.

Our joint venture company with Netherlands's Terberg Group, Terberg Tractors Malaysia (TTM), contributed higher profit to our bottom line in FY2018. During the year, TTM secured contracts from various port operators in Malaysia to supply Lifecycle Maintenance of the ports' terminal tractors. TTM introduced the Lifecycle Maintenance Contract system offering customers an easy and cost-efficient methodology of managing and maintaining their fleets, ensuring maximum uptime for their facilities and value enhanced performance. TTM was named the most Outstanding UK-Malaysia Partnership, for its significant role in the value creation of the economy through the synergy between the two countries.

In FY2018, we expanded the New Holland dealership into Vietnam. This is in tandem with our vision to broaden our geographical footprint across Southeast Asia. The first branch at An Giang in Vietnam was officially launched in May 2018.

### AWARDS IN MALAYSIA

## CATERPILLAR GLOBAL DEALER EXCELLENCE AWARD, SIME DARBY INDUSTRIAL MALAYSIA

- Service Category

### Singapore Region

Singapore achieved a regional profit of RM27 million on the back of RM747 million in revenue in FY2018. Like Malaysia, this performance improvement was driven by product support. With improvements in oil and gas prices, customers are spending more on repairs and rebuilding of engines. Equipment sales were higher than FY2017. Pleasingly, the market leadership for equipment was regained in 2018 with some good equipment sales for infrastructure projects including the new runway at Changi airport and the MRT line. The leadership position enjoyed by Tractors Singapore in engine sales was also retained. Sales benefitted from continuing investment by customers in regional data centres (Caterpillar engines are used for standby power in these applications). This helped to offset the sluggish demand for engine sales to the oil and gas industries.

Savings benefits of RM12 million from Operational Excellence initiatives were realised, which is a significant improvement over FY2017. The combination of cost optimisation initiatives and higher sales contributed to an increase in PBIT per headcount by 75%.

During the year under review, a small facility was opened in Maldives for the sale and rental of engines, power systems, assembly and product support for industrial machinery and parts.

An office was also opened for the distribution and support of Perkins engines in South Korea.

#### AWARDS IN SINGAPORE

### DP INFORMATION GROUP CERTIFICATE OF ACHIEVEMENT

- Tractors Singapore Limited

### FG WILSON (ASIA POWER SYSTEMS – TIANJIN)

10th anniversary Dedication Engagement  
Excellence Service - Tractors Singapore Limited

### FG WILSON ASIA PTE LTD, 50 YEARS OF POWER GENERATION AWARD

- Tractors Singapore Limited

#### China

Profits in China increased by 73% to RM161 million on the back of RM3.9 billion in revenue. Unlike other regions in Asia, the results in China were attributable to a 79% leap in equipment sales over FY2017.

The significantly improved trading conditions in China were principally driven by the availability of government and bank funding for infrastructure and urbanisation projects. Additionally, FY2018 saw the beginning of replacement cycles for older machines sold during the last buoyant trading period between 2010 and 2012. This contributed to strong sales in the hydraulic excavator market, and led to record sales of heavy equipment. The financial year closed with a top three ranking for our dealership territories.

The mining equipment market, on the other hand, was slower. Throughout the year, there was a shift towards smaller models, as the mining industry gradually recovers from the downturn of recent years. Customers also showed a greater preference to rent or buy used equipment rather than purchase brand new units. During the year, the rental business was expanded, and CEL became a first mover in the industry to provide this type of product offering. The expanded rental fleet also provides a source of near new equipment for purchase by our customers.

Shipbuilding, the principal market segment for our engine business in China remained subdued. However, opportunities for standby power in data centres helped to offset the shortfall created in this segment.

In FY2018, benefits of RM18 million from Operational Excellence initiatives were realised in China, an increase of 115% as compared to the previous financial year.

#### AWARDS IN CHINA

### CATERPILLAR GLOBAL DEALER EXCELLENCE AWARD, CHINA ENGINEERS LIMITED

- Energy and Transportation category

#### OUTLOOK AND FUTURE FOCUS

##### Australasia

Queensland's economic growth is forecasted to accelerate from 2.5% in 2016/2017 to 3% by 2018/2019 as it returns to a normal growth trend following the collapse of investment in the resources sector. Mining activity which has rebounded in the current year is expected to remain sound on the back of steady but favourable mineral prices and customer requirements for fleet replacement and refurbishment. There are a number of new mines planned during the next five years that should also provide good opportunity if they are approved.

The Queensland Government aims to press ahead with an AUD45 billion capital works programme through to 2022, along with investment in mining infrastructure and new residential estates, that will boost confidence for civil contractors to invest in new equipment. This has underpinned higher industry rentals and equipment sales as well as a shortage of used equipment, and this is expected to continue for at least the next year.

In New Caledonia, nickel prices have recovered substantially and demand from miners who had deferred expenditure is expected to grow. Nickel supply is expected to remain sufficient for the next few years although demand is expected to increase, partly driven by Electric Vehicles. With a lack of investment in nickel mining since the global financial crisis, nickel demand and prices are anticipated to surge later this decade.

##### China

China's economic growth is projected to remain sound for the foreseeable future. The important hydraulic excavator market rebounded in 2018 due to domestic demand for infrastructure projects, but is expected to soften in 2019. Coupled with an expected additional tariff on some replacement parts, lower margins from our product support segment are anticipated in the coming year.

However, continuing investment in public infrastructure is expected to help maintain the economy's momentum. This should help cushion the impact of the anticipated softening of market demand.

The mining industry is recovering at a slow but steady pace, and the trend for mining players is expected to shift towards rental and used equipment. Coal mining activities continue to be subdued due to weak domestic coal prices.

Externally, one of the main challenges China is facing is the uncertainty of the economy due to the US-China trade war, which may lead to the weakening of the Renminbi and additional tariffs. These are likely to increase the purchase price of certain diesel engines and parts that are imported directly from the US. Furthermore, if the trade war prolongs, there is a possibility of anti-US sentiment which may affect our market share in China.

#### Malaysia

Economic growth is expected to remain solid in the medium term. However, the construction sector outlook remains somewhat uncertain, with the existing pipeline of infrastructure projects under review by the new federal government. Deferral, renegotiation or cancellation of the large projects remain risks to the business outlook.

We are cautiously optimistic that many of these infrastructure projects will remain on the cards, albeit with delayed implementation.

In Sarawak, coal mining activities driven by the state's energy diversification and rural electrification initiatives will continue to offer opportunities in the near term.

#### Singapore

Singapore's economy remains steady. While the construction sector performance picked up slightly in 2018, the private sector may contract due to Singapore's recent cooling measures in the property market. Public sector spending is looking steady with a pipeline of projects scheduled.

The demand for crew boats and ferries grew in 2018 but the offshore oil and gas segment will continue to be challenging due to weak demand and excess capacity in our customers' global offshore rig market. Encouragingly, the outlook for SDI's Electric Power segment is positive as the demand for standby generator sets for data centres continue to grow in Singapore.

#### VALUE CREATION IN FY2019

SDI's Value Creation Plan outlines strategies by which the business will create sustainable value for our stakeholders. Key drivers are revenue enhancement, cost optimisation and business expansion.

##### Revenue Enhancement

Caterpillar and other suppliers are continually releasing new products and services to the market. In addition, SDI is aggressively developing and implementing digital initiatives to protect and increase its market share.

##### Cost Optimisation

Improving sales margins through cost control is critically important. Initiatives underway include the streamlining and standardising of processes around the new Microsoft ERP system, driving Lean Six Sigma and enhancing procurement processes. SDI will also commence the implementation of robotic process automation in replacement of repetitive manual data processes.

##### Organic Business Expansion

SDI continues to actively seek additional territories for the products that we represent. Additionally, strategies are in place for expansion into adjacent businesses such as Mine Energy Solutions (MES) and asset management to leverage our existing customer base and core maintenance competencies.



Hastings Deering is proud to be a part of a milestone delivery of the 5000th Caterpillar mining truck.

# SIME DARBY MOTORS

## ABOUT SIME DARBY MOTORS

Sime Darby Motors (SDM) is the automotive arm of Sime Darby Berhad. We are a focused automotive player with operations integrated across the entire value chain including assembly, distribution, retail of new and used car, after-sales service and car rental. We are primarily a luxury marque player representing BMW, Rolls-Royce, Porsche and Jaguar Land Rover among other brands. We also represent broad-appeal market brands such as Hyundai, Ford and Mazda, and trucking brands such as Fuso, Mack, Hino and Volvo. With an attractive brand portfolio and a geographical footprint across nine markets in the Asia Pacific region, we pride ourselves on developing and maintaining longstanding relationships with prominent automotive manufacturers.



## SIME DARBY MOTORS

### ➔ VISION

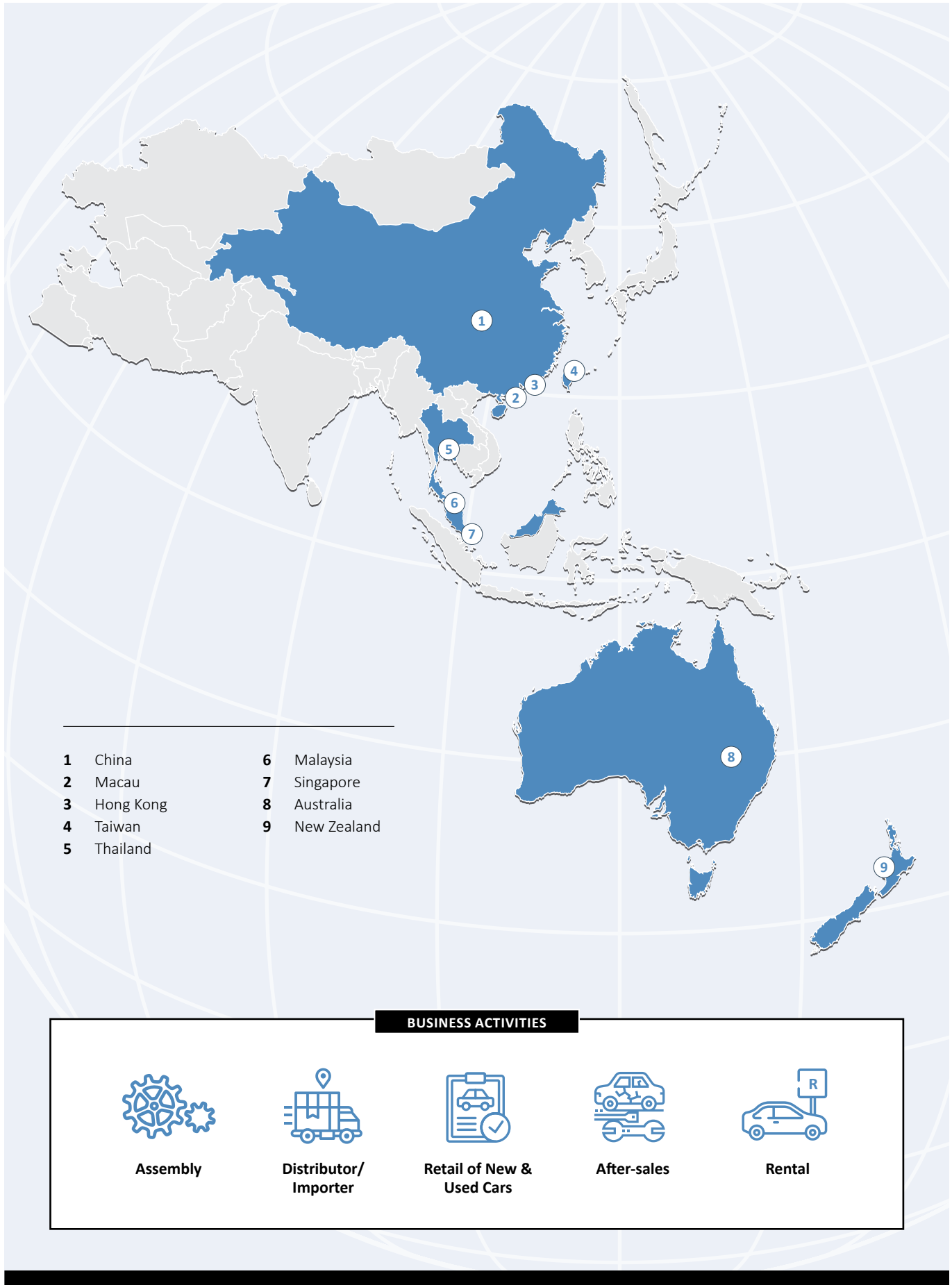
To be the leading automotive player in the Asia Pacific region

### ➔ PRESENCE

SDM is one of the largest automotive groups in the Asia Pacific region and represents 31 marques across markets in Australia, China, Hong Kong, Macau, Malaysia, New Zealand, Singapore, Taiwan and Thailand with 135 retail, service and rental outlets



BMW X2. The cool rebel X.








## KEY HIGHLIGHTS

We recorded a PBIT of RM543 million for FY2018, a 14% decrease from the previous financial year, primarily due to losses from the now discontinued BMW operations in Vietnam. China remained our largest contributor, followed by Malaysia and Singapore. Hong Kong, Macau, Australia and Thailand recorded higher results year-on-year. New Zealand was a solid contributor, maintaining its results while Taiwan saw some improvements following action plans to turnaround the business.



## OUR BUSINESS MODEL

Our Business Model outlines capitals that we use to create long-term value for our stakeholders.

CAPITALS	COMPONENTS OF VALUE CREATION	OUTPUTS/OUTCOMES
 <p><b>Intellectual</b></p>	<ul style="list-style-type: none"> <li>• Diverse portfolio of brands ranging from luxury to broad-appeal market, and trucks</li> <li>• Highly skilled, professional workforce with in-depth industry knowledge</li> <li>• Business processes, brands, dealerships and licenses</li> <li>• Assembly capacity and expertise</li> <li>• Digital Transformation Strategy</li> <li>• Customer-focused after-sales services platform</li> </ul>	<ul style="list-style-type: none"> <li>• We provide high quality products and services at competitive prices.</li> <li>• We provide excellent customer service throughout the entire automotive value chain, including importation, assembly, distribution, retail and rental.</li> <li>• Digital strategies and innovative solutions enhance Customer Experience (CX), Employee Experience (EX) and boost business efficiency.</li> <li>• Digitalisation equips us to respond to changes, improve processes and enhance customer satisfaction.</li> <li>• High level of customer satisfaction, brand loyalty and new vehicle sales opportunities.</li> </ul>
 <p><b>Financial</b></p>	<ul style="list-style-type: none"> <li>• Access to capital from a strong parent company, shareholders, funds and lenders</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable financial returns – FY2018 ROAIC 9.3%.</li> <li>• Sustainable growth and expansion.</li> <li>• Investor confidence.</li> </ul>
 <p><b>Manufactured</b></p>	<ul style="list-style-type: none"> <li>• Established dealership network</li> <li>• 135 strategically located retail, service and rental outlets across nine countries</li> <li>• Full-fledged facilities with showroom and after-sales services</li> <li>• Leading assembly plants</li> </ul>	<ul style="list-style-type: none"> <li>• Our dealership network enables comprehensive and timely customer service.</li> <li>• The strategic locations of our outlets ensure that we capture demand, achieve greater scale within the markets we operate in, boost operational efficiencies and generate better returns.</li> <li>• Customers receive products and services that meet our stringent quality standards and those of our principals.</li> <li>• Local assembly enables more competitive pricing.</li> </ul>
 <p><b>Social</b></p>	<ul style="list-style-type: none"> <li>• Continuous engagement with stakeholders including our principals, suppliers, customers, employees, investors, communities and governments</li> </ul>	<ul style="list-style-type: none"> <li>• We continue to foster close relationships with our principals and partners. We represent 31 marques and have close relationships with major automotive manufacturers such as BMW, Porsche, Rolls-Royce, Jaguar Land Rover and Hyundai.</li> <li>• Our product support teams are available to customers whenever needed.</li> <li>• Enhanced brand value for vendors results in long-term partnerships, increased confidence from partners, and attracts new associates.</li> <li>• We forge close relationships with stakeholders to ensure all of their interests are considered.</li> </ul>
 <p><b>Human</b></p>	<ul style="list-style-type: none"> <li>• Employee training programmes</li> <li>• World-class training centres</li> <li>• Safe work environments</li> <li>• Number of Employees: 10,403</li> </ul>	<ul style="list-style-type: none"> <li>• Employees gain knowledge and skills that maximise efficiency and effectiveness leading to high workplace productivity.</li> <li>• Employees provide high customer satisfaction and build strong, positive relationships with manufacturers and relevant authorities.</li> <li>• We practice zero-harm at all our workplaces.</li> </ul>

## OUR STRATEGY

In order to achieve our vision of being the leading automotive player in the region, we are focused on four key strategic thrusts. We will continue to improve on operational excellence, expand our assembly capacity and capabilities, pursue greenfield and other strategic investment opportunities and future-proof our business against rapidly advancing disruptive technologies.

### Operational Excellence

The Sime Darby Motors Retail Excellence Programme (SREP), implemented in FY2017, continues to be the cornerstone of our operational excellence initiatives. The programme ensures that we remain competitive, strengthens the performance of our retail operations, and fosters network optimisation opportunities. This programme is embedded in all our dealerships and retail points, along with continuous improvements and refurbishments of our facilities to ensure high standards of quality and service. We are also implementing cost and efficiency best practice drivers and developing action plans to improve business performance as well as promoting growth and efficiency in our used cars business and after-sales services.

### Expand Assembly Capacity

In FY2018, the Division expanded into engine assembly with the launch of the Sime Darby Auto Engineering engine assembly plant in Kulim, Kedah (Malaysia).

The RM132 million plant currently assembles engines for BMW and has a capacity of 10,000 engines per year. Moving forward, the Division will continue to increase its assembly capacity for current partners in the region while establishing assembly facilities for new partners, for both local and export markets.

### Greenfield and M&A Expansion

Our strategy to expand and diversify our operating footprint throughout the Asia Pacific region is driven by our focus on greenfield investment and mergers and acquisitions. Strategically representing new dealerships in existing strong base market or exploring new markets to represent existing partners allows us to increase our scale and market presence.

In FY2018, we continued our growth trajectory by establishing new dealerships in existing markets, such as a new Volvo dealership in Brisbane and a third BMW dealership in Kunming.

### Future-proofing Strategy

We have developed a Digital Transformation Strategy to allow us to respond swiftly to changing market environments, shifting customer needs and values, and new technological advances. This will help us to leverage on digital trends, reach new customers, and employ innovative technologies as a competitive differentiator. Close collaboration with our principals will see us expanding into new markets, while existing operations will be digitised to bring further process efficiencies, increased revenue, enhanced customer satisfaction and brand loyalty.

KEY RISKS	MITIGATION MEASURES
<b>Principal risk</b> Potential loss of a key franchise if performance does not meet Principal's expectations.	<ul style="list-style-type: none"><li>• We will manage volume aspirations and maintain close relationships with all Principals to ensure that both the Principals' and our interests are aligned.</li><li>• Diversification of brand portfolio is also part of the mitigation plan.</li></ul>
<b>Competitive pressure</b> Competition from other dealers and grey importers selling vehicles at highly discounted prices may impact our car sales.	<ul style="list-style-type: none"><li>• The launch of new products will boost sales volume and profitability.</li><li>• We will focus on the customer experience to maintain high retention of customers.</li></ul>
<b>Economic and regulatory risk</b> Economic downturns and unfavourable legal and/or regulatory changes may adversely impact operations in the countries in which we operate.	<ul style="list-style-type: none"><li>• The management team, together with our manufacturers, monitor these changes to introduce competitive products into growth segments.</li></ul>



The new Porsche 911 GT2 RS. Unyielding.

## FY2018 OPERATIONS REVIEW

### Malaysia

Sluggish economic growth, cautious consumer spending and tight lending conditions resulted in a marginal 0.6% year-on-year decline in Total Industry Volume (“TIV”) for Malaysia from 580,085 units in 2016 to 576,635 units in 2017.

Despite the weakness in the overall new vehicles sales market in the country, our Malaysian operations performed well in FY2018 due to stronger profits from our assembly business and retail operations across all brands, especially the luxury segment. In May 2018, we opened a BMW engine assembly facility to cater to the growing demand for locally-assembled vehicles, and to support BMW’s export initiatives to other markets in the region.

### Australia

The stability of the Australian economy and low interest rates paved the way for a record year. SUV sales outstripped passenger cars for the first time in 2017. TIV for Australia grew 0.9% year-on-year from 1,178,133 units in 2016 to 1,189,116 in 2017.

Here, our operations performed better year-on-year, with a strong contribution from the Corefleet leasing business following the recovery in the mining sector. The luxury business was slightly down following intense competition. We opened a new Volvo dealership in Brisbane on 23 June 2018.

### New Zealand

The New Zealand motor industry experienced another record year due to attractive auto financing rates, a buoyant inbound tourism market and continuous government spending on infrastructure projects. TIV for New Zealand grew 9.0% year-on-year from 146,936 units in 2016 to 160,115 units in 2017.

Against this backdrop, our New Zealand operations held on to last year’s results. The commercial truck business continued its growth with strong truck sales across all platforms, offsetting lower results from the retail operations, which experienced a very competitive market.

#### AWARD IN NEW ZEALAND

**FERRARI AUSTRALASIA  
DEALER OF THE YEAR AWARD  
FOR 2017**

-Ferrari



Hyundai Starex. The icon of class and luxury.

### China

The ensuing US-China trade war, which began in early 2018, led to heightened trade tensions and changes on the auto import tariff structure imposed by the China government. These uncertainties led to lower consumer sentiment but the automotive market sustained a modest 3.0% TIV year-on-year growth. TIV increased from 28.0 million in 2016 to 28.9 million in 2017 compared to the double-digit TIV growth in the previous year.

Despite the challenging environment, our China operations continued to deliver strong results in FY2018, supported by the higher volume and better margins of newly launched models. However, the supply of new super-luxury cars was affected by the government's requirement for new vehicles to undergo durability testing before they are allowed to be retailed. Once this issue is resolved, the normal supply of these models will help boost sales. During the year under review, we opened our third BMW dealership in Kunming in January 2018.

### Hong Kong

In Hong Kong, rising interest rates and a softer housing market dampened consumer spending, leading to only a 6.0% year-on-year growth for the territory, from 41,182 units in 2016 to 43,642 units in 2017. The government reduced its subsidies on electric vehicles, which may boost the flagging sales of zero-emission vehicles. We implemented action plans to spur sales, improve margins and manage costs, alongside new model launches. Our Hong Kong operations delivered higher year-on-year results in spite of challenging trading conditions.

### Macau

The Macau economy hinges on one pillar – the gaming industry, which experienced a recovery in FY2018. TIV for Macau increased 20.6% year-on-year from 13,935 units in 2016 to 16,803 units in 2017. Our Macau operations benefitted from this and strongly outperformed previous financial year's results.

### Taiwan

Car sales in Taiwan for 2017 hit a 12-year high on the back of government subsidies and aggressive promotional campaigns. TIV increased a modest 1.1% from 439,629 units in 2016 to 444,469 units in 2017.

Benefiting from this positive landscape, our Kia operations in Taiwan has grown in strength since its inception four years ago, becoming one of the fastest growing brands in 2017. Sales volume and service throughput were up 48% and 11% year-on-year respectively. In a historic move, we became the first company to sign major partnership deals with two of the largest taxi companies in Taiwan.

We were also named Outstanding Foreign Company Winner of 2017 by the Chamber of Commerce in Taipei. In the award's 71-year history, this has only been awarded to three other auto companies in Taiwan, and is a strong endorsement of our operations here. During the year, we also received an overwhelming response for our launch of the Kia Picanto in June 2018.

AWARD IN TAIWAN

**GOLDEN MERCHANT  
AWARD 2017**

- Chamber of Commerce, Taipei

## Singapore

As part of Singapore's efforts to transform into a car-lite nation, the Land Transport Authority of Singapore cut vehicle growth rate to zero per cent, effective February 2018, putting a halt on new issuances of Certificates of Entitlement ("COE"). The future COE quota for private passenger cars is dependent solely on vehicle de-registrations. Nevertheless, TIV in Singapore increased 5.2% year-on-year from 110,455 units in 2016 to 116,148 units in 2017, and our Singapore operations remained one of the largest contributors to this figure despite a drop in profit from the prior financial year due to the reduced COE quota. Luxury cars continued to deliver strong performance with new model launches.

### AWARD IN SINGAPORE

## BEST DEALER IN SALES - IMPORTER REGION ASIA PACIFIC

- BMW Asia

## Thailand

TIV in Thailand soared 13.4% year-on-year from 768,788 units in 2016 to 871,644 units in 2017. This was underpinned by improved consumer confidence and the country's economic recovery, now in its second year following four consecutive years of decline as a result of political instability and a weak economy. As a result, our Thailand operations performed well during the year due to increased interest in vehicle purchase. FY2018's positive performance has been further supported by improved contributions from the after-sales body and paint business.

## OUTLOOK AND FUTURE FOCUS

We operate in nine markets across the Asia Pacific region and the performance of our businesses may be affected by fluctuations in foreign exchange, local government regulations, uncertain economic conditions, weak consumer confidence and stringent hire purchase financing.

China's ongoing trade tensions with the US will continue to create uncertainty in the market. Heavy discounting is expected as stock builds up for all luxury brands. However, we expect some respite as the SUV segment is forecasted to grow over the coming years amid a rise in income levels and increasing family sizes due to the scrapping of China's one-child policy. Rising borrowing costs and the negative wealth effects from a softer housing market will weigh on private consumption and growth in new car sales in Hong Kong.

In Malaysia, the reintroduction of a Sales and Services Tax ("SST") on 1 September 2018 saw a reduction in prices for locally assembled cars. However, we expect volumes to taper off in the short term as most consumers would have purchased their cars during the zero-rated GST period from June to August 2018.

The Singapore government's zero growth policy for COEs for passenger vehicles and Vehicle Emission Scheme ("VES") are headwinds to new car sales. In Thailand, we are seeing an improving business environment and strong replacement demand following the expiry of the five-year lock period brought in under the previous government's first-time buyer scheme. Mature markets such as Australia and New Zealand are projected to continue delivering strong sustainable results, especially in the commercial vehicle segment. However, any slowdown in the economies of these two countries may lead to a drop in demand for new vehicles. On the other hand, our Taiwan operations are expected to improve with the launch of several key volume models in FY2019.



Range Rover Velar. The avant-garde Range Rover.



MINI 3 Door John Cooper Works. Thrill maximised.



Jaguar F-Pace. Jaguar's most practical sports car.

We are also cognisant of the following megatrends that could shape and impact future automotive players:

- **Shared mobility**

The sharing economy is likely to shape conventional car ownership, with some consumers viewing access to cars being just as good as owning a car. Private vehicle ownership will be impacted by the growth of ride-sharing operators, such as Uber and Grab, and improvements in public transportation. Car dealers could be selling fewer private vehicles but more shared vehicles.

- **Electrification**

Environmental and climate policies aimed at reducing carbon emissions are calling for a ban on fossil fuel-powered vehicles in some markets. Electric Vehicles (EVs) are becoming viable and price competitive but adoption hinges on ownership costs (expensive batteries) and government subsidies. Over time, electrification will significantly lower the requirement for parts and servicing, which will lead to lower revenue for car dealers.

- **Digitalisation**

The role of bricks and mortar dealerships could change with the rise of Industry 4.0 and changes in consumer purchasing behaviour. Digital sales are expected to become more prevalent, with an omni-channel purchasing experience.

- **Autonomous Driving**

Fully autonomous vehicles are unlikely to materialise in the Asia Pacific region until at least 2030 due to regulatory challenges and the development of safe, reliable and affordable solutions.

**Future Focus**

Despite market challenges, we will continue to pursue strategic investment opportunities in existing and new markets, leverage on digital trends by carrying out digitalisation initiatives on existing operations to improve processes and enhance customer satisfaction. We will also be continuing our efforts into SREP which is aimed at strengthening the performance of our retail operations and foster network optimisation opportunities.

# SIME DARBY LOGISTICS



## ABOUT SIME DARBY LOGISTICS

Sime Darby Berhad's Logistics Division is the primary operator of Weifang Port in Shandong Province, China, and owns three major river ports along the Grand Canal in Jinan, also in the Shandong Province in China. Our shipping network services customers throughout Northeast China, Southern China, East Asia and Southeast Asia.

The Logistics Division's primary activities are loading, discharging and storage of containers, dry bulk, break bulk, general and liquid cargo, coal-related products and storage services. Other value-adding services include tallying and tugging, container-related services, sorting and repackaging general cargo, stack yard operations and washing and blending coal.



## SIME DARBY LOGISTICS

### ➔ VISION

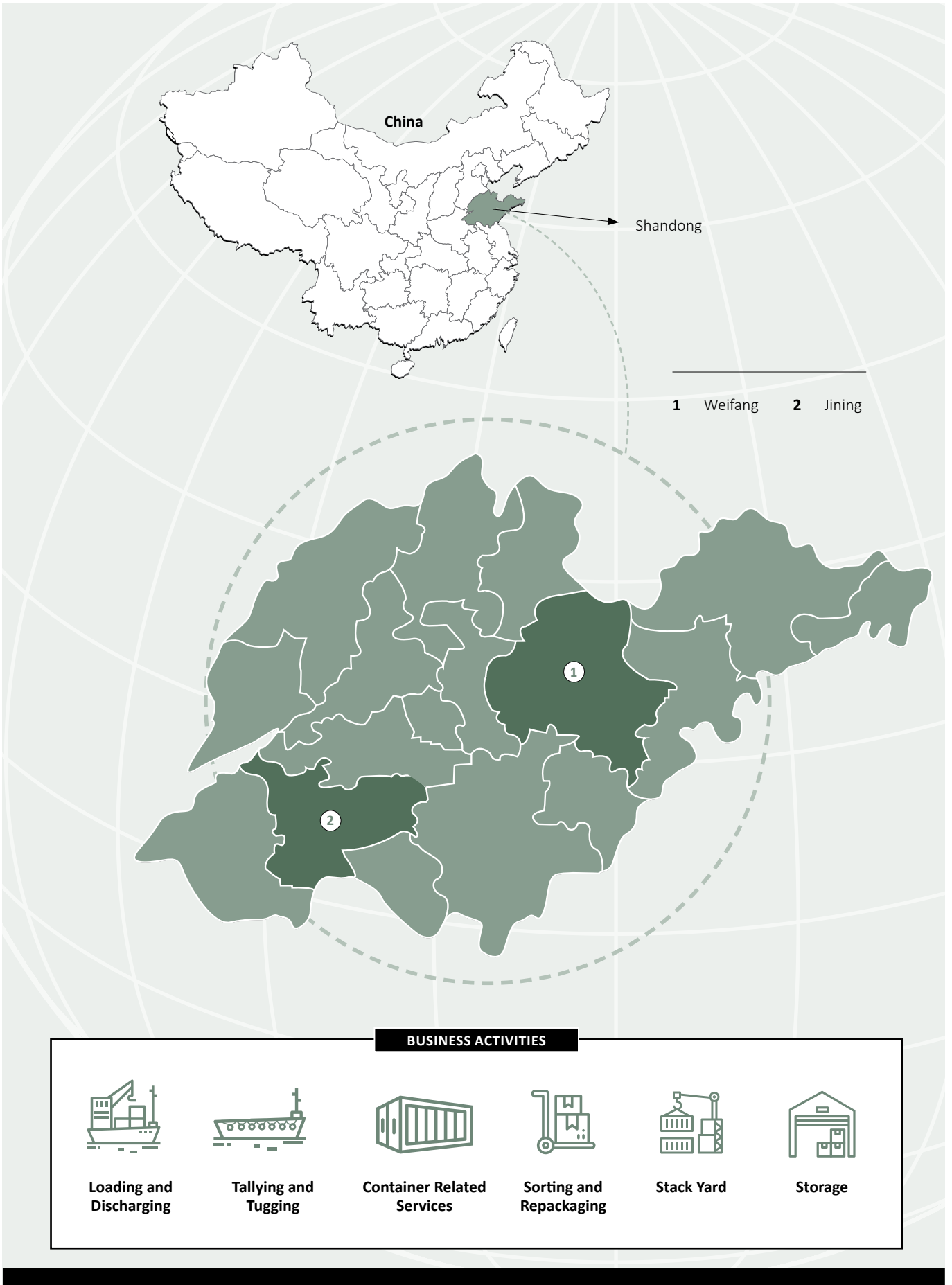
To be a leading port logistics operator in China

### ➔ PRESENCE

Shandong Province, China





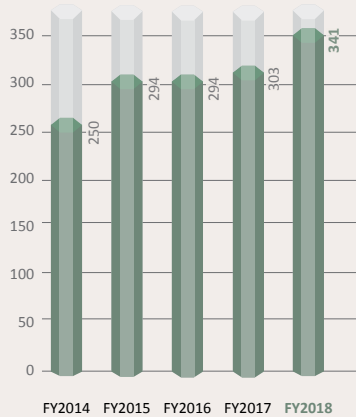


## KEY HIGHLIGHTS

The Logistic Division recorded a PBIT of RM74 million for FY2018, which was a 6.6% increase from the previous financial year, primarily due to the strong growth in throughput from newly completed berths and facilities including three 30,000 deadweight tonne (DWT) dry bulk berths, three 30,000 DWT woodchip terminals, two 50,000 DWT liquid terminals and new 497,000 cubic metres (CBM) tanks.

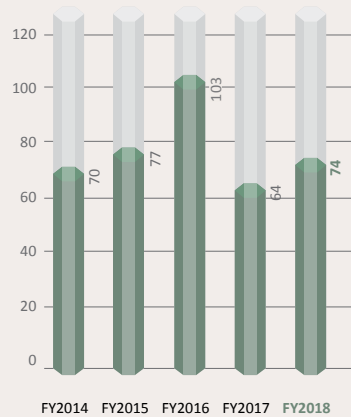
### REVENUE

(RM million)



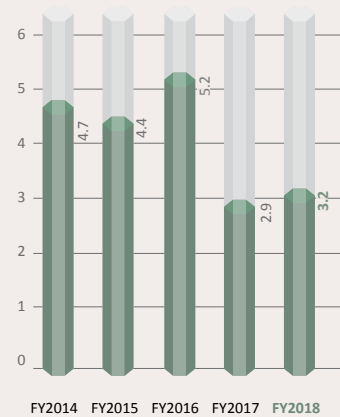
### PROFIT BEFORE INTEREST AND TAX (PBIT)

(RM million)



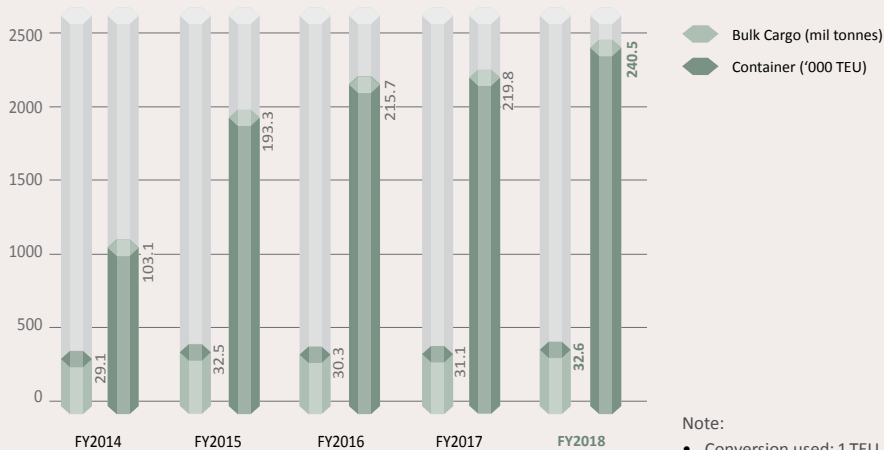
### RETURN ON AVERAGE INVESTED CAPITAL (ROAIC)

(%)



### PORT THROUGHPUT (INCLUDING CONTAINER OPERATIONS)

(million tonnes and TEU)





Note:

- Conversion used: 1 TEU = 20 tonnes

## OUR BUSINESS MODEL

Our Business Model outlines the resources, or Capitals, that we use to create value for our stakeholders.

CAPITALS	COMPONENTS OF VALUE CREATION	OUTPUTS/OUTCOMES
 <p><b>Intellectual</b></p>	<ul style="list-style-type: none"> <li>Highly skilled, professional workforce.</li> <li>Business processes, licences and government approvals.</li> </ul>	<ul style="list-style-type: none"> <li>We provide excellent customer service.</li> <li>We manage one of the most efficient and productive river port networks in Shandong province.</li> </ul>
 <p><b>Financial</b></p>	<ul style="list-style-type: none"> <li>Access to capital from SDB and lenders.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable financial returns – FY2018 ROAIC 3.2%.</li> <li>Sustainable growth and expansion.</li> <li>Investor confidence.</li> </ul>
 <p><b>Manufactured</b></p>	<ul style="list-style-type: none"> <li>State-of-the-art port facilities.</li> <li>Well-connected, strategically located multimodal ports.</li> <li>Multi-purpose seaport with 23 berths able to handle vessels ranging in size from 3,000 to 50,000 deadweight tonnes (DWT).</li> <li>Bulk/coal river ports with 14 berths.</li> </ul>	<ul style="list-style-type: none"> <li>Port-related services such as loading and discharging cargo, storage services and ancillary port and logistics services.</li> <li>High quality, well-managed and maintained assets that are ISO 9001 certified.</li> <li>Transport connections include road, rail and sea.</li> <li>Transit points for coal transportation.</li> </ul>
 <p><b>Social</b></p>	<ul style="list-style-type: none"> <li>Long-term partnerships with stakeholders, joint venture and business partners, government and local communities.</li> </ul>	<ul style="list-style-type: none"> <li>We have forged close relationships with stakeholders to ensure that our interests are considered.</li> <li>Weifang Port contributes to the economic development of the Binhai Economic-Technological Development Area (BEDA) by providing cost-effective port services.</li> <li>Jining ports contribute to the commercial development and connectivity between the cities around the Grand Canal and the Yangtze River Economic Belt.</li> <li>Our operations contribute to the steady growth and sustainable development of the region.</li> </ul>
 <p><b>Human</b></p>	<ul style="list-style-type: none"> <li>Number of employees based in Weifang and Jining: 952*</li> <li>Safe work environments.</li> </ul>	<ul style="list-style-type: none"> <li>Our highly skilled and professional port management and operations personnel provide excellent service.</li> <li>We have developed a pool of talent and have created employment opportunities for local communities.</li> <li>We maintain zero-harm workplaces.</li> </ul>
 <p><b>Natural</b></p>	<ul style="list-style-type: none"> <li>Hinterland resources.</li> </ul>	<ul style="list-style-type: none"> <li>We practice sustainable use of natural resources.</li> <li>We operate environmentally-friendly facilities to ensure minimal air pollution.</li> </ul>

\* Includes the employees in the head office and Water Management operations, exclude joint venture employees.

## OUR STRATEGY

### Optimising Business Performance

In FY2018, Sime Darby Logistics (SDL) focused on strengthening productivity and efficiency, maximising the utilisation of business assets and capacity, and on securing higher volume through the operationalisation of the newly completed berths and facilities. SDL operates 23 berths in Weifang and 17 berths in Jining, of which three are leased berths, and among which eight are new high-tonnage berths located in Weifang, handling specific types of cargoes. These high tonnage berths include three 30,000 deadweight tonnage (DWT) dry bulk berths, three 30,000 DWT woodchip terminals, and two 50,000 DWT liquid terminals, as well as 497,000 cubic metres (CBM) tanks.

The Division takes a pragmatic approach to investments and keeps capital expenditure at a minimum to ensure healthy business operations. Capital expenditure planned for the coming year includes completing works for the newly built terminals; converting Sea Use Rights to Land Use Rights and environmental capital expenditure for compliance purposes; expanding our liquid terminals, riding on growing market opportunities for petrochemicals; and upgrading container equipment to cater for the development of international routes and cargo.

### Streamlining Our Business Portfolio

The Group plans to streamline its investment portfolio to support the growth of our core businesses. As such, moving forward, value extraction and monetisation plans will be reviewed for non-core businesses as and when opportunities arise.

In FY2018, the Logistics Division entered into a sales and purchase agreement with Shuifa Group, a Shandong Provincial state-owned enterprise focused on the water industry, to divest 100% of the Division's equity interests in Weifang Sime Darby Water Co., Ltd. The divestment of the water business is part of the Group's strategy to divest non core businesses. The sale was completed in September 2018.

## RISK MANAGEMENT

KEY RISKS	MITIGATION MEASURES
<p><b>Anti-pollution policies</b></p> <p>The Chinese government stepped up their enforcement of anti-pollution policies and clamped down on polluting industries in FY2018. Weifang and Jining Ports both have significant raw material and dry bulk handling operations and is occasionally subject to government-imposed environmental restrictions.</p>	<ul style="list-style-type: none"> <li>• Efforts to diversify cargo types and sources are ongoing.</li> </ul>
<p><b>Curbing overcapacity</b></p> <p>The Shandong government has moved to curb overcapacity and overproduction, with plans to reduce coal capacity by 465 million tonnes and steel capacity by 415 million tonnes in 2018. This will impact our port throughput.</p>	<ul style="list-style-type: none"> <li>• To mitigate this, SDL will continue to monitor the government's anti-pollution policies and invest sufficiently and optimally in environmental protection facilities.</li> <li>• Efforts to diversify cargo types and sources are ongoing.</li> </ul>
<p><b>Competition</b></p> <p>Escalating competition and price slashing strategies among ports and different transportation modes have kept the tariffs at Weifang and Jining Ports down and limited our revenue growth.</p>	<ul style="list-style-type: none"> <li>• SDL will continue to improve our business and operational efficiency and effectiveness.</li> </ul>





Phase 1 and 2 tank farm for Weifang Sime Darby Liquid Terminal Co. Ltd.

### **FY2018 OPERATIONS REVIEW**

The Logistics Division remained resilient in the face of an ever challenging macroeconomic environment and harsher competitive and operating conditions during FY2018. The Division reported a PBIT of RM74 million in FY2018, compared to RM64 million in FY2017 mainly due to higher throughput at Weifang Port. The improvement in throughput was due to the declaration of National Class 1 Open Port status where we are now able to handle international shipments. At the same time, SDL also introduced more service routes; three international route services and one domestic route service - to offer better coverage for containerised shipments.

As a result of the disposal of Weifang Water, and in accordance with MFRS 5 relating to non-current assets held for sale and discontinued operations, the operations of Weifang Water has been reclassified to assets held for sale, and the depreciation and amortisation has ceased since the reclassification.

The improved financial result was primarily due to our strategy to ramp up Weifang Port's overall throughput volume, maximise the productivity and utilisation of the newly completed 30,000 DWT berths, and gradually increase the port's competitive advantage and market share in the region. We also introduced several value-added logistics services including forwarding services for shipments, land delivery services for shipments and cargo screening, and cargo management for bulk shipments.

Jining ports continued its effort to grow its non-coal market and had successfully penetrated into a new market. The port now also handles chemical cargoes in packages and woodchip.

The stable performances of the Jining Ports and Weifang Water helped maintain a healthy overall result for the Logistics Division, as did a prudent approach to spending amidst a challenging market.

### **OUTLOOK AND FUTURE FOCUS**

Domestic consumption is likely to be the main growth area of the Chinese economy, as it rebalances away from investment. China's leaders continue their commitment to structural reform, cutting overproduction, and clamping down on polluting industries.

The outlook for China's port industry is mixed against the backdrop of challenging and uncertain economic conditions. On one hand, the country is facing risks such as an intensifying trade war, multi-faceted competition, and nationwide port consolidation exercises. On the other hand, it is seeing robust domestic consumption growth while the government finetunes monetary and expansionary fiscal policies to stimulate infrastructure investments and domestic demand.

### **Future Focus**

Amid this economic and business environment, the Logistics Division will focus on strengthening business performance by maximising existing and newly-added capacities, improving operational productivity, diversifying cargo type and customers, and developing cargo-related to domestic consumption, and enhancing value-added services, logistics and shipping route networks, where feasible.

# CREATING SUSTAINABLE VALUE

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## **Sustainability Statement**

This section provides an understanding on our focus and approach with regards to Sustainability, outlining our commitment to Delivering Sustainable Futures.



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Our Commitment



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Sustainability Governance



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Identifying Our Material Sustainability Matters



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Business Ethics and Compliance



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Environmental Sustainability



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People



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Community Contributions and Development

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# CREATING SUSTAINABLE VALUE

## OUR COMMITMENT

At Sime Darby Berhad (SDB), we believe that in order to grow our businesses in a sustainable manner, we must balance our commitments to our wide range of stakeholders – our shareholders, customers, partners, employees and the communities where we operate with the goals of our business; delivering value, contributing to a better society and minimising environmental harm.

We are focused on developing a portfolio of businesses that deliver superior and sustainable financial returns for all our stakeholders.

For details on how we address this, please refer to our Value Creation Plan on pages 12 to 13.

## SUSTAINABILITY GOVERNANCE

To ensure that Sustainability continues to be embedded within our business operations, we have established a Sustainability function at each Division, which reports to the Managing Director of the Division. Each Division's Sustainability function focuses on sustainability matters that are material to each Division. At Group Head Office, material matters are reported to the Group Management Committee and to the Board as and when necessary.

Prior to the pure-play exercise, a dedicated Board Sustainability Committee, which reported to the Main Board, oversaw all sustainability efforts across the Group. This was due to the extent and reach of the sustainability issues faced particularly by the Plantation Division, which had the potential to impact the reputation and sustainability of the Group. With SDB's new focus on its Industrial and Motors Divisions, the Group's sustainability agenda and focus have also changed. Today, SDB's Board of Directors oversee all sustainability matters directly.

## IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

Prior to the pure-play exercise, Sime Darby Berhad's sustainability matters were mainly focused on the Plantation business, as it posed the highest risk and potential negative impact to the Group. With our new focus in the heavy equipment and automotive trading segments, we have decided to re-examine the material sustainability matters for our organisation, to ensure that we continue to address the most material issues to the Group and the industries we operate in.

As part of this journey, we have engaged KPMG Malaysia to help identify the sustainability matters that are material to the Industrial and Motors industry segments.

In consultation with the management team, KPMG reviewed a list of applicable sustainability matters, compared them to the practices of similar companies, reviewed our risk register and identified Sustainability Matters that are potentially material to the Group.

We are currently reviewing these Sustainability Matters to identify their degree of materiality, both from the business perspective and with inputs from identified key stakeholders. This will allow us to align our strategy and action plans accordingly and develop a Sustainability Roadmap that will guide the management in monitoring and reporting sustainability matters for the Group.

We aim to identify five key Sustainability Matters that are most material to the Group. We will then develop plans and initiatives to facilitate measurement of our progress and to report our performance in those areas. In addition to the Sustainability Roadmap at the Group level, we will establish roadmaps to address Sustainability Matters that are uniquely material to certain businesses and country of

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**We will establish roadmaps to address Sustainability Matters that are uniquely material to our organisation**

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SDB is governed by our Group Policies and Authorities, which are designed to empower management to achieve business objectives

operations. This will ensure that SDB achieves a balanced focus on sustainability, both at the Group level and at specific operational or geographical levels.

For the purpose of reporting for the FY2018 Annual Report, we will be focusing on the following sustainability matters:

Business Ethics and Compliance
Occupational Health and Safety
Environmental Sustainability
Employee Development and Engagement
Fair Employment Practices
Community Contributions and Development

#### **BUSINESS ETHICS AND COMPLIANCE**

SDB is governed by our Group Policies and Authorities (GPAs), which are designed to empower management to achieve business objectives within the boundaries of business ethics and with the highest standards of corporate governance. The GPAs form a living document and are constantly updated as the governance environment and stakeholders' expectations of good practice evolve.

In particular, the GPAs detail the roles and responsibilities of Group Corporate Assurance, Group Compliance and Group Risk Management departments, and how each function works together to ensure that SDB operates ethically and complies with all legal and regulatory requirements, internal policies and procedures, standards of good practice (including the Code of Business Conduct) and the Corporate Integrity Pledge.

The GPA Whistleblowing policy was established to provide an internal mechanism for reporting, investigation and remedying any breaches related to the GPA, COBC and other non-compliances. Read more about Whistleblowing at Sime Darby Berhad on our website at <http://www.simedarby.com/operating-responsibly/whistleblowing>.

For further information on Governance within the Group, please refer to our Corporate Governance Overview on pages 68 to 98.



## OCCUPATIONAL HEALTH AND SAFETY

The health and safety of our employees, contractors and local communities is a top priority and we employ proactive measures to prevent accidents and to minimise risks.

Four focus areas drive our Occupational Health and Safety (“OHS”) performance:

### Leadership and Commitment

- Improving the visibility of our OHS commitment among senior management.
- Incorporating OHS objectives into department targets and goals. This includes setting an OHS vision and challenging KPIs as well as defining clear responsibilities and authorities.
- Demonstrating a visible commitment to OHS by conducting safety programmes and chairing dedicated OHS forums.
- Providing support and resources to OHS personnel.
- Recognising achievements and rewarding good OHS performance.
- Implementing OHS reporting systems, including stop-work systems, to improve workplace safety.

### Culture

- Embedding an OHS culture among all employees across all levels.
- Promoting a safety culture by actively engaging with employees.

### Governance

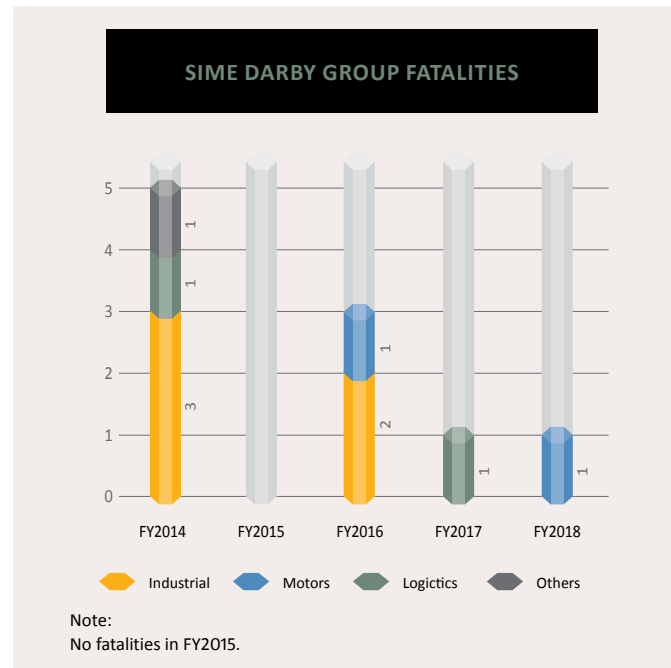
- Enhancing compliance with OHS standards.
- Conducting regular audits of safety systems for continuous improvement of OHS systems and processes.
- Investigating all accidents and near-misses thoroughly to apply lessons learnt and to ensure no repeat or recurrence of similar incidences.

### System

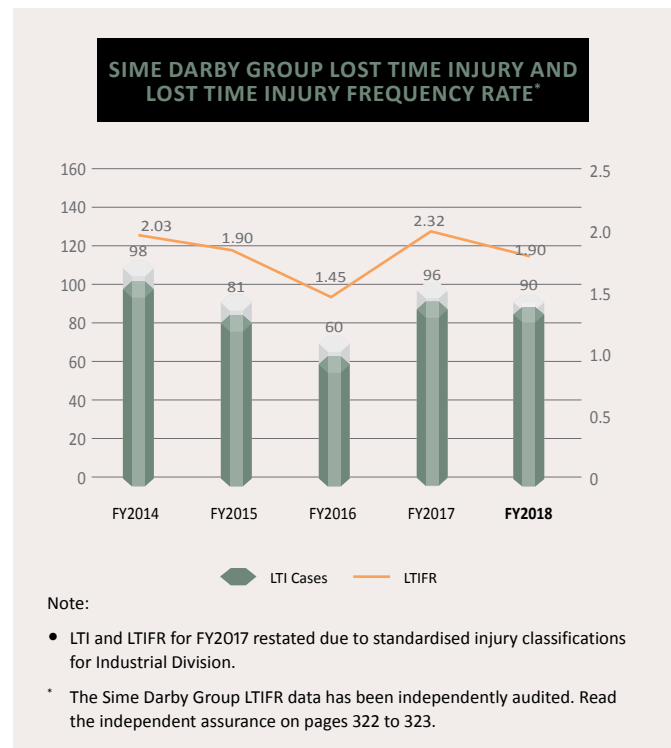
- Enhancing internal OHS policies, systems and processes.
- Adopting a formal OHS Policy, supported by adequate codes of practice and safety standards to ensure proactive system management.
- Embedding OHS training in induction programmes and regularly conducting training to ensure awareness and the development of employee competence.
- Deploying an OHS Communications Plan to improve communication and transparency across all organisational levels.
- Developing a customised and dedicated standard on risk management for effective hazard control.
- Reinforcing and supporting the importance of safety via an effective OHS Management Process, including ‘near-miss’ reporting.

## Fatality

In FY2018, we are saddened to report one occupational fatality, which involved a contractor working in our Motors Division site in Hong Kong. Any fatality is unacceptable and we are determined to strengthen our efforts to prevent similar incidents in the future.

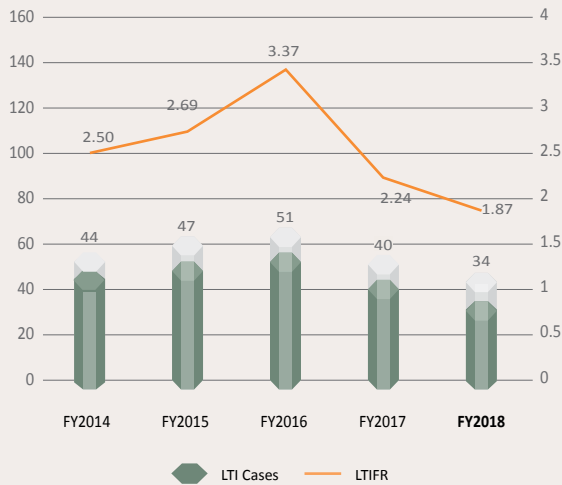


## Lost Time Injury Frequency Rate



For the year under review, SDB reported a total of 90 Lost Time Injury (LTI) cases, of which 94.44% were from the Industrial and Motors divisions. We recorded a Lost Time Injury Frequency Rate (LTIFR) of 1.90, which is a reduction of 18.10% from the previous year.

### SIME DARBY INDUSTRIAL LOST TIME INJURY AND LOST TIME INJURY FREQUENCY RATE



Note:

- LTI and LTIFR for FY2017 restated due to standardised injury classifications for Industrial Division.

In FY2018, LTIFR at the Industrial Division decreased from 2.24 incidents per million man-hours worked in previous year to 1.87 incidents per million man-hours. A key component of SDI's health and safety strategy and regional plans has involved the deployment of standardised incident reporting and injury classification standards across the Division. This has resulted in retrospective updates being made to injury classifications for lag indicators in FY2017 including lost time injuries where evidence of under reporting or incorrect classification was identified.

The Division's priority this financial year has been to continue its focus on achieving its goal of No Harm, underpinned by an engaged and capable workforce, as well as safe, simple and standardised systems and processes.

Further deployment of the Felt Leadership Programme has been central to this, with attendance reaching 35% across the Division. The program is built on the premise that all incidents are preventable, and it challenges leaders and participants' mindsets and behaviours to align with this belief.

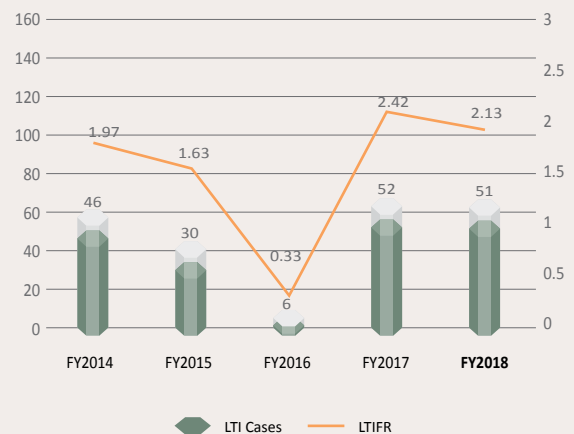
Divisional safety performance has continued to reflect the changing safety culture with a significant improvement in lead indicator reporting. Safety interactions increased by 39% and hazard reporting increased by 79% in FY2018 compared to FY2017.

Standardised key safety processes have been deployed in the Division resulting in a significant improvement in approaches to safety communication, safety interactions, incident reporting, investigation and risk management. Areas for aligning approaches to health and injury management continue to be explored, with a focus on early intervention strategies.

Life-saving commitments were rolled out in a dealership, with planning underway to complete deployment across the Division in FY2019. This will improve management of workforce exposure to critical hazards in the business with the implementation of minimum mandatory controls to mitigate risk. Results following deployment in this dealership has resulted in a reduction in significant incidents reported.

The Division continues to pursue options to leverage on technology to enhance and continuously improve health and safety performance. This has seen the deployment of the OCA incident reporting software, mobile applications to support risk management and hazard reporting.

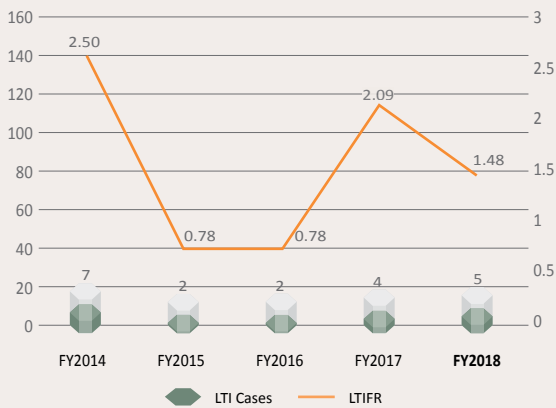
### SIME DARBY MOTORS LOST TIME INJURY AND LOST TIME INJURY FREQUENCY RATE



In FY2018, LTIFR at the Motors Division was reduced to 2.13 incidents per million man-hours worked from 2.42 incidents per million man-hours recorded in the previous year. During the year, Motors Division increased its focus on Concerned Positive Reporting and received a total of 367 concerns reported from six operating countries. The concerns reported included hazard-spotting, unsafe acts, unsafe conditions and near misses at key areas of operations.

The Division will continue to encourage identification of safety risks and address gaps before actual occurrence of safety incidents, in all countries in which it operates.

### SIME DARBY LOGISTICS LOST TIME INJURY AND LOST TIME INJURY FREQUENCY RATE

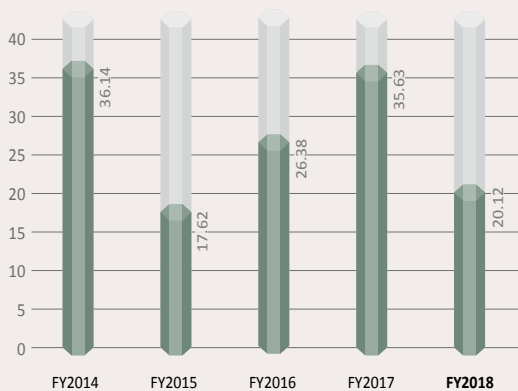


In FY2018, LTIFR at the Logistics Division was reduced from 2.09 incidents per million man-hours worked in the previous year to 1.48 incidents per million man-hours. All operating units in the Logistics Division will continue its focus on improving management competency and employees' awareness on safety through both internal and external audits and management review processes.

#### Severity Rate

Another useful indicator that we use to assess the Group's safety performance is the Severity Rate, which shows how critical any injuries were. The Severity Rate is calculated as the Number of Lost Days per 1,000,000 hours worked. In FY2018, Severity Rate for the Group was 20.12, which was a significant reduction from the previous two years.

### SIME DARBY BERHAD NUMBER OF LOST DAYS PER 1,000,000 HOURS WORKED



#### Future Focus

With a leaner structure following the pure-play exercise, we will streamline our OHS Management System for all Divisions based on best practices in the countries in which we operate. This includes greater emphasis on leading indicators such as hazards identification and safety interactions conducted in order to prevent safety incidents from occurring.

## Sime Darby Berhad remains committed to the environmental sustainability matters in each of the markets we operate in.

#### ENVIRONMENTAL SUSTAINABILITY

SDB remains committed to the environmental sustainability matters in each of the markets we operate in.

As part of the ongoing exercise to develop the SDB Sustainability Roadmap, we have reviewed the Global Reporting Initiative (GRI) list of environmental matters and will be prioritising the following three key environmental sustainability matters that are most pertinent to our businesses and stakeholders:

- **Energy & Carbon Management**

Purchased electricity makes up 80% of the Motors Division's carbon footprint and 60% of the Industrial Division's. Thus, more efforts will be made to minimise electricity consumption and to seek out renewable electricity sources. At the moment, the Industrial Division's business operations in Australia and China have already installed Solar PV systems with the capacity to produce up to 178kW of electricity, as part of our efforts to promote the use of renewable energy.

- **Water Management**

Some of the countries that we operate in, such as China, Australia, Singapore and Taiwan are rated as having high water risk. Our operations, particularly in these markets aim to reduce its water consumption through recycling wherever possible.

- **Waste & Effluent Management**

This is a top priority for all Divisions as most of the countries we operate in have strict regulations on waste and effluent management. We will take comprehensive measures to prevent environmental pollution and to reduce the amount of hazardous and non-hazardous wastes using the latest available technology.

In the SDB Sustainability Roadmap that is being formulated, we will provide details of the initiatives, KPIs and timeline to address the above matters. We will also incorporate feedback and ideas from all relevant stakeholders in the development of the roadmap.



As a corporate citizen, our interactions with our employees demand mutual respect and shared responsibility.

## The wellbeing and development of our people are key to the growth and success of our organisation

### PEOPLE

SDB's commitment to delivering a sustainable future goes beyond its responsibilities to business and operations. As a corporate citizen, our interactions with our stakeholders, especially our global team of employees, demand mutual respect and shared responsibility.

#### Employee Development

The wellbeing and development of our people are key to the growth and success of our organisation, and we value the insights and feedback that our employees provide. We prioritise the development of leadership capabilities and foster a results-centric work environment and a culture that promotes operational excellence and efficiency.

Career opportunities for existing employees are guided by a Promotion Policy, which outlines explicit criteria for executive promotion. This standardises the process and ensures consistent administration across the Group to promote transparency of the criteria required to proceed to the next level.



We foster a results-centric work environment



We prioritise the development of leadership capabilities

### Talent Exchange Programme

To accelerate talent development, share knowledge across countries and assist with succession planning, Sime Darby Industrial implemented the Talent Exchange Programme (“TEP”). In FY2018, we conducted an employee exchange programme, our first ever, between Malaysia and China. The programme ran from April 2017 to May 2018, and involved one employee from each country. The TEP will be conducted annually and in FY2019, we aim to expand the programme to include Australia.

### Triple Career Path

The creation of multiple career paths for technicians was a priority for the Motors division in FY2018. In recognising the need to do more to retain experienced technicians and offer opportunities for career progression, we have reviewed our operations to identify future requirements and outlined potential career pathways. This initiative is expected to reduce attrition rates and position us as an employer of choice for technicians.

### Upskill, Reskill at Motors Singapore

As digitalisation, automation and advances in artificial intelligence increasingly affect the way we work, it is likely that employees will need to repeatedly update their skills throughout their careers. In FY2018, Motors Singapore delivered courses to help employees acquire digital skills and learn how to adapt to change. Training to prepare supervisors and leaders to manage a digital workforce was also provided. This initiative will result in a more analytical workforce that is able to help improve processes and gradually reduce manual work. The improved focus on training and development and the implementation of a more streamlined hiring process is also expected to bring higher productivity and reduce the attrition rate for experienced technicians.

### Providing Graduate Opportunities through SL1M

SDB is committed to providing development opportunities to Malaysian graduates under Skim Latihan 1Malaysia (SL1M) with the aim of enhancing their employability. In FY2018, SDB successfully trained and provided work exposure for more than 200 unemployed graduates. Additionally, close to 400 unemployed graduates were recruited for the “SL1M Booster” programme, where they attended two-week classroom training consisting of key soft skills and project management. SDB continues to support this programme as part of our commitment to develop the next generation of workforce.

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## Employee Engagement

To coincide with the appointment of the new Executive Leadership team in FY2018, our GCEO embarked on a series of employee engagement sessions during which he shared his thoughts on the direction of the Group and invited employees to ask questions and communicate their views about the future of the organisation. Engagement sessions were held at the Group’s operations in Malaysia, Singapore, Hong Kong, Australia and China. The Managing Directors of the Industrial, Motors and Logistics divisions also conducted their respective engagement sessions with employees throughout FY2018.

Along with face-to-face engagement sessions, we encourage a two-way flow of information between employees and the leadership team via our online employee portal. Updates and information on the Group are provided on the portal and employees are encouraged to leave their comments and feedback on the updates.

Understanding that work and life is now more integrated than ever, in FY2018, we introduced staggered (flexible) working hours for our employees at the Group Head Office of Sime Darby Berhad, as well as selected operating units of our Motors Division in Malaysia. We recognise the importance of supporting our employees in balancing and integrating their work life and their personal life to ensure that they continue to have a fulfilling career with SDB. Flexible hours will hopefully assist them in managing between deliverables at work and commitments at home.

We strive to inculcate a feeling of belonging within SDB and encourage employee unity and a sense of working together to achieve our shared goals. Throughout the year, we hosted numerous events to recognise festive seasons and to bring our people together.

### EMPLOYEE CATEGORY



Executive Non-Exec Workers



20%  
4,084

64%  
13,056

15%  
3,109

### GENDER



Male Female



74%  
15,065

26%  
5,184

### GENERATION GROUP



Baby Boomer (1962 & earlier) Gen-X (1963 - 1979) Gen-Y (1980 & later)



5.7%  
1,161 Employees

29.8%  
6,041 Employees

64.4%  
13,047 Employees

## Looking ahead to FY2019 and beyond, we will maintain our focus on talent development and drive a culture of performance and operational excellence across the Group

### Fair Employment Practices

At SDB, we have built a culture based on the values of Respect & Responsibility, Integrity, Excellence and Enterprise. We strive to inculcate these values among our present and future employees.

To help ensure that we continue to attract and retain individuals who are aligned to our culture, as well as to ensure fair treatment in our recruitment standards, we adhere to the guidelines that are outlined in our Recruitment and Selection Policy. The Policy applies to our Malaysian businesses and is also used as a point of reference for our overseas operations, for as long as it is compliant with their respective local labour laws. The Policy guides our recruitment process through a systematic approach based on the principles of Competition, Objectivity, Transparency, Equal Opportunity, Consistency, and Accountability.

SDB also champions an inclusive culture and an environment that fosters harmonious and sustainable relationships. We understand that diversity is key to a sustainable future and strive to build an inclusive work environment for all our employees. We are committed to protecting women and addressing gender discrimination within the workforce. Along with aiming to prevent and eradicate sexual harassment, our Policy on the Prevention of Sexual Harassment at the Workplace also provides a mechanism to effectively address complaints of sexual harassment.

Constructive employee feedback is highly valued and it is against this background that we introduced our Grievance Policy in 2010. We encourage employees to air their grievances, gather feedback and identify amicable solutions, and we remain committed to ensuring that our employees are treated fairly and with respect.

To enable all SDB employees, directors, counterparts and business partners to report issues of a sensitive nature, we established a whistleblowing channel. External parties and employees may access the channel via the Sime Darby Berhad corporate website. The primary aim of the whistleblowing mechanism is to enable individuals to raise genuine concerns without fear of retaliation. A Whistleblowing Policy has been embedded in our GPAs to ensure compliance.

### Future Focus

Looking ahead to FY2019 and beyond, we will maintain our focus on talent development and drive a culture of performance and operational excellence across the Group. Efforts to foster and support appropriate behaviours, beliefs and values will also continue.

Another area of focus is on Leadership Development. We launched the Accelerated Leaders Programme (ALP) in 2012 for senior level talent and subsequently for middle level talent in 2016. We are now reviewing and revamping the development of our talent at all levels to suit the needs of the organisation moving forward.

We are also mindful of the importance of employee engagement. An engaged workforce is more productive and is more likely to demonstrate discretionary effort to achieve the desired level of performance. We will undertake a Global Employee Engagement Survey (GEES) which was temporarily put on hold due to the pure-play exercise. It is timely to gauge the engagement level of our employees following the pure-play exercise. We target to conduct the GEES in FY2019, 2 years after the last survey.



Yayasan Sime Darby Arts Festival 2018

**COMMUNITY CONTRIBUTIONS AND DEVELOPMENT**

SDB contributes to Yayasan Sime Darby (YSD) to support its efforts towards community development in Malaysia. In turn, YSD offers scholarships to outstanding and deserving individuals and funds impactful conservation, community outreach and development programmes.

For further details of these community contributions, developments and activities, please refer to the Yayasan Sime Darby 2018 Annual Report and the Yayasan Sime Darby website <http://www.yayasansimedarby.com>.

Respective operations outside Malaysia support and contribute to the community in their areas of operation in various ways, including through donations and volunteer work.



Yayasan Sime Darby Arts Festival 2018

# GOVERNANCE: DRIVEN FROM THE TOP

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## **Corporate Governance Overview**

This section outlines our efforts in ensuring that our organisation subscribes to good governance practices.



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Chairman's Statement on Corporate Governance



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Board of Directors



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Group Management Committee



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Nomination & Remuneration Committee Report



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Governance & Audit Committee Report



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Risk Management Committee Report



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Statement on Risk Management and Internal Control



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Investor Relations



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Additional Compliance Information



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Statement of Responsibility by the Board of Directors

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# GOVERNANCE: DRIVEN FROM THE TOP

Chairman's Statement On Corporate Governance

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



**“AS WE GROW, IT IS CRUCIAL THAT OUR GOVERNANCE STRUCTURES KEEP PACE SO THAT WE CAN ENSURE GROWTH IS BOTH RESPONSIBLE AND SUSTAINABLE”**

—  
*This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report which is available online at <http://www.simedarby.com>*

## DEAR SHAREHOLDERS,

We recognise that good governance is essential in assisting the business to deliver its strategy, generate shareholder value and safeguard shareholders' long-term interests.

Following the successful completion of the pure-play exercise, the Group is now focused on our core trading businesses in the automotive and industrial equipment sectors across the Asia Pacific region. These two divisions are already leading regional players in their respective businesses, and we are working to cement our leading position in existing markets while expanding our footprint into new markets. We will continue to focus on operational efficiency and cost optimisation moving forward.

As we grow, it is crucial that our governance structures keep pace so that we can ensure growth is both responsible and sustainable. We need to manage our risks effectively and ensure transparency across the business. I am confident that your Board is well placed to do that and we remain committed to maintaining the very highest standards of corporate governance.

As Chairman, it is my role to ensure that the governance regime remains appropriately robust and that your Board operates effectively. I am pleased to introduce the Corporate Governance Report for FY2018. This report details the initiatives adopted by the Group in applying the Malaysian Code on Corporate Governance during the year.

GUIDELINES AND  
FRAMEWORKS  
REFERRED TO

▶ **MCCG 2017** ▶

**IIRC**

## BOARD PRIORITIES

Over the 12 months, your Board spent a great deal of time finalising the pure-play entities, its Board compositions and its structures.

We considered matters related to Group and Divisional strategies, plans and their budgets. Additionally, we oversaw senior management changes in the Divisions and presided over changes in policies and procedures.

Board Charters and Terms of Reference for Board Committees were reviewed to reflect the current fervour for strengthened governance. Sustainability remained an area of importance for the Group and as such, assurance on selected sustainability indicators were sought, reviewed and approved.

We gave particularly close consideration to the evolving dynamics of the market, emerging trends and innovation within the automotive and industrial sectors. Technology plays a major role in our businesses and we received advice on emerging themes and their potential impact.

These businesses have to anticipate and respond quickly to changes in their respective markets. We operate in a fast-moving world and we must be agile. The Board has to tackle the biggest trends and issues in our market head on, and is prepared to break away from conventional ways of doing things if required.

It is also important that our decisions as a Board are informed by long-term considerations. Actions taken today will shape the character and performance of our portfolios – and determine our impact on the world for years to come. By understanding and engaging on long-term trends, and providing both support and challenge to Management in terms of how they address material issues, the Board has acted to create ongoing opportunity for the businesses to protect the interests of stakeholders in the shorter term.

## BOARD COMPOSITION AND DIVERSITY

Each member of the Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board. It is also important that we address issues of diversity in terms of gender, skills and geographical experience relevant to our businesses. I believe the Board is sufficiently balanced in terms of diversity with a good mix of specialist skills and market expertise.

Board composition has been a key area of focus during the year as we have devoted significant time and effort to succession planning and renewal of the Board.

As a result of this renewal, the new Board comprises 12 Directors, the majority of whom are Independent Non-Executive Directors. Remaining from the previous Board are Tan Sri Samsudin Osman, Dato Sri Lim Haw Kuang and Datuk Wan Selamah Wan Sulaiman.

New members of the Board include Datin Paduka Kartini Hj. Abdul Manaf, Tan Sri Dato' Mohamed Azman Yahya, Datuk Sri Abdul Hamidy Abdul Hafiz, Dato' Ahmad Pardas Senin, Mr Thayaparan Sangarapillai, Dato' Lawrence Lee Cheow Hock, Ms. Moy Pui Yee and Encik Jeffri Salim Davidson. I believe that this is a distinguished line up of individuals who will be able to take Sime Darby Berhad forward into the future.

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

Chairman

CA 2016

ASEAN CG

# BOARD OF DIRECTORS

4 Non-Independent Non-Executive Directors  
6 Independent Non-Executive Directors

1 Senior Independent Non-Executive Director  
1 Executive Director



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

Chairman & Non-Independent Non-Executive Director

AGE 66 GENDER Male

Date of Appointment: 10 Dec 2012  
Length of Service: 5 years 10 months (as at 30 Sept 2018)

**Areas 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 (Honours) in Applied Economics, University of Malaya
- Master in Philosophy in Development Studies, Institute of Development Studies, University of Sussex
- PhD in Business Economics, School of Business and Economic Studies, University of Leeds
- Attended the Advanced Management Programme, Harvard Business School

**Present Directorship(s):**

**Listed Entity**

Nil

**Other Public Companies**

- Bank Pembangunan Malaysia Berhad
- RAM Holdings Berhad
- Permodalan Nasional Berhad



**TAN SRI SAMSUDIN OSMAN**

Non-Independent Non-Executive Director

AGE 71 GENDER Male

RMC

Date of Appointment: 19 Dec 2008  
Length of Service: 9 years 9 months (as at 30 Sept 2018)

**Areas of Expertise:**  
Public Administration and Fund Management.

**Relevant Experience:**  
Held various senior positions in the Malaysian Government including the 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



**DATO SRI LIM HAW KUANG**

Senior Independent Non-Executive Director

AGE 64 GENDER Male

NRC  
RMC

Date of Appointment: 26 Aug 2010  
Length of Service: 8 years 1 month (as at 30 Sept 2018)

**Areas 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

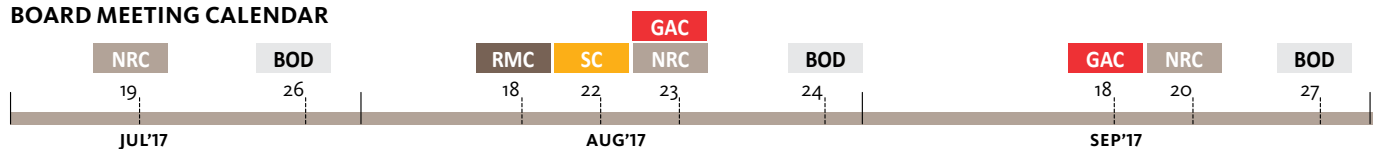
**Present Directorship(s):**

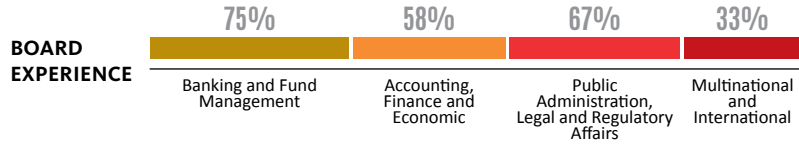
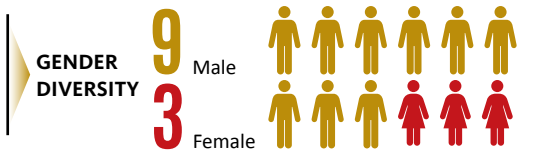
**Listed Entity**

- Ranhill Holdings Berhad Nil

**Other Public Companies**

**BOARD MEETING CALENDAR**





**DATUK WAN SELAMAH WAN SULAIMAN**  
Independent Non-Executive Director

AGE 63 GENDER Female GAC

Date of Appointment: 15 Jan 2016  
Length of Service: 2 years 8 months (as at 30 Sept 2018)

**Areas of Expertise:**  
Accounting and Finance.

**Relevant Experience:**  
Served the Ministry of Education and the Ministry of Defence. Held various senior positions in the Accountant-General's Department, Ministry of Finance, including Director of the Information Technology Services Division and 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 of the Association of Chartered Certified Accountants
  - Member of the Public Sector Accounting Committee
  - Member of the Malaysian Institute of Accountants

- Present Directorship(s):**
- Listed Entity**  
Nil
- Other Public Companies**
- Prasarana Malaysia Berhad



**DATIN PADUKA KARTINI HJ ABDUL MANAF**  
Non-Independent Non-Executive Director

AGE 56 GENDER Female NRC

Date of Appointment: 1 Dec 2017  
Length of Service: 10 months (as at 30 Sept 2018)

**Areas of Expertise:**  
Investment Management and Corporate Finance.

**Relevant Experience:**  
Started her career with Permodalan Nasional Berhad and is presently the Deputy President of Strategic Investments. Has served in various capacities and has been involved in various aspects of investment management and corporate finance, including mergers and acquisitions, corporate restructuring, portfolio management, property investment as well as business development. Served on the Board of Sime Darby Logistics Sdn Bhd and Sime Darby Overseas (HK) Limited from 2014 to 2017.

- Academic/Professional Qualification/ Membership(s):**
- Master of Business Administration, University of Ohio
  - Certified Financial Planner by the Financial Planning Association of Malaysia
  - Holds a Capital Markets Services Representative License from the Securities Commission Malaysia

- Present Directorship(s):**
- Listed Entity**
- Chemical Company of Malaysia Berhad
  - UMW Holdings Berhad
- Other Public Companies**
- Nil



**TAN SRI DATO' MOHAMED AZMAN YAHYA**  
Independent Non-Executive Director

AGE 54 GENDER Male NRC RMC

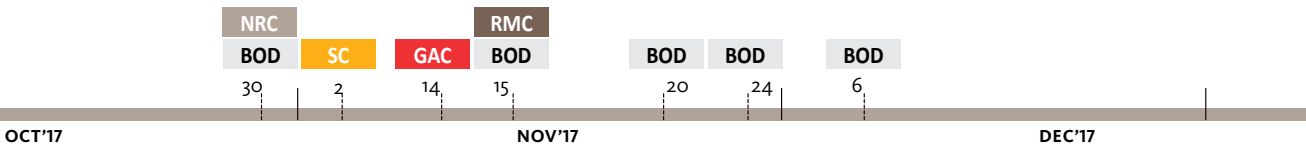
Date of Appointment: 1 Dec 2017  
Length of Service: 10 months (as at 30 Sept 2018)

**Areas of Expertise:**  
Investment Management and Corporate Finance.

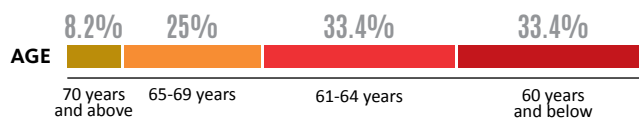
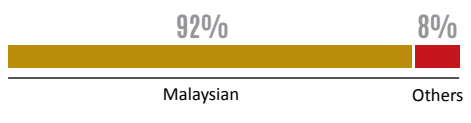
**Relevant Experience:**  
Built his career in investment banking to become the Chief Executive of Amanah Merchant Bank and was tasked by the Malaysian Government to set-up and head Pengurusan Danaharta Nasional Berhad during the Asian Financial Crisis in 1998. Former Chairman of the Corporate Debt Restructuring Committee which was set-up by Bank Negara Malaysia.

- Academic/Professional Qualification/ Membership(s):**
- First Class Degree in Economics, London School of Economics and Political Science
  - Member of the Institute of Chartered Accountants in England and Wales
  - Member of the Malaysian Institute of Accountants
  - Fellow of the Malaysian Institute of Banks

- Present Directorship(s):**
- Listed Entity**
- RANHILL HOLDINGS BERHAD
  - SYMPHONY LIFE BERHAD
  - AIA GROUP LIMITED, HONG KONG
- Other Public Companies**
- EKUITI NASIONAL BERHAD



**NATIONALITIES/  
ETHNICITY  
DIVERSITY**



**DATO' SRI ABDUL HAMIDY  
ABDUL HAFIZ**

Independent Non-Executive Director

AGE 61 GENDER Male GAC

Date of Appointment: 1 Dec 2017  
Length of Service: 10 months  
(as at 30 Sept 2018)

**Areas 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. He was formerly Chief Executive Officer/Managing Director of Pengurusan Danaharta Nasional Berhad, Affin Bank Berhad and Kuwait Finance House (Malaysia) Berhad. Was 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, University of Ohio

**Present Directorship(s):**

**Listed Entity**

- Eastland Equity Berhad

**Other Public Companies**

- AmBank (M) Berhad
- AmBank Islamic Berhad
- Chubb Insurance Malaysia Berhad



**DATO' AHMAD PARDAS SENIN**

Independent Non-Executive Director

AGE 65 GENDER Male GAC NRC

Date of Appointment: 1 Dec 2017  
Length of Service: 10 months  
(as at 30 Sept 2018)

**Areas 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 of the Chartered Institute of Management Accountants
- Member of the Malaysian Institute of Accountants and Institute of Internal Auditors, Inc

**Present Directorship(s):**

**Listed Entity**

- SP Setia Berhad

**Other Public Companies**

Nil



**THAYAPARAN SANGARAPILLAI**

Independent Non-Executive Director

AGE 63 GENDER Male GAC

Date of Appointment: 1 Dec 2017  
Length of Service: 10 months  
(as at 30 Sept 2018)

**Areas of Expertise:**  
Audit, Business and Corporate Finance.

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

**Academic/Professional Qualification/ Membership(s):**

- Fellow of the Institute of Chartered Accountants in England & Wales
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Malaysian Institute of Accountants

**Present Directorship(s):**

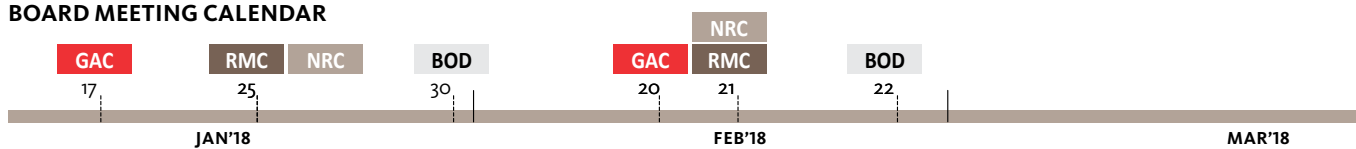
**Listed Entity**

- Alliance Bank Malaysia Berhad

**Other Public Companies**

- AIG Malaysia Insurance Berhad

**BOARD MEETING CALENDAR**



**COMMITTEE MEMBERSHIP**

**NRC**

Nomination & Remuneration Committee

**GAC**

Governance & Audit Committee

● Chairman

● Member

**RMC**

Risk Management Committee

**Additional Information**

Save where disclosed, none of the Directors,

1. have any family relationship with and are not related to any Director and/or major shareholder of Sime Darby Berhad:
  - (i) Tan Sri Samsudin Osman is a Nominee Director of the Employees Provident Fund Board.
  - (ii) The Nominee Directors of Permodalan Nasional Berhad are as follows:
    - a. Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah; b. Datin Paduka Kartini Hj. Abdul Manaf; and c. Dato' Lawrence Lee Cheow Hock
2. have any conflict of interest with Sime Darby Berhad.
3. other than traffic offences, have not been convicted for any offences within the past five years, nor publicly sanctioned, nor have any penalty imposed upon by relevant regulatory authorities during the financial year.



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

AGE 64 GENDER Male

**RMC**

Date of Appointment : 1 Mar 2018  
Length of Service: 7 months  
(as at 30 Sept 2018)

**Areas 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 of the Institute of Chartered Accountants in England and Wales

**Present Directorship(s):**

**Listed Entity**

Nil

**Other Public Companies**

Nil



**MOY PUI YEE**  
Independent Non-Executive Director

AGE 51 GENDER Female

**RMC**

Date of Appointment: 2 Jul 2018  
Length of Service: 3 months  
(as at 30 Sept 2018)

**Areas of Expertise:**  
Legal and Corporate Finance.

**Relevant Experience:**  
Currently a partner and the Head of the Mergers & Acquisition Department of Rahmat Lim & Partners and was formerly partner in the Corporate & Financial Services practice at Chooi & Company for 13 years.

**Academic/Professional Qualification/ Membership(s):**

- Graduated in Economics and in Law from Monash University, Australia
- Admitted to the Malaysian Bar in 1992

**Present Directorship(s):**

**Listed Entity**

Nil

**Other Public Companies**

Nil



**JEFFRI SALIM DAVIDSON**  
Group Chief Executive Officer

AGE 54 GENDER Male

Date of Appointment: 1 Dec 2017  
Length of Service: 10 months  
(as at 30 Sept 2018)

**Areas of Expertise:**  
Accounting, Finance and Management.

**Relevant Experience:**  
Began his career with Coopers & Lybrand, London, United Kingdom before joining the Sime Darby Group in 1992. Has held various senior roles including Senior Vice President, China, Singapore & Power Systems, Industrial Division and Deputy Group Chief Financial Officer of Sime Darby Berhad. Has also served in various 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 of the Institute of Chartered Accountants in England & Wales
- Attended the Advanced Management Programme, Harvard Business School

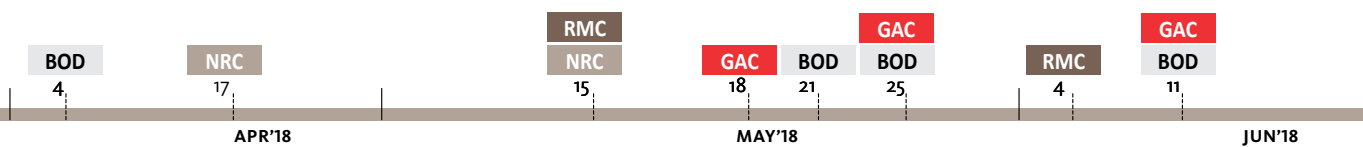
**Present Directorship(s):**

**Listed Entity**

Nil

**Other Public Companies**

- Kumpulan Sime Darby Berhad
- Sime Darby Holdings Berhad
- Sime Darby Malaysia Berhad



# AN EFFECTIVE LEADERSHIP

Driving Strategy

The Group Management Committee is the executive platform on which the Group's senior leaders come together to communicate, review and deliberate on issues and actions of Group-wide significance, and to support the Group Chief Executive Officer in the performance of his duties.

- 1 JEFFRI SALIM DAVIDSON, 54, MALE**  
Group Chief Executive Officer
- Bachelor of Science in Geology, University College London
  - Associate Member of the Institute of Chartered Accountants in England & Wales
  - Attended the Advanced Management Programme at Harvard Business School

- 2 MUSTAMIR MOHAMAD, 46, MALE**  
Group Chief Financial Officer
- Degree in Accounting and Finance, London School of Economics and Political Science
  - Fellow of the Institute of Chartered Accountants in England and Wales
  - Member of the Malaysian Institute of Accountants

- 3 DATUK THOMAS LEONG YEW HONG, 46, MALE**  
Group Chief Strategy Officer
- Bachelor of Science in Software Engineering, Australian National University
  - MBA (Corporate Finance) from University of Sydney

- 4 ROSELAINI FAIZ, 53, FEMALE**  
Group Chief Human Resource Officer
- Bachelor of Economics, majoring in Analytical Economics, University Malaya

- 5 SCOTT CAMERON, 60, MALE**  
Managing Director, Industrial Division
- Degree in Commerce from the University of Queensland
  - Fellow of the Institute of Chartered Accountants in Australia
  - Fellow of the Australian Institute of Company Directors
  - Attended the Advanced Management Programme at Harvard Business School

- 6 ANDREW BASHAM, 52, MALE**  
Managing Director, Motors Division
- Bachelor of Economics, University of Adelaide
  - Member of the Institute of Chartered Accountants, Australia

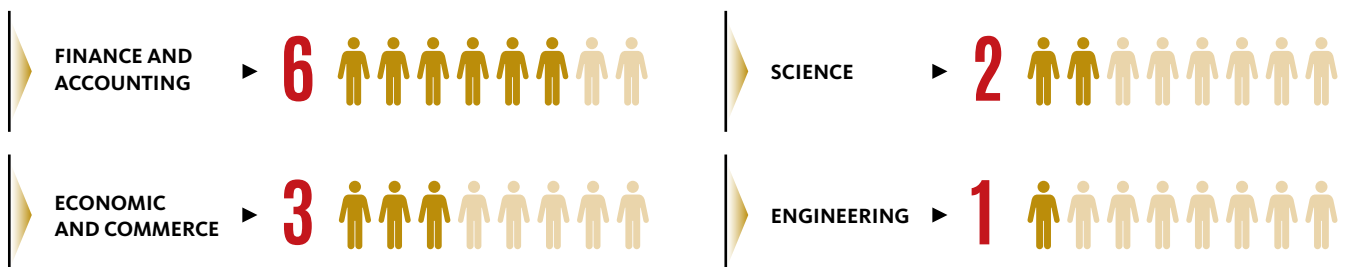
- 7 TIMOTHY LEE CHI TIM, 53, MALE**  
Managing Director, Logistics Division
- Bachelor of Science, Simon Fraser University, British Columbia

- 8 NOOR ZITA HASSAN, 52, FEMALE**  
Group Secretary
- Bachelor in Economics with Accountancy, Loughborough University of Technology
  - Master's Degree in Accountancy, Charles-Sturt University
  - Member of CPA Australia and the Malaysian Institute of Accountants

#### Additional Information

1. None of the Executive Leadership has any family relationship with and is not related to any Director and/or major shareholder of Sime Darby 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 profiles of the Executive Leadership are available on the Sime Darby Berhad website at <http://www.simedarby.com/company/executive-leadership>.

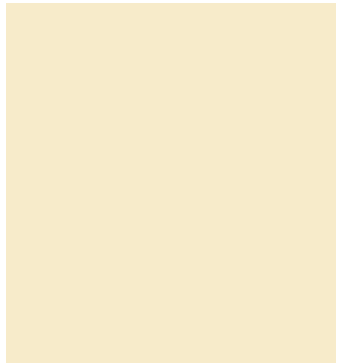
#### LEADERSHIP SKILLS MATRIX





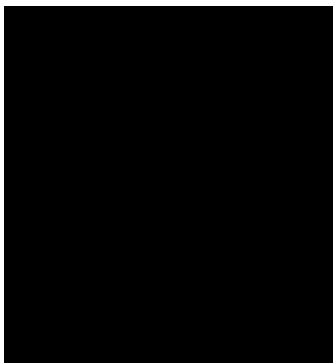
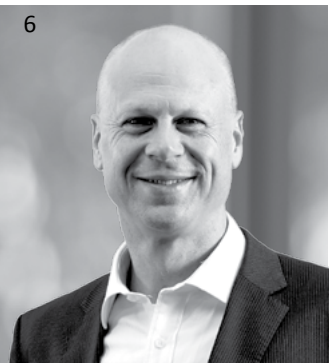
**NATIONALITIES**

Bumiputera	50%
Chinese	12%
Others (Australia and China (HKSAR))	38%



**75%**  
MALE

**25%**  
FEMALE



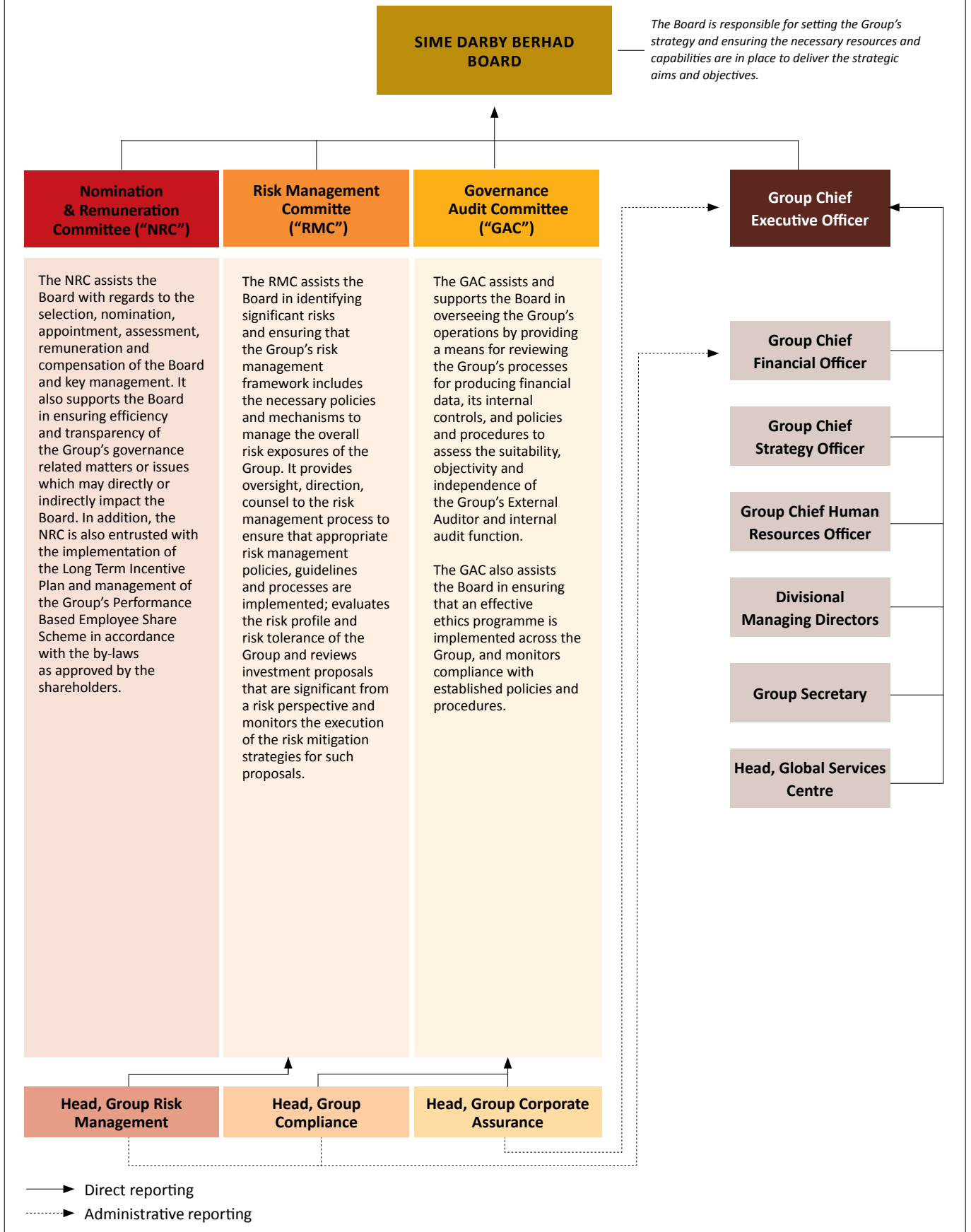
**AGE**

40 - 49 years	25%
50 - 59 years	63%
60 years and above	12%





## A Strong Governance Framework



## OUR GOVERNANCE FRAMEWORK: ENSURING GROWTH

The Board is responsible in promoting the long-term sustainability of the Group and is accountable to the shareholders to create and deliver sustainable value. We have to ensure that the Management not only achieves the Group's short-term objectives but also promotes the long-term growth of the Group. 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 strategy and overseeing its implementation, we are 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.

See page 99 for further details on this system of governance and controls.

## ROLE OF THE BOARD AND COMMITTEES

The Group is led by an effective Board which is collectively responsible for the long-term success of the Group.

The Board is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver its strategic aims and objectives. It determines the Group's key policies and reviews management and financial performance. The Group's governance framework is designed to facilitate a combination of effective, entrepreneurial and prudent management, both to safeguard shareholders' interests and to sustain the success of Sime Darby Berhad over the longer term. This is achieved through a control framework which enables risk to be assessed and managed effectively. The Board sets the Group's core values and standards and ensures that these, together with the Group's obligations to its stakeholders, are understood throughout the Group.

The following Board Committees were established to assist the Board to discharge its statutory duties and fiduciary responsibilities:

- (i) Governance & Audit Committee
- (ii) Nomination & Remuneration Committee
- (iii) Risk Management Committee

These Committees are tasked with overseeing and managing different aspects of the Group's governance and compliance. The functions and responsibilities of these Committees are set out in the respective Committees' reports in this Annual Report.

In terms of day-to-day management, the Group Management Committee ("GMC") is given certain powers to execute transactions in accordance with the limits of authority as defined and formalised in the Group Policies and Authorities. The GMC serves as the executive platform on which the Group's senior leaders come together to communicate, review and deliberate on issues and actions of Group-wide significance, and support the Group Chief Executive Officer ("GCEO") in the performance of his duties. The GMC has overall responsibility for management policies and procedures,

### OVERVIEW OF THE ROLES OF THE BOARD

#### CHAIRMAN

- 1**
- Managing Board meetings to ensure robust decision-making
  - Building a high performance Board
  - Managing Board-Management interface
  - Being the public face of the Group
  - Ensuring appropriate steps are taken to provide effective communications with stakeholders and that their views are communicated to the Board as a whole

#### NON-EXECUTIVE DIRECTORS

- 2**
- Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their fiduciary responsibilities as Directors

#### SENIOR INDEPENDENT DIRECTOR

- 3**
- The duties of the Senior Independent Director shall include acting as a sounding Board for the Chairman, an intermediary for other Directors when necessary, and the point of contact for shareholders and other stakeholders with concerns which have failed to be resolved or would not be appropriate to be communicated through the normal channels of the Chairman and/or Group Chief Executive Officer

#### EXECUTIVE DIRECTOR

- 4**
- The Group Chief Executive Officer assumes the overall responsibilities for the execution of the Group's strategies in line with the Board's direction, oversees the operations of the Divisions and drives the Group's businesses and performance towards achieving the Group's vision and goals

Detailed description of these roles can be found on our Board Charter online at <http://www.simedarby.com/operating-responsibly/governance>

enterprise initiatives, the deployment and implementation of Board resolutions and oversight of the achievement of objectives and results. Following the completion of the pure-play exercise, the GMC has assumed the Group Investment Committee's role in reviewing, considering and recommending for approval major investment decisions to the Board.

The GMC is chaired by the GCEO and its members include the Group Chief Financial Officer, Group Chief Strategy Officer, Group Chief Human Resources Officer, the Divisional Managing Directors and the Group Secretary. The GMC meets on a quarterly basis and when deemed necessary. Other representatives from Group Head Office departments are invited to the meeting on matters relate to them when required. During the financial year ended 30 June 2018, the GMC met seven times.

#### **BOARD MEETINGS**

The Board meets on a regular basis. Meeting dates are scheduled in advance to allow the Directors to plan ahead. Additional ad hoc meetings are arranged outside the scheduled meetings for detailed discussion and decision making as required.

The Chairman and the GCEO maintain regular contact with the other Directors to discuss matters relating to the Group, and the Board receives regular reports and briefings to ensure that the Directors are suitably briefed to fulfill their roles.

In FY2018, the Board held fourteen meetings. All Directors attended more than 50% of the Board Meetings held during the financial year, and have complied with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in terms of attendance. This reflects Board members' commitment and dedication in fulfilling their duties and responsibilities. Directors who were unable to attend a meeting were encouraged to give the Chairman their views and comments on matters to be discussed in advance. The attendance of the Board members are set out in the following page.



#### **WHAT THE BOARD DID IN FY2018**



**100** BOARD  
HOURS

**94%** RATE OF  
ATTENDANCE

## Directors' attendance at Board Meetings

Current Directors	Board Meetings*	
	Attendance	%
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah <sup>1</sup> (Chairman)	12/14	86%
Tan Sri Samsudin Osman	14/14	100%
Dato Sri Lim Haw Kuang	12/14	86%
Datuk Wan Selamah Wan Sulaiman	13/14	93%
Datin Paduka Kartini Hj. Abdul Manaf <sup>2</sup>	6/7	86%
Tan Sri Dato' Mohamed Azman Yahya <sup>2</sup>	7/7	100%
Dato' Sri Abdul Hamidy Abdul Hafiz <sup>2</sup>	7/7	100%
Dato' Ahmad Pardas Senin <sup>2</sup>	6/7	86%
Thayaparan Sangarapillai <sup>2</sup>	7/7	100%
Dato' Lawrence Lee Cheow Hock <sup>3</sup>	4/4	100%
Moy Pui Yee <sup>6</sup>	N/A	N/A
Jeffri Salim Davidson <sup>2</sup>	7/7	100%
Former Directors		
Tan Sri Dato' Abdul Ghani Othman <sup>3</sup> (Chairman)	7/7	100%
Tan Sri Datuk Dr Yusof Basiran <sup>4</sup>	7/7	100%
Muhammad Lutfi <sup>4</sup>	6/7	86%
Datuk Zaiton Mohd Hassan <sup>4</sup>	5/7	71%
Datuk Dr Mohd Daud Bakar <sup>4</sup>	7/7	100%
Dato' Rohana Tan Sri Mahmood <sup>4</sup>	6/7	86%
Zainal Abidin Jamal <sup>4</sup>	7/7	100%
Tan Sri Dato' Seri Mohd Bakke Salleh <sup>4</sup>	4/7	57%

Notes:

<sup>1</sup> Appointed as Chairman on 1 December 2017

<sup>2</sup> Appointed on 1 December 2017

<sup>3</sup> Resigned as Chairman on 1 December 2017

<sup>4</sup> Resigned on 1 December 2017

<sup>5</sup> Appointed on 1 March 2018

<sup>6</sup> Appointed on 2 July 2018

N/A - Not Applicable

\* Reflects the number of meetings held during the time of the Directors held office from 1 July 2017 to 30 June 2018

The Non-Executive Directors (including the Chairman) meet as and when required in the absence of the GCEO to discuss and appraise the performance of the Board as a whole and the performance of the GCEO. There is a schedule of matters reserved to the Board for decision. Other matters are delegated to Board Committees.

### MATTERS RESERVED FOR THE BOARD

**1** Group and Divisional strategy, plans and budgets

**2** Acquisitions and disposals and transactions exceeding the authority limits of the GCEO

**3** Changes to the Board and Executive Leadership of Sime Darby Berhad

**4** Changes in key policies, procedures and delegated authority limits of the Group

## BOARD TRAINING AND DEVELOPMENT

The Board provides all Non-Executive Directors with a tailored and thorough induction which includes briefings on Directors' duties and responsibilities, the Group's strategy and, one-on-one meetings with the Executive Director and other senior executives. Board members are provided with opportunities to update and refresh their knowledge throughout the year, ensuring that they are able to fulfil their role as members of the Board and its Committees effectively.

In FY2018, the Directors and the Group Secretary attended various training programmes and workshops on issues relevant to the Group. A summary of trainings attended by the Directors and the Group Secretary is set out below.

List of Training Attended	
Board Members	<b>Leadership</b>
	The Outward Mindset : Leadership and Self-Betrayal
	Building High Performance Directors 2.0: Organisational Sustainability
	Talent Value Workshop
	"Why Smart Leaders Put People Before Numbers?"
	"Re-thinking Development Choices"
	Rediscovering Our Roots Mapping Our Future
	Chairman Lecture Series 2018: "The Digital Disruption-What It Means For Businesses And Careers"
	What Trends Will Shape Real Estate In 2018 And Beyond?
	World Class Digital Transformation & Innovation 2018
	Thought Leadership Session: Revolutionising Customer Experience
	30% Club Business Leaders Roundtable Meeting
	<b>Governance</b>
	International Directors Summit 2017: Enhancing Resilience Through Governance for Sustainability
	Director On-Boarding Programme - Corporate Governance Expectations
	MIA-SC Workshop on Malaysia Code on Corporate Governance
	Corporate Governance Breakfast Series for Directors: Leading in A Volatile, Uncertain, Complex, Ambiguous (VUCA) World
	Malaysia Code on Corporate Governance and Bursa Malaysia Listing Requirements: Towards Meaningful Disclosure
	Changes in the Listing Requirements Post-Companies Act 2016: What To Look Out For
	<b>Financial</b>
Corporate Exercise And Asset Pricing in Malaysia	
Global Symposium on Development Financial Institutions	
Board Strategy Session Workshop 5 Year Rolling Plan 2018-2022	
International Accountants Conference 2017	
13 <sup>th</sup> World Islamic Economic Forum (WIEF)	
Islamic Finance School Shariah Governance & Assurance Services	
Board Members	<b>List of Training Attended</b>
	Global Transformation Forum (GTF 2017) C-Suite Series: "Marketing in Turbulent Times"
	Employee Provident Fund (EPF) Investment Seminar 2017-Green Is The New Black: En Route to Responsible Investment
	EPF Private Equity Academy
	Global Trend & Market Strategy: Economic Prospects & Strategic Investment Decision 2018 & Beyond
	Chief Executive Officer Roundtable by Permodalan Nasional Berhad
	World Capital Markets Symposium Kuala Lumpur: Renaissance of Capitalism Markets for Growth
	In-House Briefing on Integrated Reporting and Performance Management System
	<b>Risk Management</b>
	Advanced Internal Rating Based Approach (AIRB) Use of Credit Risk Models in Risk Management - Module 1 (Session 3)
	Bursa Risk Management
	<b>Legal</b>
	Briefing/Highlights on the Companies Act 2016
	The Law, Compliance & Case Studies-Series 7
<b>Social Security/Sustainability</b>	
International Social Security Conference: Future Of Work: Preparing for Tomorrow Today	
Symposium 2017-Reimagining Transportation: Sustainable Mobility	
Sustainability Reporting	
Group Secretary	<b>List of Training Attended</b>
	MIA Conference : Expanding Horizons – Be Future Relevant
	Technical Briefing for Company Secretaries: Enhancing Standard of Disclosures in Announcements & Circular to Shareholders
	Decoding Transaction & RPT Rules, Computation of Percentage Ratios, Key Disclosure Obligations of a Listed Company and Dealing in Listed Securities, Closed Period & Insider Trading
	Briefing on the Companies Act 2016

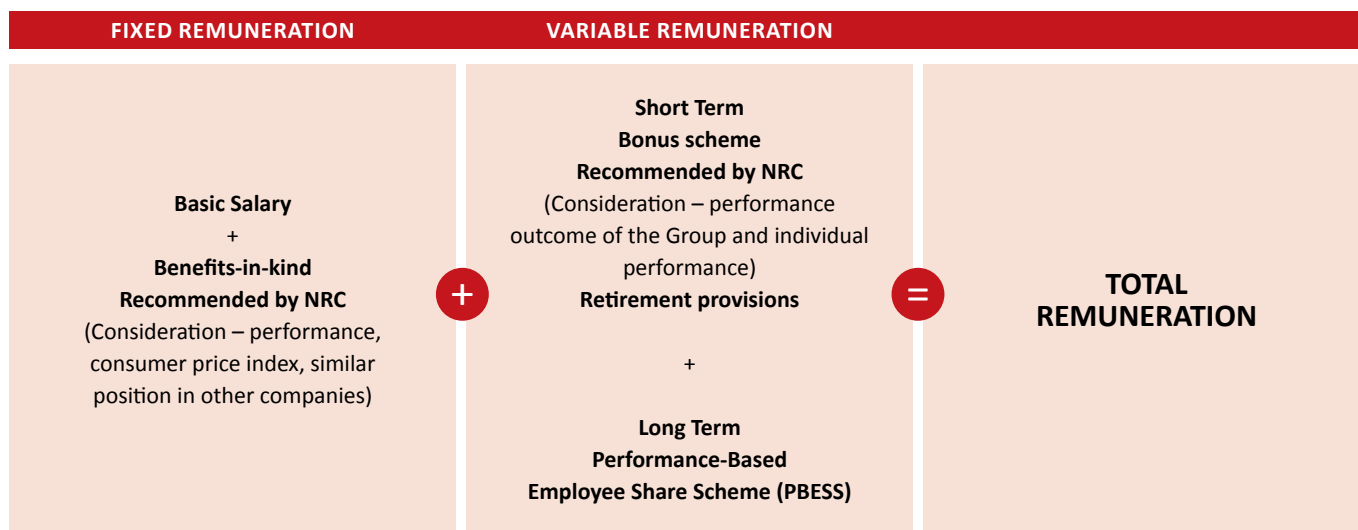
## DIRECTORS' REMUNERATION

The objective of the Group's policy on Non-Executive Directors' remuneration is to ensure that remuneration of Directors are reflective of the Group's demands, complexities and performance as a whole, as well as skills and experience required, and in line with the strategic objectives of the Group which rewards contribution to the long-term success of the Group. An appropriate remuneration policy serves to enable a company to continue to attract, retain and motivate quality leaders.

The Non-Executive Directors' remuneration policy of Sime Darby Berhad is reviewed regularly to ensure that the compensation of the Non-Executive Directors aligns with the market and industry practice and that the level of responsibilities undertaken by the Non-Executive Directors concerned take into consideration the complexity of the Group's operations and the relevant industries.

The Non-Executive Directors are remunerated through fixed fees and benefits-in-kind inclusive of telecommunication devices and facilities, medical and insurance coverage, discount on purchases of Group products and other claimable benefits. A company car is provided to the Non-Executive Chairman.

The components of the remuneration for the Executive Director 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 the corporate objectives as approved by the Board, the profits and other targets set in accordance with the Group's annual budget and plans. A summary of the Executive Director's remuneration package comprises the following:



The Executive Director recuses himself from deliberation and voting on his remuneration and/or rewards at Board meetings.

During the financial year under review, the remuneration framework for the Non-Executive Directors on the Board and Board Committees was reviewed and revised to be effective upon the completion of the pure-play exercise of the Group on 30 November 2017 as follows:

Board/Board Committee	Pre Pure-play		Post Pure-play	
	Chairman (RM/Year)	Member (RM/Year)	Chairman (RM/Year)	Member (RM/Year)
Board	600,000	180,000 <sup>1</sup>	540,000	220,000 <sup>1</sup>
		360,000 <sup>2</sup>		360,000 <sup>2</sup>
Governance & Audit Committee	40,000	30,000	80,000	50,000
Other Committees	40,000	30,000	60,000	35,000

Notes:

<sup>1</sup> Fee for Resident Director

<sup>2</sup> Fee for Non-Resident Director

Details of each Non-Executive Director's remuneration for the financial year ended 30 June 2018 are set out below:

	Salary & Other Remuneration <sup>*</sup> (RM'000)	Directors' Fees		Benefits- in-kind <sup>^</sup> (RM'000)	PBESS (RM'000)	Total (RM'000)
		Company (RM'000)	Subsidiaries (RM'000)			
<b>Present Directors</b>						
<b>Executive Director</b>						
Jeffri Salim Davidson <sup>2</sup>	2,864	-	-	23	-	2,887
<b>Non-Executive Directors</b>						
Dato Sri Lim Haw Kuang	N/A <sup>1</sup>	445	150	89	N/A <sup>1</sup>	684
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah		444	63	33		540
Tan Sri Samsudin Osman		238	63	87		388
Datuk Wan Selamah Wan Sulaiman		245	42	59		346
Dato' Sri Abdul Hamidy Abdul Hafiz <sup>+</sup>		157	-	25		182
Thayaparan Sangarapillai <sup>+</sup>		174	-	7		181
Dato' Ahmad Pardas Senin <sup>+</sup>		177	-	1		178
Tan Sri Dato' Mohamed Azman Yahya <sup>+</sup>		168	-	2		170
Datin Paduka Kartini Hj Abdul Manaf <sup>+</sup>		148	-	1		149
Dato' Lawrence Lee Cheow Hock <sup>%</sup>		120	-	9		129
<b>Total</b>			<b>2,316</b>	<b>318</b>		<b>313</b>
<b>Former Directors<sup>@</sup></b>						
<b>Executive Director</b>						
Tan Sri Dato' Seri Mohd Bakke Salleh <sup>3</sup>	1,795	-	-	165	-	1,960
<b>Non-Executive Directors</b>						
Tan Sri Dato' Abdul Ghani Othman	N/A <sup>1</sup>	268	-	28	N/A <sup>1</sup>	296
Datuk Zaiton Mohd Hassan		105	84	48		237
Dato' Rohana Tan Sri Mahmood		117	42	28		187
Muhammad Lutfi		164	-	12		176
Zainal Abidin Jamal		88	42	16		146
Tan Sri Datuk Dr Yusof Basiran		101	-	15		116
Datuk Dr Mohd Daud Bakar		88	-	13		101
<b>Total</b>			<b>931</b>	<b>168</b>		<b>160</b>
<b>Grand Total</b>		<b>3,247</b>	<b>486</b>	<b>473</b>		<b>4,206</b>

Notes:

<sup>1</sup> N/A - Not Applicable

<sup>2</sup> Appointed on 21 November 2017

<sup>3</sup> Resigned on 20 November 2017

<sup>\*</sup> Paid by the Sime Darby Group

<sup>@</sup> Resigned on 1 December 2017

<sup>+</sup> Appointed on 1 December 2017

<sup>%</sup> Appointed on 1 March 2018

<sup>^</sup> Comprises driver for Chairman, company car, petrol claims, telecommunication devices/facilities, medical and insurance coverage and discount on purchases of Group/companies products and other claimable expenses, where relevant.

The fees payable to the former Non-Executives Directors are exclusive of fees from Sime Darby Plantation Berhad ("SD Plantation") and Sime Darby Property Berhad ("SD Property") for a total amount of RM0.55 million. The fees will be tabled for shareholders' approval at the respective general meetings of SD Plantation and SD Property. SD Plantation and SD Property have ceased to be subsidiaries of Sime Darby Berhad following the completion of the pure-play exercise on 30 November 2017.

## PRINCIPLE RESPONSIBILITIES OF THE BOARD

In FY2018, the Board focused on a number of specific areas, outlined in the table below, in line with our strategic goals and principal risks:

**1** Promoting together with Group Management Committee, good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour.

**2** Reviewing and adopting a strategic plan for the Group which includes:

- Assessing and deliberating the strategic direction of the pure-play entities.
- Setting the Group's long-term corporate strategy blueprint and reviewing the challenges on the Group's business strategy and plan.
- Setting the Group Budget and Group Human Resources Blueprint.

**3** 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.

**4** Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.

**5** Established and identified succession plan for the Group that provide continuity in leadership within the Group.

**6** Developed and adopted, in the Group Policies and Authorities, a policy on Stakeholder Engagement stipulating the authorised channels and personnel through which/whom certain information of the Group shall be approved for disclosure to internal and external stakeholders.

**7** Reviewing the adequacy and the integrity of the management information and internal control systems of the Group.



# NOMINATION & REMUNERATION COMMITTEE REPORT

**DATO SRI LIM HAW KUANG**  
CHAIRMAN OF THE NOMINATION &  
REMUNERATION COMMITTEE



## “THE PRIORITIES OF THE NOMINATION & REMUNERATION COMMITTEE ARE TO ADVISE THE BOARD ON SENIOR APPOINTMENTS, TALENT RETENTION, SUCCESSION PLANNING, SENIOR EXECUTIVE APPRAISALS AND REMUNERATION AS WELL AS THE EFFECTIVENESS OF BOARD GOVERNANCE AND PERFORMANCE”

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**CONSIST OF A MAJORITY OF  
INDEPENDENT NON-EXECUTIVE  
DIRECTORS**

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### INTRODUCTION

The Nomination Committee and the Remuneration Committee were established on 29 September 2007. The Committees were subsequently consolidated as the Nomination & Remuneration Committee (“NRC”) on 16 November 2010. Both roles were combined for the purpose of convenience and practicality whereby members of NRC are entrusted with the nomination and remuneration functions. In addition, the NRC is also tasked to administer Sime Darby Berhad (“SDB”)’s Group Performance-Based Employee Share Scheme in accordance with its by-laws as approved by the shareholders of the Group in 2012.

The composition of NRC was re-constituted following the completion of the Group’s pure-play exercise in November 2017. Presently, the NRC comprises exclusively Non-Executive Directors (“NEDs”) with 75% being Independent Directors. Dato Sri Lim Haw Kuang, an existing member of NRC, was appointed as the Senior Independent NED and the Chairman of NRC on 1 December 2017 following the completion of the pure-play exercise. The composition of NRC complies

with the requirements of both the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance 2017.

### CHAIRMAN’S OVERVIEW

The priorities of the NRC are to advise the Board of Directors (“Board”) on senior appointments, talent retention, succession planning, senior executives’ appraisals and remuneration, as well as the effectiveness of Board governance and performance.

In addition, the NRC assists and advises the Board on management key performance indicators (“KPIs”) and remuneration framework including the Long Term Incentive Plan (“LTIP”) in order to motivate the right organisational behaviours and the delivery of promises in line with targets set by the Board. The NRC also reviews and recommends to the Board the appropriate Board composition taking into account gender diversity, complementary mix of skills, experience and other qualities as well as the ongoing training policy for the Board.

During the pure-play exercise, the NRC and Board conducted rigorous search and appointed the new Group Chief Executive Officer (“GCEO”), Group Chief Financial Officer, other key positions and additional Board members.

In 2018, the Board undertook a formal and extensive Board Evaluation Assessment (“BEA”) to evaluate the performance of the Board and Board Committees, and to re-examine Board agendas and priorities to support the delivery of the Group’s strategies and financial targets. The BEA was conducted through a Board Working Session led and facilitated by the Chairman of NRC.

The NRC is governed by its own Terms of Reference (“TOR”) which is accessible on the Group’s official website at <http://www.simedarby.com/operating-responsibly/governance>.

## DATO SRI LIM HAW KUANG

Chairman of the Nomination & Remuneration Committee

## COMPOSITION AND ATTENDANCE OF THE COMMITTEE

In the financial year (“FY”) 2018, the NRC held eight meetings. The attendance of the NRC members is set out below:

Members*	Membership/Designation	Appointment	Attendance at meetings <sup>#</sup>
Dato Sri Lim Haw Kuang	Chairman/Senior Independent Non-Executive Director	23 November 2015	 88%
Tan Sri Dato’ Mohamed Azman Yahya	Member/Independent Non-Executive Director	1 December 2017	 100%
Datin Paduka Kartini Hj Abdul Manaf	Member/Non-Independent Non-Executive Director	1 December 2017	 75%
Dato’ Ahmad Pardas Senin	Member/Independent Non-Executive Director	1 December 2017	 100%
Former Members <sup>®</sup>	Membership/Designation	Appointment	Attendance at meetings <sup>#</sup>
Tan Sri Dato’ Abdul Ghani Othman	Chairman/Independent Non-Executive Director	1 July 2013	 100%
Tan Sri Dato’ Sri Dr Wan Abdul Aziz Wan Abdullah	Member/Non-Independent Non-Executive Director	31 July 2015	 100%
Datuk Zaiton Mohd Hassan	Member/Senior Independent Non-Executive Director	12 September 2014	 75%
Dato’ Rohana Tan Sri Mahmood	Member/Independent Non-Executive Director	23 November 2015	 75%

Notes:

\* For the Members’ profiles see pages 70 to 73.

<sup>#</sup> Reflects the number of meetings held during the time the Directors held office.

<sup>®</sup> Resigned as Chairman/Members of NRC on 1 December 2017.

Meetings of the NRC are attended by the GCEO. Other members of Group Management Committee are invited to meetings of the NRC, when necessary, to support detailed discussions.

## ROLES OF THE COMMITTEE

The NRC is established by the Board with the following primary objectives:

- To assist the Board in reviewing the appropriate size and balance of the Board and review the required mix of skills, experience and knowledge of the Directors. The NRC ensures that there is sufficient succession planning and human capital development focus in the Group.
- To recommend to the Board the remuneration framework for the NEDs, the GCEO, key positions and employees of the Group.

On 28 August 2014, the NRC assumed the functions of the LTIP Committee so as to ensure a holistic remuneration framework for employees of the Group.

## KEY ACTIVITIES

During the year, the NRC has undertaken the following activities:

1	2	3
<p><b>Nomination Function</b></p> <ul style="list-style-type: none"><li>• Reviewing and assessing performance and making recommendations to the Board with regards to Directors who seek election and re-election at the Annual General Meeting (“AGM”).</li><li>• Reviewing the terms of office and performance of the Governance &amp; Audit Committee.</li><li>• Evaluating and recommending suitable candidates for appointments to the Board and Board Committees.</li></ul>	<p><b>Remuneration Function</b></p> <ul style="list-style-type: none"><li>• Reviewing and recommending the remuneration framework for the NEDs on the Board and Board Committees.</li><li>• Recommending the bonus payout and salary increment for employees of Sime Darby Berhad.</li><li>• Recommending the bonus payout and salary increment for direct reports to the GCEO.</li><li>• Recommending the bonus payout and salary increment for the GCEO.</li><li>• Reviewing and recommending the renewal of fixed term contracts of key management.</li></ul>	<p><b>Governance Function</b></p> <ul style="list-style-type: none"><li>• Reviewing of Annual Report 2017.</li><li>• Reviewing of the Board Charter.</li><li>• Refining the LTIP and its performance conditions.</li><li>• Reviewing the TOR of the Board Committees.</li><li>• Reviewing the GCEO’s KPIs/ scorecard for new financial year.</li><li>• Facilitating and monitoring the conduct of the 2018 BEA.</li><li>• Reviewing the achievement of the Bumiputera Empowerment Agenda.</li></ul>

## 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 (“Constitution”). The performance of each Director who is retiring at the next AGM is taken into account by the NRC in determining whether or not the NRC should support the election and re-election of the Director before recommendation to Board for approval.

Pursuant to Rule 83.2 of the Constitution, the Directors shall have power at any time to appoint any other person to be a Director, and any Director so appointed shall hold office only until the conclusion of the AGM and shall be eligible for election. The provisions of the Constitution pertaining to the retirement and re-election of Directors by rotation do not apply to Directors who are elected under Rule 83.2 of the Constitution. Thus, one-third of the remaining Directors, being two Directors, will retire by rotation at the forthcoming AGM in accordance with Rule 103 of the Constitution. Rule 104 of the Constitution provides that a retiring Director shall be eligible for re-election.

Through the Board annual assessment, having considered their professionalism, vast experience, material relationship, competency, commitment and individual contribution in performing their duties, the Board and NRC are satisfied that all Directors who are seeking for election and re-election at the forthcoming Twelfth AGM have met the Board’s expectation by continuously discharging their duties and responsibilities as Directors of the Group.

With that, the Board and NRC collectively resolved to recommend the election and re-election of each of the following Director who is standing for election and re-election at the forthcoming Twelfth AGM:

- Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah
- Datuk Wan Selamah Wan Sulaiman
- Tan Sri Dato' Mohamed Azman Yahya
- Dato' Sri Abdul Hamidy Abdul Hafiz
- Dato' Ahmad Pardas Senin
- Thayaparan Sangarapillai
- Dato' Lawrence Lee Cheow Hock
- Moy Pui Yee
- Jeffri Salim Davidson

Datin Paduka Kartini Hj Abdul Manaf had informed the Board in writing of her intention not to seek election at the forthcoming AGM of the Company. She will remain in office until the conclusion of this AGM in accordance with Rule 83.2 of the Constitution.

Currently, none of the Independent Directors have served on the Board for more than nine years.

#### **THE COMMITTEE'S EFFECTIVENESS REVIEW AND PERFORMANCE**

Based on the 2018 BEA findings, the Board was satisfied that the NRC's composition provides an appropriate balance in terms of its current mix of skills, knowledge and experience, and is able to discharge their duties and responsibilities diligently and efficiently. The NRC was rated as effective in providing excellent performance to the Board.

#### **LONG TERM INCENTIVE PLAN**

The LTIP serves to attract, retain, motivate and reward eligible employees whose contributions are vital to the operations, continued growth and profitability of the Group. The grants will be vested after fulfilment of certain performance conditions as determined by the NRC in its sole and absolute discretion. During the financial year under review, there was no grant to the employees of SDB. The NRC in August 2017 approved the non-vesting of the second grant of the Group as the performance targets set were not achieved.

A refinement of the LTIP was conducted by the NRC in FY2018 to ensure that the plan continues to align employees' interests with the Group to create sustainable value enhancement as well as to attract and retain employees.

#### **KEY PRIORITIES FOR FINANCIAL YEAR 2019**

The Group supports gender diversity at all levels which include the Board, senior management and general workforce. For the financial year under review, 25% of the Board is represented by women namely, Datuk Wan Selamah Wan Sulaiman, Datin Paduka Kartini Hj Abdul Manaf and Moy Pui Yee. Similarly, 25% of the Group Management Committee and 26% of the Group's general workforce are women. The Group acknowledges that this is an area for continuous improvement.

Recognising that changes in management are inevitable, the NRC will continue to work with Group Management Committee and Group Human Resources to establish and identify a succession plan that will provide continuity in leadership within the Group. The succession plan is designed to identify and prepare candidates for high level management positions that become vacant due to retirement, resignation, death or new business opportunities. The NRC will assess the leadership needs of the Group to ensure the selection of qualified leaders that are diverse and a good fit for the Group's mission and goals, and have the necessary skills required.

SDB's rewards framework include base pay, other fixed cash, performance-based variable cash, long-term incentive awards, benefits and development, and is designed to align with the long-term performance goals and objectives of the Group. The compensation framework provides a balanced approach between fixed and variable components that change according to individual and group performance outcomes and the individual's level and accountability. The NRC with the assistance from Group Management Committee will formulate a talent management strategy that maps out the goals and priorities for the year and ties these to the Group's strategic plan and goals.

The Board is aware of the importance of continuing professional development for its Directors to ensure that they are equipped with the necessary skills and knowledge to meet the challenges of the Board. The Board is conscious of the need to keep themselves properly briefed and informed about the current issues in ensuring they remain updated with the development of the Group's businesses and industries that may affect their roles and responsibilities. The NRC will continue to recommend suitable orientation and training programme to the Board to continuously train and equip new and existing Directors. Details of the Directors' and the Group Secretary's training for the financial year under review are listed on page 80 of this Annual Report.

# GOVERNANCE & AUDIT COMMITTEE REPORT

MR THAYAPARAN SANGARAPILLAI  
CHAIRMAN OF THE GOVERNANCE &  
AUDIT COMMITTEE



## “AS A GOVERNANCE BODY, THE GAC ASSISTS THE BOARD IN FULFILLING ITS STATUTORY AND FIDUCIARY RESPONSIBILITIES”

### CHAIRMAN'S OVERVIEW

The focus of the GAC remains primarily in the exercise of oversight over governance matters.

As a governance body, the GAC assists the Board in fulfilling its statutory and fiduciary responsibilities by monitoring the Group's management of financial risk processes and internal control systems, including internal controls over financial reporting on behalf of the Board. The GAC also plays a key role in assessing risk-based compliance areas, and cascading a culture of compliance to internal policies, external regulations and legislations.

We monitor financial risk along with its accounting and financial reporting practices, review the Group's business processes

and endeavour to ensure the efficacy of the Group's system of internal controls. As Chairman of the GAC, my role includes acting as the key contact between Committee members and Board members, as well as Senior Management, Group Corporate Assurance Department (GCAD) and Group Compliance (GC), and the External Auditors. I meet the Interim Group Head, GCAD and the Head, GC on a regular basis in order to deliberate on matters arising from internal audit and investigations, to decide on the most effective way in enhancing Sime Darby Berhad's governance structure and practices.

**MR THAYAPARAN SANGARAPILLAI**  
Chairman of the Governance & Audit Committee

### COMMITTEE EFFECTIVENESS

#### Composition and Attendance

Current Members*	Membership	Appointment	Attendance
Mr Thayaparan Sangarapillai	Chairman/Independent Non-Executive Director	1 December 2017	100%#
Datuk Wan Selamah Wan Sulaiman	Member/Independent Non-Executive Director	1 March 2016	88%#
Dato' Sri Abdul Hamidy Abdul Hafiz	Member/Independent Non-Executive Director	1 December 2017	100%#
Dato' Ahmad Pardas Senin	Member/Independent Non-Executive Director	1 December 2017	100%#
Former Members	Membership	Appointment	Attendance
Datuk Zaiton Mohd Hassan®	Chairman/Senior Independent Non-Executive Director	16 November 2010	100%#
Datuk Dr Mohd Daud Bakar®	Member/Non-Independent Non-Executive Director	2 November 2016	100%#
Dato' Rohana Tan Sri Mahmood®	Member/Independent Non-Executive Director	27 February 2017	67%#

Notes:

\* For the Members' profiles see pages 70 to 73.

# Reflects the number of meetings held during the time the Directors held office.

® Resigned as Chairman/Members of GAC on 1 December 2017.

The GAC has an independent Chairman and comprises only Independent Non-Executive Directors. Changes to the chairmanship and membership of the GAC were made during the year under review resulting from the pure-play exercise that took effect on 30 November 2017.

Datuk Zaiton Mohd Hassan retired as a Director and GAC Chairman on 1 December 2017. With effect from 1 December 2017, Mr Thayaparan Sangarapillai was appointed as a Director and GAC Chairman. Dato' Sri Abdul Hamidy Abdul Hafiz and Dato' Ahmad Pardas Senin were both appointed as Directors and GAC members on 1 December 2017 replacing Datuk Dr Mohd Daud Bakar and Dato' Rohana Tan Sri Mahmood (retired on 1 December 2017). Datuk Wan Selamah Wan Sulaiman remains as a member of the GAC.

The GAC Chairman demonstrates the depth of skills and capabilities which ensures that the GAC meetings run efficiently and invites discussions from all members of the GAC on the agenda items. The GAC Chairman is responsible, among others, to plan and coordinate meetings, oversee the reporting to the Board, encourage open discussions during meetings, and develop and maintain active on-going dialogue with Management, GCAD, GC and the External Auditors.

The Chairman of the GAC, Mr Thayaparan, is a Fellow of the Institute of Chartered Accountants in England & Wales, and a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants.

Datuk Wan Selamah Wan Sulaiman is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Member of the MIA. Dato' Ahmad Pardas Senin is a Fellow of the Chartered Institute of Management Accountants and a member of the Institute of Internal Auditors Malaysia. The GAC, therefore, meets the requirements of Paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), which stipulates that at least one member of the GAC must be a qualified accountant.

Datuk Sri Abdul Hamidy Abdul Hafiz has over thirty years of banking experience in the fields of finance, commercial, investment and Islamic banking.

Collectively, the GAC members are qualified individuals having the required skills, expertise and experience to discharge the Committee's functions and duties. The GAC's financial literacy and understanding of the financial reporting process have contributed to the GAC's discussions in upholding the integrity of the Group's financial reporting process and financial statements.

The Group Chief Executive Officer, Group Chief Financial Officer (also represents Group Risk Management), Interim Group Head, GCAD and Head, Group Compliance are permanent invitees of the GAC and attend the GAC meetings to brief and provide clarification to the Committee on their areas of responsibility. Other members of Senior Management are also invited for specific agenda items to support detailed discussions during the Committee's meetings.

The External Auditors also attended and briefed the Committee on matters relating to external audit at four GAC meetings during the financial year and provided an update on past audit matters and new developments at major components of the Group at the meetings. Time was also set aside for the Interim Group Head, GCAD and External Auditors to have private discussions with the Committee in the absence of Management, except for the Group Secretary. During the financial year, four private sessions were held between the GAC and the Interim Group Head, GCAD and the External Auditors, respectively.

#### **ANNUAL PERFORMANCE ASSESSMENT**

The Board has conducted an annual review of the term of office and an annual assessment of the composition, performance and effectiveness of the GAC based on the recommendation of the Nomination & Remuneration Committee (NRC). This is as required under the Listing Requirements and recommended under Principle B of the Malaysian Code of Corporate Governance 2017.

The Board is satisfied that the GAC and its members have effectively discharged its duties in accordance with its Terms of Reference. The Board is of the view that the GAC has provided valuable recommendations to assist the Board in making informed decisions leading to effective and efficient Board meetings. The Board was also well informed of the GAC's deliberations on a timely basis. The Report by the GAC Chairman is a standing agenda item in the scheduled meetings of the Board.



## **FOUR**

### **PRIVATE SESSIONS WERE HELD**

between the GAC and the Interim Head, GCAD and the External Auditors

## FUNCTIONS AND ROLES OF THE COMMITTEE

The GAC is responsible for:

- |   |  |   |   |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>Assisting the Board in fulfilling its statutory and fiduciary responsibilities of monitoring SDB's management of financial risk processes and accounting and financial reporting practices.</li> </ul> | <ul style="list-style-type: none"> <li>Reviewing SDB's business processes, the quality of the Group accounting function, financial reporting and the system of internal controls.</li> </ul> | <ul style="list-style-type: none"> <li>Enhancing the independence of both the external and internal audit functions by providing direction to and oversight of these functions on behalf of the Board.</li> </ul> | <ul style="list-style-type: none"> <li>Assisting the Board in ensuring that an effective ethics programme is implemented across the Group, and monitoring compliance with established policies and procedures.</li> </ul> |
|---|--|---|---|

The full terms of reference for the GAC is available online in the Corporate Governance section at <http://www.simedarby.com/operating-responsibly/governance>

## OUR FOCUS AND ACTION PLAN

The GAC receives updates on key governance matters, audit initiatives and issues across the Group at each Committee meeting. The Committee also reviews and reports to the Board on significant matters including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed. Some of the areas and key matters considered by the Committee during the financial year include:

Significant initiatives/issues	Matters Considered	Outcomes
<b>Real property gains tax and stamp duties for the implementation of the pure-play exercise</b>	<p>Applications for exemptions for the following by Management:</p> <ol style="list-style-type: none"> <li>real property gains tax (RPGT) and stamp duties for the distribution of dividends in specie by SDB to its shareholders of the shares held in Sime Darby Plantation Berhad (SD Plantation) and Sime Darby Property Berhad (SD Property).</li> <li>stamp duties for the transfer of the Malaysia Vision Valley land from SD Plantation to Kumpulan Sime Darby Berhad, a wholly-owned subsidiary of SDB; and</li> <li>stamp duty for the sale of Tower A, Oasis Corporate Park by SD Property to Sime Darby Holdings Berhad, a wholly-owned subsidiary of SDB.</li> </ol>	<p>The GAC discussed Management's applications to the Ministry of Finance ("MOF"), subsequent appeals and potential impact on SDB. Advice from tax and legal advisers as well as the investment bank engaged by Management for the pure-play exercise were sought. Management was advised to continue its appeal to MOF in view of the advisers' recommendation. The matter was resolved with the approval of the MOF in May 2018.</p>
<b>Recoverability of Bucyrus distribution rights</b>	<p>In the previous financial year, an impairment charge of RM214 million was recognised as a result of a shortfall in the recoverable amount against the asset position for the cash-generating units (CGU) in the Industrial Division, due to the downturn in the mining industry. For the financial year ended 30 June 2018, these CGUs have generated higher profits. In addition, the value-in-use (VIU) computation was prepared by Management based on a 5-year discounted cash flows, which was premised on the approved 5-year business plan for the respective CGUs.</p>	<p>Management did not reverse the impairment charge of RM214 million as the conditions that led to the impairment have not changed significantly to have a favourable impact on these CGUs. GAC had considered the External Auditor's report and view on the matter, and agreed with Management's decision not to reverse the impairment charge made in the previous financial year.</p>

Significant initiatives/issues	Matters Considered	Outcomes
<b>Impairment of investment in Eastern &amp; Oriental Berhad (E&amp;O)</b>	Focus was given on the 11.8% equity interest in E&O that remained with SDB after the pure-play exercise was completed on 30 November 2017. Management had performed an assessment of the recoverable amount of the investment due to the softening of the property market in Malaysia and the declining share price of E&O. An impairment was carried out based on the higher of E&O's fair value less the cost to sell or its VIU. Based on its assessment, Management had concluded that the fair value of the 11.8% equity interest in E&O had dropped as the E&O price had decreased to RM1.57 per share as at 29 June 2018. As such, an impairment of RM103 million was recorded as at 30 June 2018.	The GAC had considered Management's decision and concurred with the decision in view of the significant decrease in the market price of the E&O shares as compared to their carrying cost of RM2.20 per share.
<b>Exit of the Motors Division's BMW operations in Vietnam</b>	The Motors Division had exited the BMW and MINI vehicles distribution business in Vietnam. The Division had recorded full impairment of the distribution rights and the aged inventories amounting to RM61 million and RM89 million respectively.	The GAC had considered the External Auditors' reports and view on the full impairment. The Committee had also been briefed by Management on the exit and actions taken, and agreed with Management's decision on the full impairment.
<b>Review of the Group Policies &amp; Authorities (GPA) and Limits of Authority (LOA)</b>	Following the completion of the pure-play exercise, Management had reviewed the GPA and LOA to suit the new size of SDB and the new Management.	The GAC had considered Management's proposals and recommended for the LOA to be revised by reducing the LOA by 50%, where relevant, taking into consideration the new Management and the new size of SDB. GAC's recommendation was approved by the Board. The GPA and LOA would be reviewed annually in order to suit the governance and operational requirements of SDB.



## SUMMARY OF WORK OF THE GAC DURING THE FINANCIAL YEAR

### 1. Financial Reporting

- (a) Review the unaudited quarterly financial results and the related press statement, among others, any changes in accounting policies, significant matters highlighted, the going concern assumption, and compliance with accounting standards and regulatory requirements for recommendation to the Board, for approval before release to Bursa Malaysia Securities Berhad.
- (b) Review the consolidated annual audited financial statements of the Group and ensuring that the statements comply with the Malaysian Financial Reporting Standards, for recommendation to the Board for approval.
- (c) Review the significant matters highlighted by the External Auditors in the financial statements and significant judgements made by Management.
- (d) Review the financial impact of the new Malaysian Financial Reporting Standards that will take effect in the future.

### 2. Internal and External Audit

- (a) Review the External Auditors' Group Audit Plan, which outlines the audit strategy and approach for the financial year ended 30 June 2018.
- (b) Consider together with Management the global audit fees of the External Auditors for financial year ended 30 June 2018, for recommendation to the Board for approval.
- (c) Review the results of the External Auditors' Performance and Independence Evaluation carried out for financial year ended 30 June 2018 to evaluate the suitability, effectiveness and independence of the External Auditors.
- (d) Review the re-appointment of PricewaterhouseCoopers as the External Auditors for the financial year ended 30 June 2019, for recommendation to the Board for approval.
- (e) Review and approve GCAD's scope of work, audit plan and budget, which includes conducting regular risk-based systematic audits at the Group and Division levels, to ensure that GCAD has the resources and financial budget to meet planned audit activities across the Group.
- (f) Consider major findings, key significant external and internal audit matters and recommendations raised by the External Auditors and GCAD, and Management's response and follow-up actions thereto and report to the Board. Some of the key audit matters considered are provided on pages 90 to 91.
- (g) Review and approve GCAD's revised Internal Audit Charter with the objective to align the existing charter with the International Professional Practice Framework 2017 Edition issued by the Institute of Internal Auditors Incorporated.

- (h) Assess and approve the performance appraisal of the Interim Group Head, GCAD for the financial year ended 30 June 2018.

### 3. Related Party Transactions

- (a) Review significant related party transactions entered into/to be entered into by the Group to ensure that the transactions were in the best interest of SDB; were fair, reasonable and on SDB's normal commercial terms; and not detrimental to the interest of the minority shareholders of SDB.
- (b) Review the processes and procedures on related party transactions/recurrent related party transactions to streamline with the Companies Act 2016 and the Listing Requirements, and to ensure that related parties are appropriately identified and that they are declared, approved and reported appropriately.

### 4. Governance

- (a) Oversee and review the internal controls framework and governance policies, processes and documents including the Group Policies & Authorities and Terms of Reference of the GAC to be consistent with the Companies Act 2016 and the Listing Requirements, whistleblowing system process, the Group Finance Policies Manual and the Group Treasury Policies Manual.
- (b) Review the final draft Statement on Risk Management and Internal Control for the financial year ended 30 June 2018 and consider findings from the review by the External Auditors, if any.
- (c) Review the Procedure on Policy Instrument Management which provides an operational structure for the management and governance of policies, procedures, guidelines and other similar strategic/managerial documents within SDB for recommendation to the Board for approval.
- (d) Approve the GC Annual Compliance Plan which includes their financial budget, planned compliance activities and programmes, and GC's structure and staffing.
- (e) Review reports on violations of the Code of Business Conduct (COBC) and whistleblowing issues to ensure all reported violations are properly investigated and actions are taken in response to all concerns raised.
- (f) Review and approve the GC Charter and GC Framework based on ISO 19600-2015.

### 5. Other Activities

- (a) Review the Sime Darby Global Services Centre's IT separation review post pure-play exercise carried out by the External Auditor.
- (b) Review the status of key investments in SDB.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

The GAC members attended continuous professional development programmes to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The summary of relevant programmes attended during FY2018 is set out below.

Name	Continuous Professional Development Programme
Mr Thayaparan Sangarapillai	<ul style="list-style-type: none"><li>• Bursa Mandatory Accreditation Programme</li><li>• CG Breakfast Series: Leading in A Volatile, Uncertain, Complex, Ambiguous (VUCA) World</li><li>• MIA-SC Workshop on Malaysia Code on Corporate Governance</li></ul>
Datuk Wan Selamah Wan Sulaiman	<ul style="list-style-type: none"><li>• Workshop on Building High Performance Directors 2.0: Organisational Sustainability</li><li>• Land Public Transport Commission, Malaysia: Symposium 2017 (Reimagining Transportation: Sustainable Mobility) International Accountants Conference 2017</li></ul>
Dato' Sri Abdul Hamidy Abdul Hafiz	<ul style="list-style-type: none"><li>• Sustaining Reporting</li><li>• Briefing/Highlights of the New Companies Act 2016</li><li>• Advanced Internal Rating Based Approach (AIRB) Use of Credit Risk Models in Risk Management - Module 1 (Session 3)</li></ul>
Dato' Ahmad Pardas Senin	<ul style="list-style-type: none"><li>• 30% Club Business Leaders Roundtable Meeting</li><li>• International Directors' Summit 2017: Enhancing Resilience Through Governance – For Sustainability</li><li>• Corporate Governance Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World</li><li>• Building High Performance Directors 2.0</li><li>• MCCG and Bursa Malaysia Listing Requirements: Towards Meaningful Disclosure</li><li>• Changes in the Listing Requirements Post-Companies Act 2016: What To Look Out For</li><li>• In-House Briefing on:<ul style="list-style-type: none"><li>- Integrated Reporting</li><li>- Performance Management System</li></ul></li></ul>

Note:

More information on the Directors' Training and Continuous Education Programme is provided on page 80 and the complete list of trainings attended by individual Directors is available online in the Board of Directors section at <http://www.simedarby.com/company/board-of-directors>

## INTERNAL AUDIT

### Overview

The Group has an in-house internal audit function which is carried out by GCAD and is in the interim headed by Mr Vinod Chandra Das. Mr Vinod holds an accounting degree from Multimedia University, Malaysia and is a Certified Fraud Examiner and a member of the Institute of Internal Auditors, Malaysia. Mr Vinod has 16 years' experience in the audit field where he spent 2 years doing external audit with a local audit firm and the remaining 14 years were with SDB doing internal audit.

GCAD is organised as a centralised department with divisional Corporate Assurance Departments with direct control and supervision for audit services across the Group. There are a total of 41 internal auditors, excluding Interns, across the Group headed by Mr Vinod and supported by Divisional Heads in Malaysia and regional offices in Australia and China.

GCAD is guided by its Group Corporate Assurance 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 control 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 (including its financial budget) annually with periodic reviews to ensure business alignment, risk assessment and audit methodology and ensure robustness in the audit planning process. The GAC also approves the appointment or termination of the Group Head, GCAD, Heads of GCAD Divisional Teams, and senior members of GCAD.

All internal audit functions during the financial year were conducted by GCAD. Nevertheless, where required, GCAD has engaged and co-sourced with external audit firms to complement audit coverage and/or subject matter experts in specific technical areas including forensic and legal advisory.

The Quality Assurance & Improvement Programme (QAIP) continues to be used to assess the quality of audit processes adopted. It is an ongoing and periodic assessment that covers key activities within GCAD's activities. The programme focuses on the efficiency and effectiveness of audit processes and appropriate recommendations and opportunities for improvements identified through internal and external assessments. Internal assessments are carried out in the form of quarterly internal team validations and peer reviews every five years once in line with the external assessment conducted by a qualified independent assessor. Due to the pure-play exercise, the results of the quarterly QAIP for FY2017/2018 will be tabled and deliberated during the November 2018 GAC meeting. The results of the last external assessment were tabled to the GAC in November 2015.

During the financial year ended 30 June 2018, the total cost incurred for the internal audit function was RM16.6 million. Please note that the cost incurred involves two phases of GCAD structure i.e. pre pure-play exercise (160 auditors - including 120 internal auditors under Sime Darby Plantation and Sime Darby Property) and post pure-play exercise (41 auditors).

#### **Activities**

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

- 
- Developed a Group Corporate Assurance Plan for FY2018 by evaluating risk exposure relating to the achievement of the Group's strategic objectives based on the approved Strategy Blueprint and mapping this against the Divisional Enterprise Risk Management Risk Register to ensure key risks are considered and deliberated with Divisional Management, External Auditors and Group Risk Management on a periodic basis.
- 
- Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls focusing on saving cost and averting opportunity cost as well as promoting effective control across the Group. Among the areas that were audited during the year were Branch Operations, Project Management, Human Resource and Payroll, Inventory and Parts Management, Procurement, Dealer Management, Assembly Operations, Used Car Operations as well as Post Investment/Divestment reviews.
- 
- Evaluating the systems established to ensure compliance with laws, regulations, policies, plans and procedures which could have a significant impact on the Group and Divisions.
- 
- Carrying out audits on areas such as information technology and environmental, safety and health as part of the routine audit scope of work in the Group. Among the information technology areas audited during the year were post-implementation reviews of newly implemented systems, disaster recovery, outsourced services and network support.
- 
- Conducting investigations into activities or matters channelled via the Whistleblowing Case Management System managed by GC or as requested by Management. The outcomes from the investigations were tabled to GAC for deliberation and information.
- 
- Carrying out analysis to determine the efficiency of businesses carried out by the Group.
-

- 
- Driving data analytics and continuous auditing and monitoring, thereby expanding GCAD's audit coverage which supports greater operational efficiency.
- 
- Followed 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.
- 

## COMPLIANCE

GC was established as an independent function with the objective to assist the Board, GAC and Management in coordinating compliance risk management activities, and to provide reasonable assurance to the Board and Management that the Group's operations and activities are conducted in line with all applicable legal and regulatory requirements, internal policies and procedures, the COBC and standards of good practice applicable to the Group's operations. GC's function, including its activities are guided by its Charter, the GC Management Framework and the Group Policies and Authorities. GC's role is executed via the provision of oversight, coordination, consultation and validation of the Group's state of compliance.

### Activities

Key activities of the GC for financial year ended 30 June 2018:

- 
- Reviewed and proposed to the Board, an enhancement to SDB's COBC. The review was part of the Group's continuous improvement process to ensure that the COBC remained practical, relevant and aligned to current business environment. The proposed enhancement has taken into consideration changes to recent and relevant legislative, regulatory, ethical and business standards. The revised COBC was approved by the Board in February 2018.
- 
- Developed the new Vendor Code of Business Conduct (Vendor COBC). The Group recognises that vendors of the Group form an integral part of a larger stakeholder community and would invariably affect the Group's corporate reputation. The Vendor COBC was developed to ensure that business activities conducted with the Group's vendors are governed by the Group's principles, standards and values, apart from the existing laws and regulations. The Vendor COBC aims to communicate the key obligations of vendors with clarity, emphasising expected standards and expectations which in turn will enhance the ability of the Group and its vendors to develop mutually beneficial relationships. The Vendor COBC was approved by the Board in February 2018.
- 
- Coordinated the Monitoring Audit, conducted and led by the Malaysian Anti-Corruption Commission (MACC). As the signatory to the Corporate Integrity Pledge, the Group underwent a monitoring audit which tests the Group's measures in implementing programs or activities related to the prevention of corruption and unethical practices in its interaction and environment. To further strengthen the anti-corruption management systems and processes in the Group, the Anti-Bribery and Anti-Corruption Policy and Anti-Money Laundering and Terrorism Financing Policy were developed and approved by the Board in May 2018. These policies serve to ring-fence the Group against the recent amendments to the corporate liability provisions in the MACC Act 2018.
-

## **EXTERNAL AUDITORS**

### **Audit Partner Rotation**

The MIA has regulated that there should be mandatory rotation of the key audit partner for the audit of listed companies after a period of not more than seven years. The audit partner rotating after such period should not resume audit engagement partner role for the audit client until three years have elapsed.

Currently, the External Auditor rotates the audit partner responsible for the engagement every seven years as the GAC is of the view that the main objective of audit partner rotation was to enhance actual and perceived auditor independence. The audit partner rotation for SDB took effect from 1 December 2017 and the new audit partner was formally introduced to the GAC at its meeting in January 2018.

To further strengthen the independence and objectivity of the GAC, and consistent with the MCCG 2017, the GAC's Terms of Reference has been updated on 22 February 2018.

### **Suitability, Objectivity and Independence of the External Auditor**

In recommending the suitability of the External Auditors for re-appointment at the forthcoming Annual General Meeting of the Group, the GAC considered their suitability and independence, by assessing, among others, the adequacy of their experience and resources, their audit engagements, the number and experience of their engagement partners, the supervisory and professional staff assigned to SDB given the size and complexity of the Group.

During the financial year, the External Auditors and Management have engaged in healthy debates on audit issues and assumptions to ensure check and balance in financial reporting.

This report is made in accordance with a resolution of the Board of Directors dated 25 September 2018.

# RISK MANAGEMENT COMMITTEE REPORT

**TAN SRI SAMSUDIN OSMAN**  
CHAIRMAN OF THE  
RISK MANAGEMENT COMMITTEE



## “THE COMMITTEE IS FOCUSED ON ENSURING STRATEGIC RISKS ARE IDENTIFIED AND PROVIDING OVERSIGHT OVER THE RISK MANAGEMENT FRAMEWORK OF THE GROUP”

### INTRODUCTION

The Risk Management Committee (“RMC”) is responsible for ensuring the implementation of appropriate systems to manage the overall risk exposures in Sime Darby Berhad (“SDB”).

### CHAIRMAN’S OVERVIEW

The RMC continues to assist the Board in discharging its primary responsibilities of identifying principal risks and key trends, and deliberation of strategic action plans to mitigate the impact of such risks. During the year, the RMC undertook the following key activities:

- Reviewing and advising the Board on new major investment proposals and new market entries.
- Monitoring of principal risks including cash flows and gearing at the Group level based on approved risk appetite thresholds.
- Joint reviews with Divisional Managing Directors to assess Division-specific enterprise and project risk events, mitigation plans and its implementation status.

Where appropriate, the RMC also leverages the work of other Board committees such as the Governance & Audit Committee and Nomination & Remuneration Committee to assist in ensuring robust oversight of these particular risks.

### ROLES OF THE COMMITTEE

The primary objective of the Committee is to assist the Board in the discharge of its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework (“RMF”) includes

the necessary policies and mechanisms to manage the overall risk exposures of the Group. Specific duties of the Committee are as follows:

- Review the adequacy of the scope, functions, authority, competency and resources of the Group Risk Management (“GRM”) department.
- Provide oversight, direction and counsel to the risk management process, specifically to:
  - i. ensure that appropriate risk management policies, guidelines and processes are implemented;
  - ii. consider whether response strategies (and contingency plans) to manage or mitigate material risks are appropriate and effective given the nature of the identifiable risks; and
  - iii. evaluate the risk profile and risk appetite of the Group.
- Review investment proposals that are significant from a risk perspective and monitor the execution of risk mitigation strategies for such proposals. Follow up on post-investment risk mitigation strategies to ensure that the strategies are implemented subsequent to the Board’s approval.

Detailed Terms of Reference for the Committee is available online in the Governance section at <http://www.simedarby.com/operating-responsibly/governance>.

### TAN SRI SAMSUDIN OSMAN

Chairman of the Risk Management Committee

## COMMITTEE EFFECTIVENESS

### Composition and Attendance

Members*	Membership/Designation	Appointment	Attendance	
Tan Sri Samsudin Osman	Chairman/Non-Independent Non-Executive Director	1 December 2017		100%#
Dato Sri Lim Haw Kuang®	Member/Senior Independent Non-Executive Director	16 November 2010		83%#
Tan Sri Dato' Mohamed Azman Yahya	Member/Independent Non-Executive Director	1 December 2017		100%#
Dato' Lawrence Lee Cheow Hock	Member/Non-Independent Non-Executive Director	20 July 2018	-	-
Ms Moy Pui Yee	Member/Independent Non-Executive Director	20 July 2018	-	-

Former Members	Membership	Appointment	Attendance	
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah^	Member/Non-Independent Non-Executive Director	8 November 2012		100%#
Zainal Abidin Jamal^	Member/Non-Independent Non-Executive Director	1 March 2016		100%#
Tan Sri Datuk Dr Yusof Basiran^	Member/Independent Non-Executive Director	30 May 2017		100%#

Notes:

\* For the Members' profiles see pages 70 to 73

# Reflects the number of meetings held during the time the Directors held office

® Resigned as Chairman and became a Member of RMC on 1 December 2017

^ Resigned as Member of RMC on 1 December 2017

The RMC comprises Non-Executive Directors and is supported by the GRM Department in discharging its responsibilities. The RMC Chairman reports to the Board on key matters deliberated at the RMC meetings.

The Committee now comprises five members following the appointment of Dato' Lawrence Lee and Ms Moy Pui Yee on 20 July 2018.

Meetings of the Committee are attended by the Group Chief Executive Officer, Group Chief Financial Officer and Head – GRM. In addition, other members of Group Management Committee are also invited to attend meetings as and when necessary to support detailed discussions.

#### 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. The Board is satisfied that the Committee has effectively discharged its duties in accordance with its Terms of Reference. The Board Effectiveness Assessment 2018 further commended that the Committee has the right composition, and sufficient, recent and relevant skills and expertise in assisting the Board for better decision making.

#### Governance in Action

##### Risk Appetite Statement

The RMC, together with the Board, ensures that there is an appropriate Risk Appetite Statement for SDB.

The Risk Appetite Statement serves as a guide to Management on areas to focus on. The Risk Appetite Statement also reflects the appetite within which the Board expects Management to operate.

The Risk Appetite Statement is currently being developed in consultation with PwC Risk Services Sdn Bhd.

# 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 SDB for the financial year under review.

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

## 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 control 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 system for the Group. The Board is cognisant of the fact that its role in providing risk oversight sets the tone and culture towards managing key risks that may impede the achievement of the Group's business objectives within an acceptable risk profile. The Board also recognises the fact that the internal controls system are designed to manage and minimise, rather than eliminate, occurrences of material misstatements or unforeseeable circumstances, fraud or losses.

- **Risk Management Committee**

The Risk Management Committee ("RMC") assists the Board in ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group, which include identifying significant risks and ensuring that the Group Risk Management Framework includes all the necessary policies and mechanism to manage the overall risk exposure of the Group. Additionally,

the RMC reviews the effectiveness of the Group Risk Management Framework, the results of risk assessments and recommend any policies and/or framework for the Board's approval.

The responsibilities of the RMC are detailed on pages 97 to 98 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 main responsibility of the Governance and Audit Committee ("GAC") is to assist the Board in fulfilling its 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 accounting function, financial reporting and the internal controls system, which include ensuring that an effective ethics program is implemented across the Group. The GAC also monitors compliance of established policies and procedures. The Terms of Reference and GAC's activities in assessing the adequacy and effectiveness of internal controls system and their implementation within the Group are detailed on pages 90 to 94 of this annual report.

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



## B) The Management

The Management is responsible for implementing Board-approved frameworks, policies and procedures on risk management and internal controls. The Management acknowledges their responsibility to identify and evaluate the risks faced, and also acknowledges their responsibility to monitor the achievement of business goals and objectives within the risk appetite parameters approved by the Board.

The Management's responsibility includes but is not limited to:

- Setting the right example (behaviour and actions), encourage, and reinforce the importance of good business behaviours and apply the required rules and regulations.
- Recommending Group Policies for the Board's approval and implementing and monitoring the effectiveness of approved policies and procedures to manage risk.
- Ensuring appropriate and timely corrective actions are undertaken to strengthen internal controls and minimise occurrence of non-compliance incidences.
- Keeping the Board apprised of new or emerging risk and/or controls issues on a timely basis and seeking guidance when required.

The Management is expected to provide assurance to the Board that the Group's risk management and internal controls system are operating adequately and effectively based on the risk management framework adopted by the Group.

## C) Group Compliance

Group Compliance's ("GC") main role is to assist the Board, GAC and Management in coordinating compliance risk management activities (i.e. programmes or activities to identify, mitigate and educate employees about the risks of non-compliance). This role is executed via oversight, coordination, consultation and validation of the Group's state of compliance.

In recognising the diverse nature and the challenges faced by the Group, GC's programs and activities are tailored to meet the specific needs and requirements of each of the Divisions, focusing on emerging areas of compliance not addressed or covered by other

assurance functions to minimise duplication of work yet remain within the scope and mandate provided by the GAC. 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, GC. GAC also provides the necessary feedback to GC continuously, including through the annual GAC survey conducted by GC as part of its improvement efforts.

GC's mandate and activities are detailed on pages 95 to 96 of this annual report.

## D) Group Corporate Assurance Department

The 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, control and governance processes.

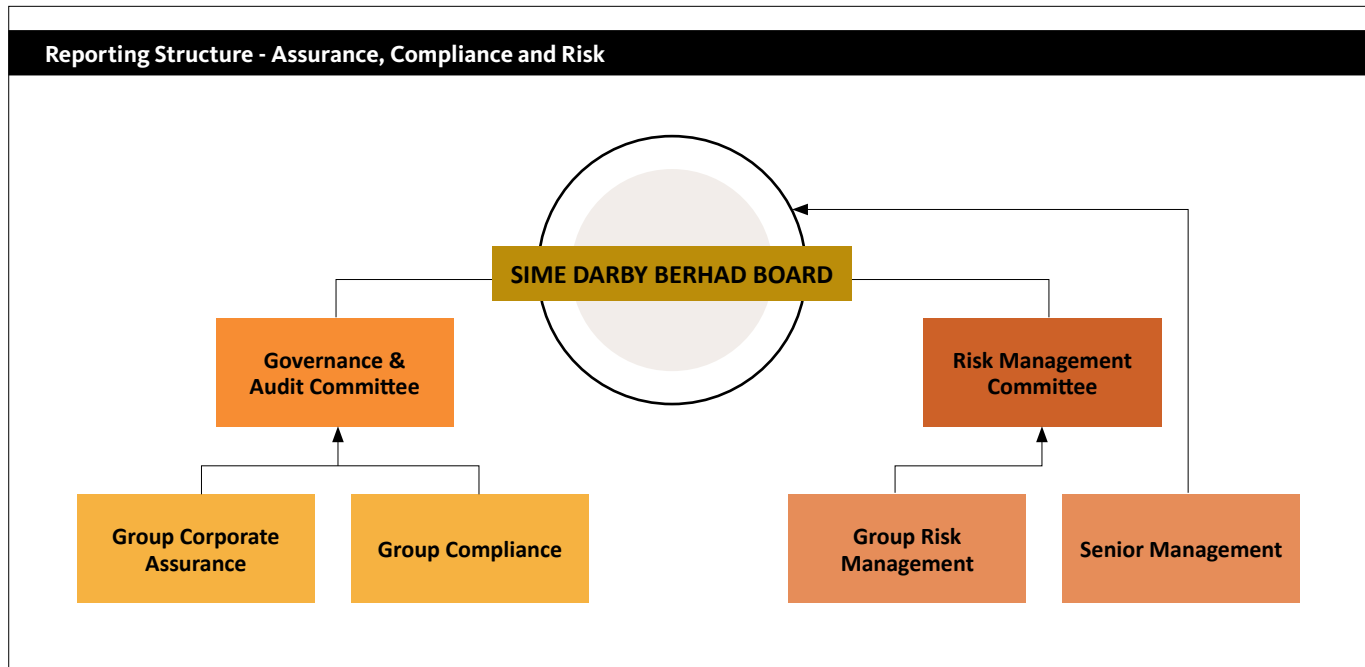
The annual audit plan, established on a risk-based approach, is reviewed and approved by the GAC annually. The audit plan is aligned with the Group's objectives and strategies as articulated in the Strategy Blueprint. GCAD conducts internal audit engagements accordingly. GCAD's audit practices conforms to the International Professional Practices Framework ("IPPF") published by the US Institute of Internal Auditors Inc.

GCAD conducts periodic assessment 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 extension and/or undertaking special reviews with amendments to the Audit Plan reported to the GAC periodically.

GCAD's mandate and activities are detailed on pages 93 to 95 of this annual report.

### 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 ensure that sufficient support is provided at both the Group Head Office (“GHO”) and Divisional levels. This structure reflects the types of key risks identified at the Group and Divisional levels in that some risks are Divisional specific and some are common across the Group requiring a coordinated approach.



### RISK MANAGEMENT AND INTERNAL CONTROLS FRAMEWORK

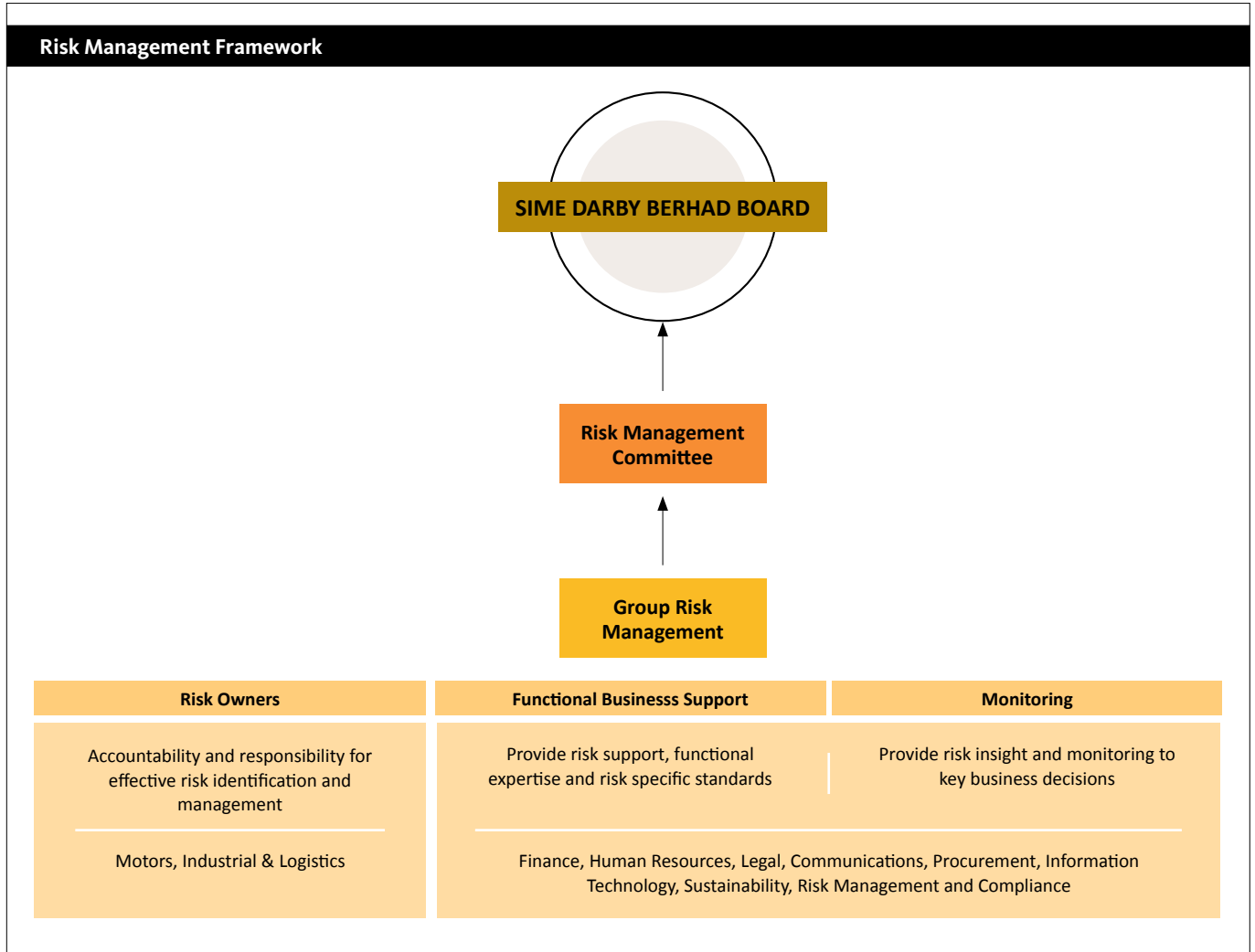
The Group has a risk management framework that is integrated into and where appropriate, embedded into the day-to-day business activities and management decision making framework of the Group. The Group does not adopt any one risk management standard or guideline, to tailor the risk management framework to the specific circumstances of the Group. The Group’s practices are generally aligned with the principles of ISO 31000. It should be noted that these principles in themselves are broad and to be utilised only where considered appropriate.

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 framework are selectively outlined below, where they provide assurance that the framework is adequate and effective for the purposes of this Statement.

**Mandate and Commitment**

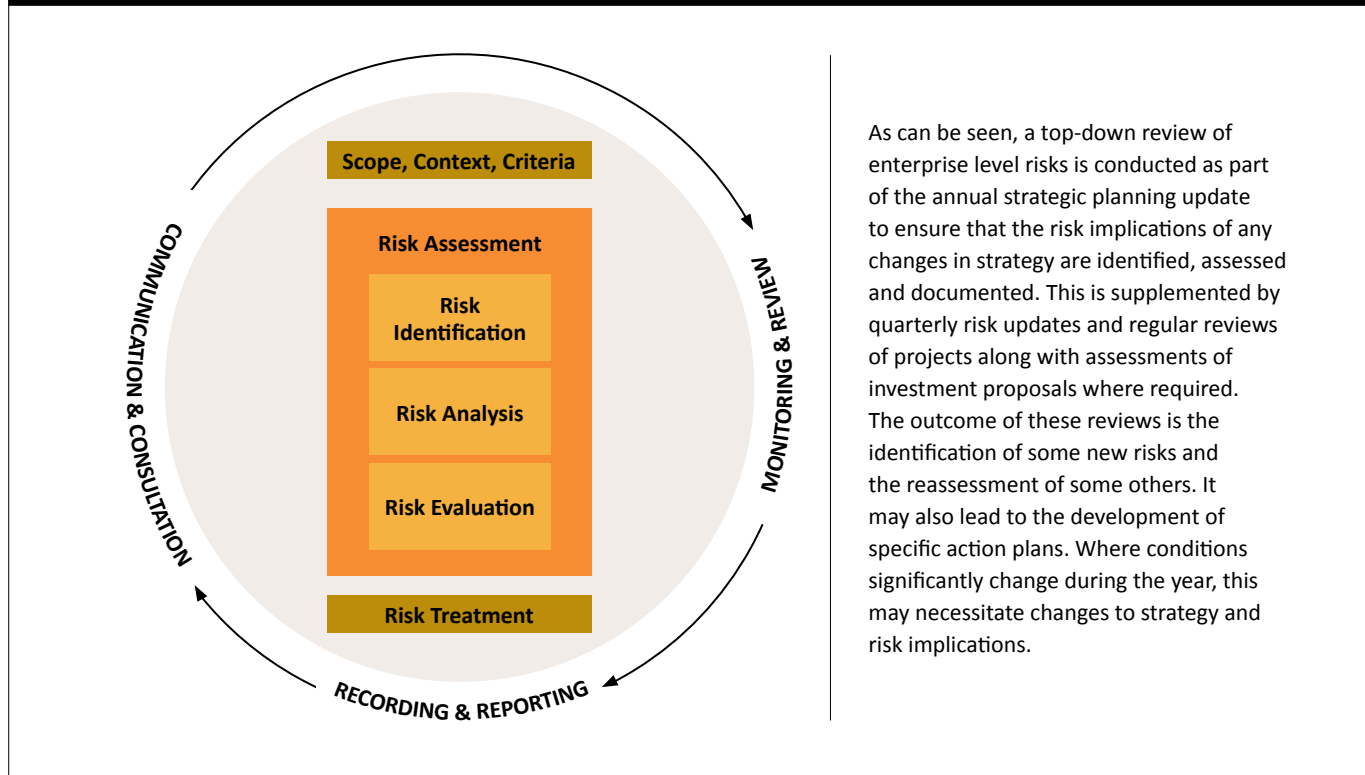
The Board has approved via the RMC, the Group Risk Management Framework (“Framework”) which encapsulates the governance arrangements as well as assigns responsibility to relevant levels of management and operations. The implementation of the Framework is ultimately the responsibility of the Group Chief Executive Officer and members of the Sime Darby Group Management Committee. Evidence of implementation can be seen via appropriate risk management practices being integrated into relevant business processes which assist with decision making aimed at achieving the Group’s objectives. It is supplemented by a more formal explicit risk management process. The diagram below provides an overview of this process:



### Integration of Risk Management and Internal Control

Integration of the formal risk management framework into the wider management framework occurs wherever practicable. The Group has embedded a number of risk assessment updating activities which are enabled by a risk management process outlined in ISO 31000 (refer to the tables below).

Risk Management Updating		
CONTEXT	TIMING	MANAGEMENT INVOLVEMENT
Strategies/Objectives	Annual Review	Top Down (as part of the annual strategic updating process)
Business Unit/Operating Unit/Project	Quarterly Update	Bottom Up (as part of the periodic monthly management review process)
Major Projects (CAPEX/Improvements/ Customer)	Monthly Review/Adhoc Update	Project Team (as part of the routine project management review process)
Major Proposals (Investment/Improvements/ Bids)	As Required	Proposal Team (as part of the project evaluation process)



## Control Environment

The Board has put in place Group Policies and Authorities (“GPA”) which act as a key pillar of the Group’s governance framework as 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 program 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**

SDB’s COBC articulates expected behaviors 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 states INTEGRITY. SDB was the first Government-Linked Company to have signed the Corporate Integrity Pledge in 2011. The Group launched the Anti-Bribery and Anti-Corruption Policy in May 2018 to strengthen the ring-fencing of the Group’s ethics parameters, particularly in the area of anti-bribery and anti-corruption.

- **Whistleblowing Policy**

The Group has put in place a Whistleblowing Policy that provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process, protection to whistleblowers and the confidentiality afforded to the whistleblower. 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 SDB’s Enterprise Portal. An overview of the Whistleblowing Policy is available on the Group’s website.

- **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 mainly 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 (Standard Operating Procedures - SOP) at all Divisions.

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

VLOD was introduced as one of the initiatives to align the Group’s expectation of the behaviours of our suppliers with the principles contained in the Vendor COBC. Amongst others, the VLOD is a document which captures vendor’s 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 SDB.

- **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. It also has supporting policies, standards and/or guidelines 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 and recover from significant unexpected events, BCM work continues to facilitate robust plans being available 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 SDB Group Management Committee reviews the financial performance (actual against budget) and forecast for the financial year of the Divisions on a regular basis. In addition, 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 Results are reviewed and approved by the Board prior to announcement.

The Annual Reports of the Company that include the annual audited financial statements together with the auditors’ and directors’ reports are issued to the shareholders within the stipulated time prescribed under the Main Market Listing Requirement (“MMLR”) of Bursa Securities.

- **Whistleblowing Mechanism/Channels**  
The whistleblowing mechanism/channels are managed to provide independence from Management. This is articulated in the Whistleblowing Policy (as stated in the GPA), where GC can be contacted for reporting either through emails, letters or calls.

The Senior Independent Non-Executive Director has oversight responsibility of 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 trending and analysis report is presented to the Board for notation.

#### **MATERIAL JOINT VENTURE AND ASSOCIATES**

The disclosures in this statement do not include the risk management and internal control 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 Board 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 control to safeguard shareholders’ investments and the Group’s assets.

The Board has received reasonable assurance from the Group Chief Executive Officer and 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 2018.

# INVESTOR RELATIONS

## “WE REGULARLY REVIEW AND REFRESH OUR ENGAGEMENT WITH SHAREHOLDERS, LEADERS AND OTHER STAKEHOLDERS”

We are committed to maintaining an open dialogue with shareholders and the Board recognises the importance of that relationship in the governance process. The Chairman, supported by the Management, has overall responsibility for ensuring that we listen to and effectively communicate with our shareholders.

We have a comprehensive investor relations programme (designed for institutional investors and private shareholders) which aims to help our existing and potential investors understand our business, strategy and performance.

We have an Investor Relations unit that facilitates communication between the Group and the investment community, with the Management’s support. Pertinent matters that may affect stakeholders include strategic developments, financial results and material business matters affecting the Group.

The Investor Relations unit has an extensive programme that involves the holding of regular meetings, conference calls and site visits, all intended to keep the investment community abreast of the Group’s operations, strategic developments and financial performance. In addition, investment road shows and conferences are held to engage with shareholders and potential investors across the globe.

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 quarterly financial results on Bursa Malaysia Securities Berhad. Press conferences are held bi-annually.

### How We Engage with Our Shareholders

Analyst briefing sessions, roadshows, one-on-one engagements, conference calls, site visits and regional investor conferences


The analysts’ briefing sessions are also broadcast live via webcast to members of the investment community who are overseas or unable to participate in person. To widen the reach to stakeholders, the financial results are shared on SDB’s website.

Shareholders are welcome to raise queries by contacting the Group at any time throughout the year and need not wait for the AGM for such an opportunity. The contact information is available on <http://www.simedarby.com/investor/investor-centre> and at the Contact Us section of the Group’s website at <http://www.simedarby.com>.

## ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS


16 NOVEMBER 2017

FIRST QUARTER ENDED  
30 SEPTEMBER 2017

 Kuala Lumpur


22 FEBRUARY 2018

SECOND QUARTER ENDED  
31 DECEMBER 2017

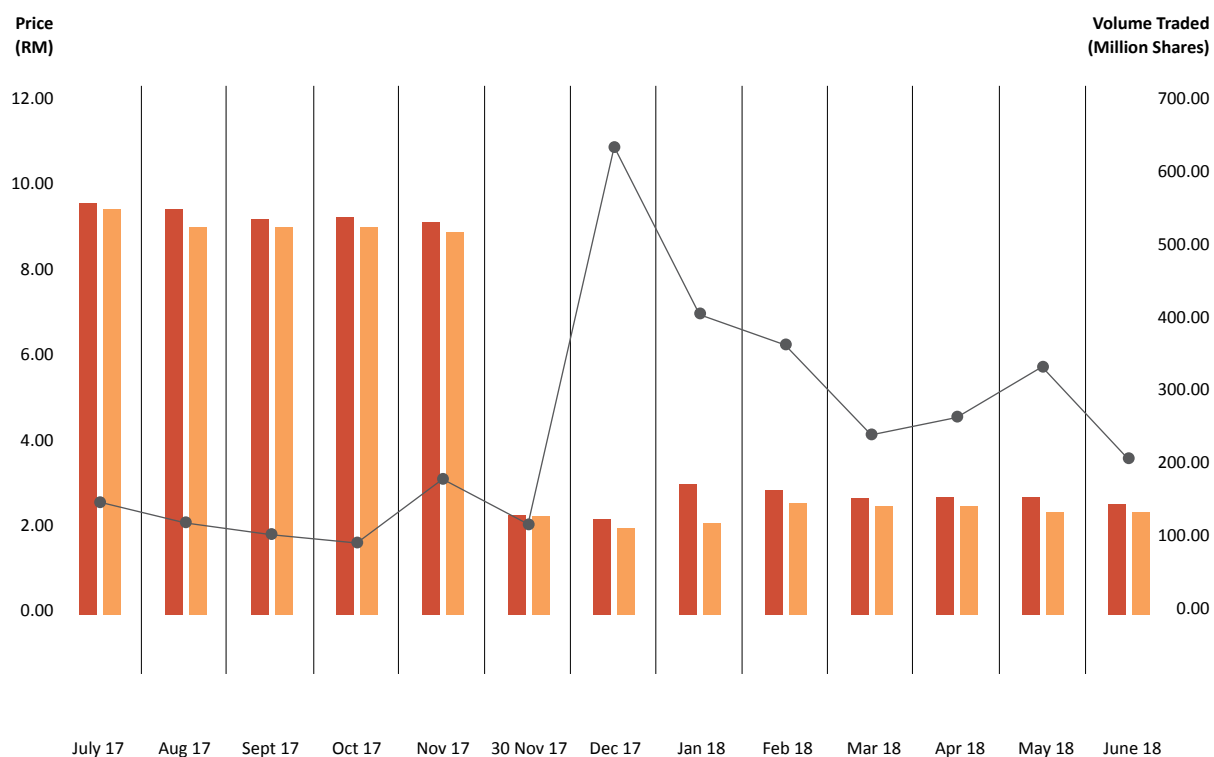
 Kuala Lumpur

25 MAY 2018

THIRD QUARTER ENDED  
31 MARCH 2018

 Kuala Lumpur

## Our Share Price Movement



	July 17	Aug 17	Sept 17	Oct 17	Nov 17	30 Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	June 18
■ Highest (RM)	9.56	9.42	9.20	9.27	9.09	2.35	2.30	3.06	2.96	2.75	2.81	2.80	2.60
■ Lowest (RM)	9.45	9.00	9.00	9.00	8.93	2.35	2.05	2.22	2.65	2.55	2.55	2.42	2.42
● Total Vol (Million)	156.73	129.63	111.89	100.64	186.88	124.72	634.91	410.91	368.66	247.77	269.62	339.01	214.05

## DIVIDENDS

### Interim Dividend of 2.0 sen Per Ordinary Share

Announcement of the Notice of Entitlement : 22 February 2018  
and Payment

Date of Entitlement : 19 April 2018

Date of Payment : 4 May 2018

### 2<sup>nd</sup> Interim Dividend of 4.0 sen and Special Dividend of 2.0 sen Per Ordinary Share


Announcement of the Notice of Entitlement : 30 August 2018  
and Payment

Date of Entitlement : 1 October 2018

Date of Payment : 31 October 2018


30 AUGUST 2018

FOURTH QUARTER ENDED 30 JUNE 2018

 Kuala Lumpur

15 NOVEMBER 2018

12<sup>TH</sup> ANNUAL GENERAL MEETING

 Kuala Lumpur



# ADDITIONAL COMPLIANCE INFORMATION

(Pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Save as disclosed below, the Group does not have any proceeds from corporate proposals.

At the Extraordinary General Meeting held on 30 September 2016, the shareholders of SDB approved a placement of new ordinary shares in the Group of up to 5% of the existing issued share capital of SDB (Placement). The Placement was completed on 14 October 2016 following the listing and quotation of 316,353,600 ordinary shares of SDB on the Main Market of Bursa Malaysia Securities Berhad on 14 October 2016.

On 30 October 2017, the Board approved the variation of the utilisation of the proceeds for capital expenditure. RM69 million originally allocated for the Property Division's capital expenditure was reallocated to the Industrial Division while the utilisation of Motors Division's capital expenditure was expanded to include purchase of vehicles for the rental fleet in Malaysia and overseas, as this also forms part of the Motors Division's capital expenditure. In addition, the Board had also approved to extend the time period for utilisation of the proceeds for capital expenditure to 30 June 2018.

The proceeds have been completely utilised as at 30 June 2018.

Purpose	Original Proposed Utilisation (RM million)	Revised/ Actual Utilisation (RM million)	Balance Unutilised (RM million)
Repayment of borrowings	1,200	1,200	-
Capital expenditure for:			
Industrial	-	69	-
Motors	300	300	-
Plantation	300	300	-
Property	350	281	-
	950	950	-
Working capital	195	195	-
Placement expenses	12	12	-
	<b>2,357</b>	<b>2,173</b>	-

## 2. AUDIT AND NON-AUDIT FEES

During the year ended 30 June 2018, the following amount have been paid or payable to Messrs PricewaterhouseCoopers PLT, the auditors of the Group for work performed (continuing operations):

	Audit Work (RM million)	Non-Audit Work (RM million)
Company	1	1
Group	17	2

## 3. MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

The contracts entered into by the Group and its subsidiaries involving Directors' and Major Shareholders' interests since the end of the previous financial year are as follows:

- (i) Disposal by Sime Darby Property Berhad of its entire 40% equity interest in Seriemas Development Sdn Berhad

Sime Darby Property Berhad ("SD Property"), a wholly-owned subsidiary of Sime Darby Berhad ("Sime Darby") had, on 31 July 2017, entered into a Share Sale Agreement with PNB Development Sdn Berhad ("PNBD") for the disposal of its entire 40% equity interest in Seriemas Development Sdn Berhad ("SDSB") comprising one million (1,000,000) ordinary shares in SDSB to PNBD for a total cash consideration of RM625 million ("Disposal").

PNBD is a private limited company incorporated in Malaysia on 24 June 2000. It is a wholly-owned subsidiary of Permodalan Nasional Berhad ("PNB").

PNB is a person connected with AmanahRaya Trustees Berhad - Amanah Saham Bumiputera ("ASB") and is a substantial shareholder of SDB, holding 6.06% equity interest in SDB as at 21 July 2017. In addition, PNB holds 100% equity interest in PNBD. Accordingly, PNB is deemed interested in the Disposal.

ASB is a major shareholder and also the largest shareholder of SDB holding 41.14% equity interest in SDB as at 21 July 2017. Accordingly, ASB is deemed interested in the Disposal.

Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah is a Non-Independent Non-Executive Director and the Deputy Chairman of SDB. He is a Director of PNB and representative of PNB on the Board of Directors of SDB. Tan Sri Datuk Dr Yusof Basiran, Muhammad Lutfi and Zainal Abidin Jamal are Non-Independent Non-Executive Directors of SDB and representatives of PNB on the Board of Directors of SDB.

Datuk Dr Mohd Daud Bakar is a Non-Independent Non-Executive Director of SDB and SD Property. He is a representative of PNB on the Board of Directors of SDB and SD Property.

Tan Sri Dato' Sri Abdul Wahid Omar is the Chairman of SD Property. He is the Group Chairman of PNB and representative of PNB on the Board of Directors of SD Property.

As such, Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah, Tan Sri Datuk Dr Yusof Basiran, Tan Sri Dato' Sri Abdul Wahid Omar, Muhammad Lutfi, Datuk Dr Mohd Daud Bakar and Zainal Abidin Jamal are deemed interested in the Disposal and have abstained and will continue to abstain from deliberating and voting pertaining to the Disposal at the relevant meetings of the Board of Directors of SDB and/or SD Property.

- (ii) Sale and Transfer of the Redeemable Loan Stocks held by Kumpulan Jelei Sdn Bhd in Prolintas Expressway Sdn Bhd to Permodalan Nasional Berhad

Kumpulan Jelei Sdn Bhd ("Kumpulan Jelei"), an indirect wholly-owned subsidiary of SDB had, on 27 October 2017, entered into a Sale and Purchase Agreement with Permodalan Nasional Berhad ("PNB") for the sale and transfer of the RM500.0 million nominal value of Zero Coupon Redeemable Loan Stocks held by Kumpulan Jelei in Prolintas Expressway Sdn Bhd ("Prolintas"), an indirect wholly-owned subsidiary of PNB, pursuant to a deed poll dated 11 July 2007 for a cash consideration of RM333,243,800.00 ("Sale and Transfer").

PNB is a person connected with AmanahRaya Trustees Berhad - Amanah Saham Bumiputera and is a substantial shareholder of SDB holding 5.2% equity interest in SDB as at 27 October 2017. In addition, PNB is the holding company of Prolintas. Accordingly, PNB is deemed interested in the Sale and Transfer.

ASB is a major shareholder and also the largest shareholder of SDB, holding 41.6% equity interest in SDB as at 27 October 2017. Accordingly, ASB is deemed interested in the Sale and Transfer.

Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah is a Non-Independent Non-Executive Director and the Deputy Chairman of SDB. He is a Director of PNB and representative of PNB on the Board of Directors of SDB. Datuk Dr Mohd Daud Bakar and Encik Zainal Abidin Jamal are Non-Independent Non-Executive Directors of SDB and representatives of PNB on the Board of Directors of SDB.

As such, Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah, Datuk Dr Mohd Daud Bakar and Encik Zainal Abidin Jamal are deemed interested in the Sale and Transfer and have abstained and will continue to abstain from deliberating and voting pertaining to the Sale and Transfer at the relevant Board and Board Committees' meetings of SDB.

SD Property and Kumpulan Jelei have ceased to be subsidiaries of SDB following the completion of SDB's pure-play exercise on 30 November 2017.

#### **4. CONTRACTS RELATING TO LOANS**

There were no contracts relating to loans by the Group involving interests of Directors and major shareholders during the financial year ended 30 June 2018.

#### **5. RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE**

The Group intends to seek a new shareholders' mandate to apply to recurrent related party transactions of a revenue or trading nature with related parties at the forthcoming Twelfth Annual General Meeting of the Group.

The details of the new mandate to be sought are furnished in the Circular to Shareholders dated 17 October 2018.



# 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 2018, as presented on pages 125 to 301, have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement 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 judgements and estimates. The Directors are satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and the Company at the end of the financial year and the financial performance the Group and the Company for the financial year.

The Directors have the responsibility to ensure 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 2018.

## **BOARD APPROVAL OF FINANCIAL STATEMENTS**

The annual financial statements for the financial year ended 30 June 2018 are set out on pages 125 to 301. The preparation thereof was supervised by the Group Chief Financial Officer and approved by the Board of Directors on 25 September 2018.

# FINANCIAL STATEMENTS

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## Financial Statements

The Group's Financial Statement provides a deeper understanding of our performance for FY2018.



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Directors' Report



**Page 116**

Statement By Directors Pursuant To Section 251(2) Of The Companies Act 2016



**Page 117**

Statutory Declaration Pursuant To Section 251(1) Of The Companies Act 2016



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Independent Auditors' Report



**Page 125**

Statements of Profit or Loss



**Page 126**

Statements of Comprehensive Income



**Page 128**

Statements of Financial Position



**Page 130**

Statements of Changes In Equity



**Page 136**

Statements of Cash Flows



**Page 139**

Notes to the Financial Statements

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# 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 2018.

## 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.

Following the completion of the distribution of the Company's entire equity interest in Sime Darby Plantation Berhad and Sime Darby Property Berhad to shareholders of the Company on 29 November 2017, the Company's main businesses are trading (industrial and motors), logistics and healthcare.

## FINANCIAL RESULTS

The results of the Group and of the Company for the financial year ended 30 June 2018 were as follows:

	Group RM million	Company RM million
Profit before interest and tax	1,074	1,711
Finance income	104	7
Finance costs	(113)	(4)
Profit before tax	1,065	1,714
Taxation	(380)	–
Profit for the financial year from continuing operations	685	1,714
Profit for the financial year from discontinued operations	1,378	–
Profit for the financial year	2,063	1,714
Profit for the financial year attributable to owners of:		
- the Company		
- from continuing operations	618	1,714
- from discontinued operations	1,301	–
	1,919	1,714
- perpetual sukuk		
- from discontinued operations	52	–
- non-controlling interests		
- from continuing operations	67	–
- from discontinued operations	25	–
Profit for the financial year	2,063	1,714

# DIRECTORS' REPORT

## DISTRIBUTION-IN-SPECIE

On 20 November 2017, the shareholders have approved the distribution of the Company's entire shareholdings in Sime Darby Plantation Berhad and Sime Darby Property Berhad to shareholders of the Company (distribution-in-specie). The distribution was completed on 29 November 2017. The distribution-in-specie is disclosed in Note 47 of the financial statements.

## 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 2017, a final dividend of 17.0 sen per share was paid on 20 December 2017; and	1,156
b. In respect of the financial year ended 30 June 2018, an interim dividend of 2.0 sen per share was paid on 4 May 2018	136
	<b>1,292</b>

The Board of Directors has declared a second interim dividend of 4 sen per ordinary share amounting to RM272 million and a special dividend of 2 sen per ordinary share amounting to RM136 million in respect of the financial year ended 30 June 2018. The dividends will be paid on 31 October 2018.

## 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 and 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).

The PBESS is based on 3-year cliff vesting and is subject to achievement of certain performance metrics. The salient features of the PBESS and the vesting conditions are disclosed in Note 38 to the financial statements.

The grants under the PBESS comprise the Group Performance Share (GPS), the Division Performance Share (DPS) and the General Employee Share (GES). The number of shares granted under the second grant of the PBESS and the number of shares outstanding at the end of the financial year are as follows:

	GPS '000	DPS '000	GES '000
At 1 July 2017	3,160	4,255	4,356
Lapsed	(3,160)	(4,255)	(4,356)
At 30 June 2018	–	–	–

## PERFORMANCE-BASED EMPLOYEE SHARE SCHEME (CONTINUED)

On 23 August 2017, the second grant lapsed as the vesting conditions which include performance targets were not met. There was no new grant in the financial year ended 30 June 2018.

On 29 August 2018, the Board of Directors approved for the Long Term Incentive Plan to be revised. The revised plan is being finalised and is expected to be implemented in the financial year ending 30 June 2019.

## 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' Abdul Ghani Othman (Chairman) (resigned on 1 December 2017)  
Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah (redesignated as Chairman from 1 December 2017)  
Tan Sri Samsudin Osman  
Tan Sri Datuk Dr Yusof Basiran (resigned on 1 December 2017)  
Tan Sri Dato' Seri Mohd Bakke Salleh (resigned on 1 December 2017)  
Muhammad Lutfi (resigned on 1 December 2017)  
Datuk Zaiton Mohd Hassan (resigned on 1 December 2017)  
Datuk Wan Selamah Wan Sulaiman  
Datuk Dr Mohd Daud Bakar (resigned on 1 December 2017)  
Dato Sri Lim Haw Kuang  
Dato' Rohana Tan Sri Mahmood (resigned on 1 December 2017)  
Zainal Abidin Jamal (resigned on 1 December 2017)  
Tan Sri Dato' Mohamed Azman Yahya (appointed on 1 December 2017)  
Datin Paduka Kartini Haji Abdul Manaf (appointed on 1 December 2017)  
Dato' Sri Abdul Hamidy Abdul Hafiz (appointed on 1 December 2017)  
Dato' Ahmad Pardas Senin (appointed on 1 December 2017)  
Thayaparan Sangarapillai (appointed on 1 December 2017)  
Dato' Lawrence Lee Cheow Hock (appointed on 1 March 2018)  
Moy Pui Yee (appointed on 2 July 2018)  
Jeffri Salim Davidson (appointed on 1 December 2017)

The names of Directors of subsidiaries are set out in the respective subsidiaries' financial statements, where applicable, and the said information is deemed incorporated herein by such reference and made a part hereof.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 RM3.2 million (2017: RM0.9 million), which includes the annual renewal up to November 2018 and a run-off cover for 6 years up to November 2023.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES

The Directors in office at the end of the financial year held no interest in shares of the Company.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

- a. Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
  - ii. to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.
- b. At the date of this Report, the Directors are not aware of any circumstances:
  - i. which would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - ii. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - iii. which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- c. As at the date of this Report:
  - i. there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and
  - ii. there are no material contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.
- d. No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.
- e. At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- f. In the opinion of the Directors:
  - i. the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Notes 4, 11 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.



## 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.

## AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

## AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 25 September 2018.

Signed on behalf of the Board of Directors:



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



**JEFFRI SALIM DAVIDSON**  
Executive Director / Group Chief Executive Officer

Petaling Jaya  
Selangor  
25 September 2018

# 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 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 125 to 301 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 2018 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 2018.



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



**JEFFRI SALIM DAVIDSON**  
Executive Director / Group Chief Executive Officer

Petaling Jaya  
Selangor  
25 September 2018

# 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 125 to 301 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 2018.

Before me,



**SHAHRUDIN BIN ESA**  
B-1-08, Blok B, Oasis Square,  
Ara Damansara, Jalan PJU 1A/7A,  
47301 Petaling Jaya, Selangor.  
Commissioner for Oaths (No. B520)  
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 2018, 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 2018 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 125 to 301.

#### 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.

# 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)

### 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 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.

### 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 for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There is no key audit matter for the Company for the financial year. The key audit matters for the Group for the financial year are as described in the table below:

Key audit matters	How our audit addressed the key audit matters
<u>Recoverability of carrying amount of intangible assets in the Industrial operations in Australasia</u>	
Intangible assets recognised on the Statement of Financial Position of the Group included Bucyrus distribution rights and goodwill of RM685 million and RM40 million respectively, which are allocated to the Industrial operations in Australasia.	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, tax, depreciation and amortisation ("EBITDA") growth rate and terminal growth rate to historical results and industry data where appropriate.

# 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
<p><u>Recoverability of carrying amount of intangible assets in the Industrial operations in Australasia (continued)</u></p> <p>We focused on the recoverability of the carrying amount of Bucyrus intangible assets 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.</p> <p>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.</p> <p>Management has updated the cash flow projections by comparing it to actual historical results, current available information such as the outcome of tender processes, secured contracts or latest available market information.</p> <p>Based on management's assessment, the Directors are of the opinion that the carrying amount of the intangible assets is recoverable.</p> <p>Refer to Notes 4(a) and 27 to the financial statements.</p>	<p>We assessed the reliability of management's forecast by comparing their previous years' forecasted results against past trends of actual results.</p> <p>We involved our valuation experts to assess the discount rate used in determining the recoverable amounts of the CGUs.</p> <p>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 respective recoverable amounts.</p> <p>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 2018.</p>

# 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
<p><u>Recoverability of the Group's investment in an associate, Eastern &amp; Oriental Berhad ("E&amp;O")</u></p> <p>The carrying amount of the Group's investment in E&amp;O as at 30 June 2018 amounted to RM240 million.</p> <p>The recoverable amount of the investment in E&amp;O was the higher of its value-in-use which was determined using the dividend yield model and its fair value less costs to sell which was determined using the market price of the E&amp;O shares as listed on Bursa Malaysia Securities Berhad ("Bursa") website on 29 June 2018, the last trading day prior to the reporting date.</p> <p>We focused on the recoverability of the Group's investment in E&amp;O due to the key assumption used in deriving the value-in-use of the investment, i.e. that the dividend yield will remain at the same quantum as the average dividend declared by E&amp;O for the past 5 years from 2014 to 2018 and discount rate.</p> <p>Based on management's assessment, an impairment loss of RM103 million was recognised on the Group's investment in E&amp;O using its fair value less costs to sell, as stated in Note 13 to the financial statements.</p> <p>Refer to Notes 4(c) and 13 to the financial statements.</p>	<p>We evaluated the appropriateness of using the dividend yield model to determine the value in use for the investment. We evaluated the reasonableness of the key assumption used by management in the dividend yield model by comparing the average dividend used in the model to the historical dividends declared and paid by E&amp;O from 2014 to 2018.</p> <p>We checked the cost of equity, which is the discount rate used in the dividend yield model, to available market data.</p> <p>We checked the closing share price of E&amp;O as at 29 June 2018 to the Bursa website. We checked mathematical accuracy of management's calculation of the fair value of the E&amp;O shares.</p> <p>Based on the above procedures performed, we did not note any exceptions to the Directors' assessment on the recoverability of the Group's carrying amount of its investment in E&amp;O as at 30 June 2018.</p>

# 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 Directors' Report, Statement on Risk Management and Internal Controls, Chairman's Statement on Corporate Governance, Board of Directors, Group Management Committee, Governance & Audit Committee Report, Nomination & Remuneration Committee Report, Risk Management Committee Report, Creating Sustainable Value section, Enterprise Risk Management, and Statement of Directors' Responsibility, which we obtained prior to the date of this auditors' report, and the rest of the Annual Report 2018 of Sime Darby Berhad, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

### Responsibilities of the Directors for the financial statements

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

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



# 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)

### 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.

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 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 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.

# 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)

### Auditors' responsibilities for the audit of the financial statements (continued)

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 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 2018

# STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2018	2017 Restated	2018	2017
<b>Continuing operations</b>					
Revenue	6	33,828	31,087	1,764	1,400
Operating expenses	7	(33,063)	(30,614)	(24)	(57)
Other operating income	10	305	313	2	1
Other gains and losses	11	32	(48)	(31)	–
<b>Operating profit</b>		<b>1,102</b>	<b>738</b>	<b>1,711</b>	<b>1,344</b>
Share of results of joint ventures	12	59	47	–	–
Share of results of associates	13	(87)	(1)	–	–
Profit before interest and tax		<b>1,074</b>	<b>784</b>	<b>1,711</b>	<b>1,344</b>
Finance income	14	104	512	7	262
Finance costs	15	(113)	(289)	(4)	(151)
<b>Profit before tax</b>		<b>1,065</b>	<b>1,007</b>	<b>1,714</b>	<b>1,455</b>
Taxation	16	(380)	(212)	–	1
<b>Profit for the financial year from continuing operations</b>		<b>685</b>	<b>795</b>	<b>1,714</b>	<b>1,456</b>
<b>Discontinued operations</b>					
Profit for the financial year from discontinued operations	17	1,378	1,886	–	–
<b>Profit for the financial year</b>		<b>2,063</b>	<b>2,681</b>	<b>1,714</b>	<b>1,456</b>
Profit for the financial year attributable to owners of:					
- the Company					
- from continuing operations		618	615	1,714	1,334
- from discontinued operations		1,301	1,823	–	–
		1,919	2,438	1,714	1,334
- perpetual sukuk					
- from continuing operations		–	122	–	122
- from discontinued operations		52	2	–	–
- non-controlling interests					
- from continuing operations		67	58	–	–
- from discontinued operations		25	61	–	–
		2,063	2,681	1,714	1,456
Basic earnings per share attributable to owners of the Company:					
- from continuing operations	18	Sen	Sen		
- from discontinued operations		9.1	9.3		
		19.1	27.4		
		28.2	36.7		

Comparatives have been restated following the reclassification of certain items as disclosed in Note 53.

The notes on pages 139 to 301 form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2018	2017	2018	2017
<b>Profit for the financial year</b>		<b>2,063</b>	2,681	<b>1,714</b>	1,456
<b>Other comprehensive income/(loss):</b>					
<b><u>Continuing operations</u></b>					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Currency translation differences		(760)	310	–	–
Net change in fair value of cash flow hedges		26	(12)	–	–
Share of other comprehensive (loss)/income of joint ventures and associates		(43)	30	–	–
Taxation		(8)	2	–	–
		(785)	330	–	–
Reclassified to profit or loss:					
- currency translation differences on:					
- repayment of net investments		(23)	19	–	–
- disposal of a subsidiary		–	5	–	–
- changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses		(8)	19	–	–
Reclassification of changes in fair value of cash flow hedges to inventories		(2)	7	–	–
Taxation		4	(6)	–	–
		(814)	374	–	–
<u>Items that will not be reclassified subsequently to profit or loss</u>					
Actuarial gain/(loss) on defined benefit pension plans		6	(3)	–	–
		6	(3)	–	–
Other comprehensive (loss)/income from continuing operations		(808)	371	–	–
<b><u>Discontinued operations</u></b>					
Other comprehensive (loss)/income from discontinued operations	17	(228)	406	–	–
Total other comprehensive (loss)/income	20	(1,036)	777	–	–
<b>Total comprehensive income for the financial year</b>		<b>1,027</b>	3,458	<b>1,714</b>	1,456

# STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Group		Company	
	2018	2017	2018	2017
Total comprehensive (loss)/income for the financial year attributable to owners of:				
- the Company				
- from continuing operations	(140)	957	1,714	1,334
- from discontinued operations	1,088	2,209	-	-
	<b>948</b>	3,166	<b>1,714</b>	1,334
- perpetual sukuk				
- from continuing operations	-	122	-	122
- from discontinued operations	52	2	-	-
- non-controlling interests				
- from continuing operations	17	87	-	-
- from discontinued operations	10	81	-	-
	<b>1,027</b>	3,458	<b>1,714</b>	1,456

The notes on pages 139 to 301 form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2018	2017 Restated	2018	2017
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	21	5,773	5,624	–	–
Prepaid lease rentals	22	300	359	–	–
Investment properties	23	289	317	–	–
Subsidiaries	24	–	–	3,590	3,621
Amounts due from subsidiaries	25	–	–	–	700
Joint ventures	12	1,197	1,131	–	–
Associates	13	518	652	–	–
Investments	26	124	100	–	–
Intangible assets	27	1,415	1,684	–	–
Deferred tax assets	28	519	611	–	–
Tax recoverable	29	63	160	–	–
Derivative assets	30	–	44	–	–
Receivables and other assets	31	214	171	–	–
		<b>10,412</b>	<b>10,853</b>	<b>3,590</b>	<b>4,321</b>
<b>CURRENT ASSETS</b>					
Inventories	32	7,210	7,103	–	–
Receivables	31	4,536	3,847	4	–
Contract assets	33	47	39	–	–
Amounts due from subsidiaries	25	–	–	6,034	8,955
Prepayments	34	527	466	–	–
Tax recoverable	29	63	67	–	–
Derivative assets	30	66	97	–	–
Bank balances, deposits and cash	35	1,672	2,072	163	200
		<b>14,121</b>	<b>13,691</b>	<b>6,201</b>	<b>9,155</b>
<b>Assets held for sale</b>	<b>36</b>	<b>340</b>	<b>43,136</b>	<b>–</b>	<b>4,505</b>
<b>TOTAL ASSETS</b>		<b>24,873</b>	<b>67,680</b>	<b>9,791</b>	<b>17,981</b>

Comparatives have been restated following the reclassification of certain items as disclosed in Note 53.

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2018	2017 Restated	2018	2017
<b>EQUITY</b>					
Share capital	37	9,299	9,299	9,299	9,299
Reserves	39	341	1,348	–	–
Retained profits		4,730	26,696	486	7,965
<b>ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>14,370</b>	<b>37,343</b>	<b>9,785</b>	<b>17,264</b>
Perpetual sukuk	40	–	2,230	–	–
Non-controlling interests	41	389	976	–	–
<b>TOTAL EQUITY</b>		<b>14,759</b>	<b>40,549</b>	<b>9,785</b>	<b>17,264</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	42	247	1,251	–	700
Contract liabilities	33	126	104	–	–
Provisions	43	17	37	–	–
Payables	45	54	80	–	–
Government grants	44	153	187	–	–
Deferred tax liabilities	28	286	338	–	–
Derivative liabilities	30	2	–	–	–
		<b>885</b>	<b>1,997</b>	<b>–</b>	<b>700</b>
<b>CURRENT LIABILITIES</b>					
Payables	45	4,760	4,268	6	16
Contract liabilities	33	1,315	1,115	–	–
Borrowings	42	2,642	1,954	–	1
Provisions	43	356	374	–	–
Tax payable		89	122	–	–
Derivative liabilities	30	24	11	–	–
		<b>9,186</b>	<b>7,844</b>	<b>6</b>	<b>17</b>
<b>Liabilities associated with assets held for sale</b>	<b>36</b>	<b>43</b>	<b>17,290</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>		<b>10,114</b>	<b>27,131</b>	<b>6</b>	<b>717</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,873</b>	<b>67,680</b>	<b>9,791</b>	<b>17,981</b>

Comparatives have been restated following the reclassification of certain items as disclosed in Note 53.

The notes on pages 139 to 301 form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Group 2018	Note	Share capital
At 1 July 2017		9,299
Profit for the financial year		–
Other comprehensive (loss)/income for the financial year	20	–
Total comprehensive (loss)/income for the financial year		–
Transfer between reserves		–
Share of capital reserve of an associate		–
Transactions with owners:		
- issue of shares in a subsidiary		–
- dividends paid by way of cash	19	–
- distribution		–
Reclassification upon deconsolidation of subsidiaries <sup>1</sup>		–
Distribution-in-specie <sup>2</sup>		–
Derecognition arising from deconsolidation of subsidiaries <sup>3</sup>		–
At 30 June 2018		9,299

<sup>1</sup> 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)

<sup>2</sup> 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

<sup>3</sup> The perpetual sukuk and non-controlling interests of SD Plantation and SD Property were derecognised upon the deconsolidation of SD Plantation and SD Property

<sup>4</sup> An analysis of the movements in each category within reserves is disclosed in Note 39



# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Reserves <sup>4</sup>	Retained profits	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total Equity
1,348	26,696	37,343	2,230	976	40,549
–	1,919	1,919	52	92	2,063
(977)	6	(971)	–	(65)	(1,036)
(977)	1,925	948	52	27	1,027
13	(13)	–	–	–	–
(4)	–	(4)	–	–	(4)
–	–	–	–	5	5
–	(1,292)	(1,292)	–	(76)	(1,368)
–	–	–	(63)	–	(63)
(39)	39	–	–	–	–
–	(22,625)	(22,625)	–	–	(22,625)
–	–	–	(2,219)	(543)	(2,762)
341	4,730	14,370	–	389	14,759

# STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Group 2017	Note	Share capital
At 1 July 2016		3,164
Profit for the financial year		–
Other comprehensive income for the financial year	<b>20</b>	–
Total comprehensive income for the financial year		–
Transfer between reserves		–
Transactions with owners:		
- acquisition of non-controlling interests		–
- share placement		158
- issue of shares in a subsidiary		–
- dividends paid by way of:	<b>19</b>	
- issuance of shares pursuant to the Dividend Reinvestment Plan		78
- cash		–
- distribution		–
Share issue expenses		–
Transfer from share premium	<b>37</b>	5,899
At 30 June 2017		9,299

<sup>1</sup> An analysis of the movements in each category within reserves is disclosed in Note 39

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Share premium	Reserves <sup>1</sup>	Retained profits	Attributable to owners of the Company	Perpetual sukuk	Non-controlling interests	Total Equity
2,602	623	26,006	32,395	2,230	965	35,590
–	–	2,438	2,438	124	119	2,681
–	725	3	728	–	49	777
–	725	2,441	3,166	124	168	3,458
–	(58)	58	–	–	–	–
–	58	(6)	52	–	(64)	(12)
2,199	–	–	2,357	–	–	2,357
–	–	–	–	–	7	7
1,110	–	(1,188)	–	–	–	–
–	–	(615)	(615)	–	(100)	(715)
–	–	–	–	(124)	–	(124)
(12)	–	–	(12)	–	–	(12)
(5,899)	–	–	–	–	–	–
–	1,348	26,696	37,343	2,230	976	40,549

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

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 <sup>1</sup>		–	(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

<sup>1</sup> The distribution-in-specie consists of the Company's cost of investment in SD Plantation (RM1,100 million) and SD Property (RM6,801 million)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Company 2017	Note	Share capital	Share premium	Retained profits	Attributable to owners of the Company	Perpetual sukuk	Total equity
At 1 July 2016		3,164	2,602	8,438	14,204	2,230	16,434
Profit for the financial year		–	–	1,334	1,334	122	1,456
Transactions with owners:							
- share placement		158	2,199	–	2,357	–	2,357
- novation to a subsidiary		–	–	(4)	(4)	(2,228)	(2,232)
- dividends paid by way of:	<b>19</b>						
- issuance of shares pursuant to the Dividend Reinvestment Plan		78	1,110	(1,188)	–	–	–
- cash		–	–	(615)	(615)	–	(615)
- distribution		–	–	–	–	(124)	(124)
Share issue expenses		–	(12)	–	(12)	–	(12)
Transfer from share premium	<b>37</b>	5,899	(5,899)	–	–	–	–
At 30 June 2017		9,299	–	7,965	17,264	–	17,264

The notes on pages 139 to 301 form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Group		Company	
	2018	2017 Restated	2018	2017
<b>Cash flow from operating activities</b>				
Profit for the financial year	685	795	1,714	1,456
Adjustments for:				
- dividends from subsidiaries	–	–	(1,764)	(1,400)
- investment income	(121)	(124)	–	–
- share of results of joint ventures and associates	28	(46)	–	–
- finance income	(104)	(512)	(7)	(262)
- finance costs	113	289	4	151
- taxation	380	212	–	(1)
- gain on disposals and loss on deconsolidation (net)	(137)	(72)	–	–
- Impairment losses and write offs (net)	143	255	31	–
- depreciation and amortisation	621	581	–	–
- inventory provision (net)	288	203	–	–
- changes in fair value of derivatives	(4)	20	–	–
- realised foreign currencies exchange (gain)/loss transferred from equity	(23)	19	–	–
- other non-cash items	11	(43)	(1)	–
	<b>1,880</b>	<b>1,577</b>	<b>(23)</b>	<b>(56)</b>
Changes in working capital:				
- inventories	(455)	402	–	–
- rental assets	(682)	(522)	–	–
- receivables and other assets	(921)	416	(3)	7
- payables and other liabilities	997	(202)	(8)	2
<b>Cash generated from/(used in) operations</b>	<b>819</b>	<b>1,671</b>	<b>(34)</b>	<b>(47)</b>
Tax (paid)/refund	(284)	(289)	–	1
Dividends received from:				
- subsidiaries	–	–	1,764	1,400
- joint ventures and associates	21	33	–	–
Income received from investments	121	124	–	–
Operating cash flow from continuing operations	677	1,539	1,730	1,354
Operating cash flow from discontinued operations	596	3,452	–	–
<b>Net cash flow from operating activities</b>	<b>1,273</b>	<b>4,991</b>	<b>1,730</b>	<b>1,354</b>

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2018	2017 Restated	2018	2017
<b>Cash flow from investing activities</b>					
Finance income received		87	512	6	298
Proceeds from sale of:					
- property, plant and equipment		439	28	-	-
- prepaid lease rental and investment properties		6	45	-	-
- associates and investment		6	323	-	-
Net cash (outflow)/inflow from disposal and deconsolidation of subsidiaries	47(a)(ii)	(59)	104	-	-
Purchase of:					
- property, plant and equipment	21(d)	(467)	(394)	-	-
- investment properties, intangible assets and prepaid lease rentals		(23)	(139)	-	-
- investments		(27)	(58)	-	-
Acquisition of a business	46(a)	(2)	-	-	-
Acquisition and subscription of shares in joint ventures		(30)	(105)	-	-
Settlement by/(advances to) subsidiaries		-	-	225	(2,064)
Reclassification to assets held for sale		(19)	-	-	-
Repayment by discontinued operations		735	1,548	-	-
Net (loans to)/repayment of loans by joint ventures and associates		(30)	50	-	-
Investing cash flow from/(used in) continuing operations		616	1,914	231	(1,766)
Investing cash flow used in discontinued operations		(1,474)	(1,813)	-	-
<b>Net cash flow (used in)/from investing activities</b>		<b>(858)</b>	<b>101</b>	<b>231</b>	<b>(1,766)</b>

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

	Note	Group		Company	
		2018	2017 Restated	2018	2017
<b>Cash flow from financing activities</b>					
Proceeds from issuance of shares, net of expenses		–	2,345	–	2,345
Proceeds from shares issued to owners of non-controlling interest		5	7	–	–
Purchase of additional interest in a subsidiary		–	(29)	–	–
Finance costs paid		(131)	(371)	(6)	(194)
Net borrowings repaid		(146)	(4,642)	(700)	(1,000)
Distribution to perpetual sukuk holders		–	(124)	–	(124)
Dividends paid to shareholders of the Company		(1,292)	(615)	(1,292)	(615)
Dividends paid to non-controlling interests		(27)	(40)	–	–
Financing cash flow used in continuing operations		(1,591)	(3,469)	(1,998)	412
Financing cash flow used in discontinued operations		(936)	(1,379)	–	–
<b>Net cash (used in)/from financing activities</b>		<b>(2,527)</b>	<b>(4,848)</b>	<b>(1,998)</b>	<b>412</b>
Net (decrease)/increase in cash and cash equivalents		(2,112)	244	(37)	–
Foreign exchange differences		(101)	102	–	–
Cash and cash equivalents at beginning of the financial year		3,842	3,496	200	200
Cash and cash equivalents at end of the financial year [note (a)]		1,629	3,842	163	200
<b>a. Cash and cash equivalents at end of the financial year:</b>					
Bank balances, deposits and cash	35	1,672	2,072	163	200
Bank overdrafts	42	(43)	(78)	–	–
Cash and cash equivalents from continuing operations		1,629	1,994	163	200
Cash and cash equivalents from discontinued operations	17	–	1,848	–	–
		1,629	3,842	163	200

Comparatives have been restated following the reclassification of certain items as disclosed in Note 53.

The notes on pages 139 to 301 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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.

Following the completion of the distribution of the Company's entire equity interest in SD Plantation and SD Property to shareholders on 29 November 2017, the Group's remaining 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 are 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. 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 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosure of Interests in Other Entities'

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 2 BASIS OF PREPARATION (CONTINUED)

#### a. Amendments to published standards that are applicable to the Group and the Company (continued)

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities as set out in Note 42(c)(iii). Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

#### 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 2018, 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 follow:

##### Effective for annual periods beginning on or after 1 January 2018

- Amendments to MFRS 2 'Share-based Payment – Classification and Measurement of Share-based Payment Transactions'
- Amendments to MFRS 4 'Insurance Contracts – Applying MFRS 9 'Financial Instruments' with MFRS 4 'Insurance Contracts'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'
- Amendments to MFRS 140 'Investment Property – Clarification of 'Change in Use' – Asset transferred to, or from, Investment Properties'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

##### Effective for annual periods beginning on or after 1 January 2019

- Amendments to MFRS 128 'Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures'
- Amendments to MFRS 9 'Financial Instrument – Prepayment Features with Negative Compensation'
- Annual Improvements to MFRSs 2015 – 2017 Cycle: Amendments to MFRS 3 'Business Combination', MFRS 11 'Joint Arrangements', MFRS 112 'Income Taxes' and MFRS 123 'Borrowing Costs'
- Amendments to MFRS 119 'Employee Benefits – Plan Amendment, Curtailment or Settlement'

- ii. New standards effective for the financial year beginning 1 July 2018 that are expected to affect the consolidated financial statements of the Group and the Company are set out below:

- MFRS 9 – Financial Instruments

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 'Financial Instruments: Recognition and Measurement' and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL fair value through profit or loss with an irrevocable option at inception to present changes in fair value in other comprehensive income (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 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)

ii. New standards effective for the financial year beginning 1 July 2018 that are expected to affect the consolidated financial statements of the Group and the Company are set out below: (continued)

- MFRS 9 – Financial Instruments (continued)

- (a) Classification and measurement

The Group and the Company do not expect a significant impact arising from the changes in classification and measurement of the financial assets. The Group's financial assets comprise:

- equity instruments not held for trading currently classified as available-for-sale investments for which a FVOCI election is available on date of initial application. Gains or losses realised on the sale of financial assets classified at FVOCI will no longer be transferred to profit or loss but instead are reclassified from the FVOCI reserve to retained earnings;
- debt instruments currently classified as available-for-sale investments will be reclassified as financial assets at FVTPL under MFRS 9. Any related fair value gains or losses will be transferred from available-for-sale reserve to retained earnings on 1 July 2018; and
- debt instruments currently classified as loans and receivables and measured at amortised cost which meet the conditions for classification as financial assets at amortised cost under MFRS 9.

No changes are expected to the Group's accounting for financial liabilities as there has not been any significant change in the requirements for financial liabilities under MFRS 9.

- (b) Impairment

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The Group and Company do not expect a significant impact based on the assessment undertaken to date.

- (c) Hedge accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles based approach. The Group expects its current hedging relationships to continue to qualify for hedge accounting upon the adoption of MFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 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 effective for the financial year beginning 1 July 2019 that are expected to have a significant effect on the consolidated financial statements of the Group and the Company are set out below:

- MFRS 16 – Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will be effective for annual reporting periods beginning on or after 1 January 2019. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A preliminary assessment has indicated that adoption of this standard would have a material impact on the Group's financial position with the recognition of right-of-use assets and lease liabilities.

iv. 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 2019

- IC Interpretation 23 – Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17 – Insurance Contracts

**c. The effective date for the following amendments have 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'

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements, and to all the financial years presented, unless otherwise stated.

### a. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries made up to the end of the financial year and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### i. Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group has power over the entity, has exposure to or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated using the acquisition method except for those subsidiaries acquired under common control. Under the acquisition method, subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date when control ceases. The consideration is measured at the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange.

Contingent consideration is recorded at fair value as a component of the purchase consideration with subsequent adjustment resulting from events after the acquisition date taken to profit or loss. Acquisition related costs are recognised as expenses when incurred.

Existing equity interests in the acquiree are re-measured to fair value at the date of business combination with any resulting gain or loss taken to the profit or loss.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at their fair values, at the date of acquisition. The excess of the consideration and the fair value of previously held equity interests over the Group's share of the fair value of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. Any gain from bargain purchase is recognised directly in profit or loss.

Intercompany transactions and balances are eliminated on consolidation, but unrealised losses arising therefrom are eliminated only to the extent of the cost of the asset that can be recovered, and the balance is recognised in the profit or loss as reduction in net realisable value or as impairment loss.

Non-controlling interests in the results and net assets of non-wholly owned subsidiaries are presented separately in the financial statements. Transactions with owners of non-controlling interests without a change in control are treated as equity transactions in the statement of changes in equity.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a. Basis of consolidation (continued)

##### ii. Business combinations under common control

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying amount of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

##### iii. Joint ventures

Joint ventures are separate vehicles in which the Group has rights to its net assets and where their strategic, financial and operating decisions require unanimous consent of the Group and one or more parties sharing the control.

Joint ventures are accounted using the equity method. Equity method is a method of accounting whereby the investment is recorded at cost inclusive of goodwill and adjusted thereafter for the Group's share of the post-acquisition results and other changes in the net assets of the joint ventures based on their latest audited financial statements or management accounts. Where necessary, adjustments are made to the financial statements of joint ventures used by the Group in applying the equity method to ensure consistency of accounting policies with those of the Group.

After application of the equity method, the carrying amount of the joint ventures will be assessed for impairment. When the Group's share of losses in joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations in respect of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the assets transferred are 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### a. Basis of consolidation (continued)

#### iv. Associates

Associates are entities in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions, but not control over those policies.

Investments in associates are accounted for using the equity method, similar to Note 3(a)(iii).

### b. Foreign currencies

#### i. Presentation and functional currencies

Ringgit Malaysia is the presentation currency of the Group and of the Company. Ringgit Malaysia is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates. The Group's foreign operations have different functional currencies.

#### ii. Transactions and balances

Foreign currency transactions and monetary items are translated into the functional currency using the exchange rates prevailing at the transaction dates and at the end of the reporting period, respectively. Foreign exchange differences arising therefrom and on settlement are recognised in profit or loss.

Foreign exchange differences arising from the translation of a monetary item designated as a hedge of net investment in a foreign operation is 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### c. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of an asset. The carrying amount of the replaced part is derecognised and all repairs and maintenance costs are charged to the profit or loss.

Freehold land is not depreciated as it has indefinite life. Other property, plant and equipment are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives.

The principal annual depreciation rates are as follows:

Leasehold land	over the lease period ranging from 30 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.

#### 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 ranging from 9 to 71 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 ranging from 50 to 99 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.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

#### iii. Other intangible assets

Other intangible assets include computer software, trademarks 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%
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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### i. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis except for the following:

Equipment and motor vehicles	Specific identification basis
Replacement parts	First in first out 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.

#### j. Financial assets

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 are recognised in profit or loss.
- 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).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### j. Financial assets (continued)

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 on the settlement date i.e. 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 a 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 effective portion of changes in the derivative's fair value and the exchange differences arising from the translation of the borrowings are recognised in other comprehensive income.

The gain or loss is removed from equity and included in profit or loss in the same period or periods during which the hedged item affects profit or loss. In the case of a hedge of a forecast transaction which results in the recognition of a non-financial asset or a non-financial liability, the gain or loss is removed from equity and included in the carrying amount of the asset or liability. The gain or loss is also removed from equity and included in profit or loss when the derivative expires, no longer meets the criteria for hedge accounting, or the forecasted transaction is no longer expected to occur.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are classified as current asset or current liability for those having maturity dates of no more than 12 months after the end of the reporting period, and the balance is classified as non-current.

### l. Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction 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 construction 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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. 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m. Impairment (continued)

The recognition and measurement of impairment are as follows: (continued)

#### iv. 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 or 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.

### n. Share capital and perpetual sukuk

#### i. 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.

#### ii. Perpetual sukuk

Perpetual sukuk is classified as an equity instrument as there is no contractual obligation to redeem the instrument. Cost directly attributable to the issuance of the instrument, net of tax, are treated as a deduction from the proceeds.

Perpetual sukuk holders' entitlement is accounted for as an appropriation in the profit or loss and distribution is recognised in the statement of changes in equity in the period in which it is 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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 adjust and changes in actuarial arising 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 terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### q. Employee costs (continued)

#### v. Share-based compensation (continued)

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 are recharged by the Company to the relevant subsidiaries.

### r. Financial liabilities

The Group's financial liabilities are classified into the following categories and the accounting policies for each of these categories are as follows:

#### i. Financial liabilities at fair value through profit or loss

Derivatives not designated as hedges are classified as fair value through profit or loss. These financial liabilities are measured at fair value. Any gain or loss arising from changes in fair value and transaction costs are recognised in profit or loss.

#### ii. Derivatives and hedging activities

The accounting policy for derivatives designated as hedges is disclosed in Note 3(k).

#### iii. 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.

Financial liabilities are classified as current liabilities 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### t. Revenue recognition (continued)

Performance obligations by segment are as follows:

##### i. Industrial

Industrial segment revenue consists of sale and installation of equipment, sale of parts, provision of after-sales services and engineering services.

##### (a) Sale and installation of equipment, parts and provision of after-sales maintenance

Revenue from sale of equipment and after-sales maintenance are recognised respectively in the period in which the customer accepts the delivery of the goods and services rendered.

Contracts that bundle the sale of equipment, after-sales maintenance, provision of parts credit and extended warranty are recognised as four distinct performance obligations for revenue recognition purposes. Revenue from the 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. 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 are 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.

##### (b) Extended warranty programme

The Group operates an extended warranty programme where customers are given an additional 12 months 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 are recognised progressively based on the percentage of completion determined by reference to the completion of the physical proportion of contract work to-date.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### t. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

#### i. Industrial (continued)

##### (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

Construction 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 combined with the performance of after-sales services.

The vehicles and parts are often sold with volume based discounts and incentives based on aggregate sales over an agreed period. Accumulated experience is used to estimate and provide for the discounts and incentives, using expected value or most likely methods depending on the type of discounts and incentives. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for the expected discounts and incentives payable to customers in relation to sales made.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### t. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

##### ii. Motors (continued)

###### (a) Sale of vehicles and parts (continued)

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 43).

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) is 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 agree-upon specifications beyond the general standard warranty period. The extended warranties and free services are separate performance obligations and the transaction price is allocated to the service obligations based on its relative standalone selling prices. The extended warranties and free services are deferred and recognised over the period covered by the extended warranties and when the free services are performed respectively.

There is no significant financing component in the sale of extended warranties and/or free services as the sales are made on normal credit terms not exceeding 12 months. Where consideration is collected from customers in advance of services being performed, a contract liability is recognised. The contract liability would be recognised as revenue when the related services are rendered.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### t. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

#### ii. Motors (continued)

##### (c) Assembly of vehicles

The Group manufactures and assembles light commercial and passenger vehicles, and are contract assemblers of motor vehicles. Revenue arising from the assembly of vehicles is either recognised upon completion of the assembly service or over the period when assembly services are rendered based on the contractual terms with the customers.

Revenue 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### t. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

##### ii. Motors (continued)

###### (d) Handling and commission income

Revenue arising from rendering services, handling income and commission income is recognised when the relevant services are completed.

##### 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 tonnage/container boxes, hence revenue is recognised based on the actual tonnages/number of 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 inter-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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### t. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

#### v. Plantation – discontinued operations

The Group's revenue from 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 (CPO), beef, sugar, fresh fruit bunches (FFB), palm kernel (PK) 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.

There is no element of financing present as the Group's sale of goods are 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### t. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

#### 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 sales 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.

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 sales 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### t. Revenue recognition (continued)

Performance obligations by segment are as follows: (continued)

#### vi. Property – discontinued operations (continued)

##### (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 have 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.

### 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

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### x. Taxation (continued)

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.

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.

#### 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. The Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenue, profit, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. They are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between Group companies within a single segment. Intragroup transactions which in substance represent reallocation of non-current assets from a segment to another segment are also eliminated. Inter-segment pricing is based on similar terms as those available to external parties.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

### a. Impairment of non-financial assets

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 27 to the financial statements.

During the financial year, impairments of non-financial assets of continuing operations totalling RM89 million was charged and RM2 million was reversed to profit or loss, which are disclosed in Note 11. This includes the impairment of distribution rights in relation to the Motors operations in Vietnam of RM61 million.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES (CONTINUED)

#### 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 2018, the tax recoverable of the Group in relation to withholding taxes recoverable from the Indian tax authorities was RM63 million (2017: RM152 million). During the financial year, the Group made a provision of RM71 million for this tax recoverable due to the uncertainty of the recoverability as well as the timing of the refunds. The realisation of this tax recoverable is dependent on the decision of the Indian tax authorities which may take significant 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.

As at 30 June 2018, the Group recognised deferred tax assets of RM163 million (2017: RM233 million) arising from unabsorbed tax losses from certain subsidiaries within Industrial division in Australia for which there are no expiry dates. The Group has assessed that these entities have probable future taxable profits for the utilisation of these deferred tax assets based on taxable profit projection of the entities.

#### c. Impairment of investment in associates

The Group assesses the recoverability of its investment in associates 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 RM103 million. The assessment of the recoverable amount is set out in Note 13 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 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, certain derivatives do not qualify for the application of hedge accounting under the specific rules in MFRS 139. 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 30.

#### 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).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018, the Group's continuing operations' percentage of fixed rate borrowings, both before and after taking into account the interest rate swap contracts, to the total borrowings are 1.3% (2017: 23.4%) and 7.3% (2017: 40.5%) 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 risk sharing arrangement is 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 and the total outstanding risk sharing amount are disclosed in Notes 43 and 52(a). An amount of RM15 million (2017: RM18 million) has been provided for based on a percentage of risk sharing ratio over the total outstanding lease portfolio.

Details of the credit risk of the Group's trade receivables are disclosed in Note 51(c).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 5 FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES (CONTINUED)

### a. Financial Risk Management (continued)

#### 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 2018, the Group's continuing operations has total cash and cash equivalents of RM1,629 million (2017: RM1,994 million) which include cash in hand and deposits held at call with banks, net of bank overdrafts. As at 30 June 2018, the Company has total cash and cash equivalents of RM163 million (2017: RM200 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 expect to be able to secure should the need arises.

### 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.

#### i. Gearing ratios

The gearing ratio is used as a measure to assess the appropriateness of the Group's debt level. The appropriate debt level is subject to the composition of the Group's business, business cycle and economic conditions. The ratio is calculated as Total Debt divided by Total Equity. The Group's gearing ratio is as follows:

	2018	2017
Borrowings	2,889	3,205
Borrowings included in liabilities associated with assets held for sale [Note 36]	–	9,913
Total Debt	2,889	13,118
Total Equity	14,759	40,549
Debt/Equity ratio	0.20	0.32

The debt/equity ratio of the Group has decreased from 0.32 as at 30 June 2017 to 0.20 as at 30 June 2018, mainly due to the reduction in debt upon deconsolidation of SD Plantation and SD Property. The ratio of 0.20 is considered to be relatively low and allows the Group the flexibility of raising borrowings to fund the Group's expansion.

#### ii. Externally imposed capital requirements

The Group maintains a debt to equity ratio that complies with the applicable debt covenants as at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 6 REVENUE

Revenue comprise the following:

	Group		Company	
	2018	2017	2018	2017
Revenue from contracts with customers	33,131	30,657	–	–
Revenue from other sources				
- rental income	697	430	–	–
- dividend income from subsidiaries	–	–	1,764	1,400
	33,828	31,087	1,764	1,400

Breakdown of the Group's revenue from contracts with customers:

2018	Industrial	Motors	Logistics	Others	Total
<u>Major goods and services</u>					
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
<u>Geographical market</u>					
Malaysia	1,130	3,460	–	83	4,673
Other countries in South East Asia	734	5,150	–	8	5,892
China <sup>1</sup>	3,815	8,672	341	2	12,830
Australasia <sup>2</sup>	6,901	2,835	–	–	9,736
	12,580	20,117	341	93	33,131
<u>Timing of revenue recognition</u>					
- 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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 6 REVENUE (CONTINUED)

Breakdown of the Group's revenue from contracts with customers: (continued)

2017	Industrial	Motors	Logistics	Others	Total
<u>Major goods and services</u>					
Sale of equipment and vehicles	5,321	17,326	–	–	22,647
Sale of parts, assembly charges and provision of after-sales services	4,388	2,790	–	–	7,178
Engineering services	206	–	–	–	206
Port and related charges	–	–	243	–	243
Sale of water	–	–	60	–	60
Commission, handling fees and others	–	275	–	48	323
	9,915	20,391	303	48	30,657
<u>Geographical market</u>					
Malaysia	1,077	3,470	–	34	4,581
Other countries in South East Asia	720	4,980	–	11	5,711
China <sup>1</sup>	2,685	8,549	303	3	11,540
Australasia <sup>2</sup>	5,433	3,392	–	–	8,825
	9,915	20,391	303	48	30,657
<u>Timing of revenue recognition</u>					
- at a point in time	8,035	17,585	–	46	25,666
- over time	1,880	2,806	303	2	4,991
	9,915	20,391	303	48	30,657

<sup>1</sup> China consists of China, Hong Kong, Macau and Taiwan

<sup>2</sup> Australasia consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands

Revenue from contracts with customer includes RM1,004 million (2017: RM860 million) that was included in contract liabilities at the beginning of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 7 OPERATING EXPENSES

	Group		Company	
	2018	2017 Restated	2018	2017
<u>Direct costs</u>				
Finished goods, work in progress and other direct overheads	28,076	25,763	–	–
Inventory provision (net)	288	203	–	–
Raw materials and consumables	172	117	–	–
Construction contract costs	117	144	–	–
	<b>28,653</b>	<b>26,227</b>	<b>–</b>	<b>–</b>
<u>Directors and employee costs</u>				
Salaries, allowances, overtime and bonus	2,165	2,222	–	1
Defined contribution pension plans	192	197	–	–
Termination benefits	33	13	–	–
Training, insurance and other benefits	463	418	–	–
Directors' remuneration [Note 8]	10	13	4	3
	<b>2,863</b>	<b>2,863</b>	<b>4</b>	<b>4</b>
<u>Depreciation and amortisation</u>				
Amortisation:				
- prepaid lease rentals	8	12	–	–
- intangible assets	71	35	–	–
Depreciation:				
- property, plant and equipment	539	531	–	–
- investment properties	3	3	–	–
	<b>621</b>	<b>581</b>	<b>–</b>	<b>–</b>
<u>Impairment losses</u>				
- receivables	30	11	–	–
- contract assets	28	–	–	–
	<b>58</b>	<b>11</b>	<b>–</b>	<b>–</b>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 7 OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2018	2017 Restated	2018	2017
<u>Leases</u>				
Hire of plant and machinery and rental of vehicles from:				
- a subsidiary	-	-	2	3
- others	229	321	-	-
Operating lease payments for land and buildings	250	246	-	-
	<b>479</b>	<b>567</b>	<b>2</b>	<b>3</b>
<u>General expenses</u>				
Auditors' remuneration [Note 9]	19	21	2	2
Management fee charged by a subsidiary	-	-	8	11
Other expenses	370	344	8	37
	<b>389</b>	<b>365</b>	<b>18</b>	<b>50</b>
	<b>33,063</b>	<b>30,614</b>	<b>24</b>	<b>57</b>

## 8 DIRECTORS' REMUNERATION

	Group		Company	
	2018	2017	2018	2017
<u>Executive Directors</u>				
Emoluments and benefits	4	7	-	-
Defined contribution pension plans	1	1	-	-
	<b>5</b>	<b>8</b>	<b>-</b>	<b>-</b>
<u>Non-Executive Directors</u>				
Fees and benefits	5	5	4	3
	<b>10</b>	<b>13</b>	<b>4</b>	<b>3</b>

Estimated monetary value of benefits-in-kind of the Executive Directors amounted to RM0.03 million (2017: RM0.03 million) for the Group. Estimated monetary value of benefits-in-kind of Non-executive Directors amounted to RM0.2 million (2017: RM0.8 million) for the Group and the Company.

During the financial year, the Group sold properties and cars to the Directors and their close family members for RM0.2 million (2017: RM0.6 million).

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 2018 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 9 AUDITORS' REMUNERATION

	Group		Company	
	2018	2017	2018	2017
<u>Fees for statutory audits</u>				
PricewaterhouseCoopers Malaysia	4	3	1	1
Member firms of PricewaterhouseCoopers International Limited	13	15	–	–
	<b>17</b>	<b>18</b>	<b>1</b>	<b>1</b>
<u>Fees for assurance related services</u>				
PricewaterhouseCoopers Malaysia	– <sup>1</sup>	1	– <sup>1</sup>	1
Member firms of PricewaterhouseCoopers International Limited	– <sup>1</sup>	1	–	–
	<b>–<sup>1</sup></b>	<b>2</b>	<b>–<sup>1</sup></b>	<b>1</b>
<u>Fees for non-audit services</u>				
PricewaterhouseCoopers Malaysia	1	–	1	–
Member firms of PricewaterhouseCoopers International Limited	1	1	–	–
	<b>2</b>	<b>1</b>	<b>1</b>	<b>–</b>
	<b>19</b>	<b>21</b>	<b>2</b>	<b>2</b>

<sup>1</sup> 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.

Accrued fees for the 5 months ended November 2017 for statutory audits provided by the Company's auditors and its member firms to discontinued operations amounted to RM7 million (financial year ended 30 June 2017: RM13 million).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 10 OTHER OPERATING INCOME

	Group		Company	
	2018	2017 Restated	2018	2017
Income from investments	121	124	–	–
<u>Reversal of impairment losses and bad debts</u>				
Reversal of impairment of receivables	14	13	–	–
Bad debts recovered	1	–	–	–
	15	13	–	–
<u>Miscellaneous income</u>				
Hire of plant and machinery	16	16	–	–
Rental income from land and buildings	24	18	–	–
Compensation	51	–	1	–
Directors' fees and other income from subsidiaries	–	–	1	1
Forfeitures, recoveries and other miscellaneous income	78	142	–	–
	169	176	2	1
	305	313	2	1

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 11 OTHER GAINS AND LOSSES

	Group		Company	
	2018	2017 Restated	2018	2017
Net foreign currency exchange gain/(loss):				
- realised foreign exchange gain/(loss) arising from settlement of intercompany loans	23	(19)	-	-
- other realised foreign exchange (loss)/gain	(14)	129	-	-
- unrealised foreign exchange (loss)/gain	(19)	47	-	-
Fair value gain/(loss):				
- foreign currency exchange contracts	4	(1)	-	-
- cross currency swap	-	(19)	-	-
Gain on disposal of:				
- property, plant and equipment	205	10	-	-
- investment properties	-	30	-	-
- subsidiaries	-	10	-	-
- associates	5	30	-	-
- investment	-	5	-	-
Loss on disposal of property, plant and equipment	(12)	(13)	-	-
Loss on deconsolidation of a subsidiary [Note 47(a)(ii)]	(61)	-	-	-
Reversal of impairment of intangible assets	2	1	-	-
Impairment of:				
- property, plant and equipment	(5)	(10)	-	-
- prepaid lease rentals	-	(2)	-	-
- a subsidiary	-	-	(31)	-
- intangible assets	(72)	(234)	-	-
- non-current assets held for sale	(12)	-	-	-
- investment	(9)	(9)	-	-
Write off of property, plant and equipment	(3)	(3)	-	-
	<b>32</b>	<b>(48)</b>	<b>(31)</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

	2018			2017		
	Material joint ventures	Others	Total	Material joint ventures	Others	Total
Share of results	50	9	59	36	11	47
Share of other comprehensive (loss)/income	(25)	3	(22)	6	(1)	5
Share of total comprehensive income	25	12	37	42	10	52
Unquoted shares, at costs	976	84	1,060	595	435	1,030
Share of post-acquisition reserves	134	20	154	87	40	127
Unrealised profit on transactions with joint ventures	(17)	–	(17)	–	(17)	(17)
Impairment losses	–	–	–	–	(9)	(9)
	<b>1,093</b>	<b>104</b>	<b>1,197</b>	<b>682</b>	<b>449</b>	<b>1,131</b>

### a. Material joint ventures

In the opinion of the Directors, the joint ventures that are material to the Group are as follows:

<u>Name of joint venture</u>	<u>Description</u>
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 principle 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 the Weifang city where the Group operates and to facilitate the future expansion of the sea channel for the related port area via the development of the related shoreline.
Weifang Sime Darby Liquid Terminal Co., Ltd. (WSDLT)	WSDLT was previously a subsidiary of the Group and become a joint venture of the Group since 23 May 2016. WSDLT provides terminal handling services relating to the liquid cargoes.

WPS and WSDLT are regarded as material joint ventures of the Group for the financial year ended 30 June 2018 following the deconsolidation of SD Plantation and SD Property.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

	2018			Total	2017
	RSDH	WPS	WSDLT		RSDH
Revenue	862	–	45	927	846
Depreciation and amortisation	(73)	–	(16)	(82)	(62)
Profit before interest and tax	116	–	5	136	93
Interest income	1	–	–	1	1
Interest expense	(4)	–	(19)	(23)	(7)
Profit/(loss) before tax	113	–	(14)	114	87
Taxation	3	–	–	(12)	(12)
Profit/(loss) for the financial year	116	–	(14)	102	75
Non-controlling interests	(2)	–	–	(2)	(2)
Profit/(loss) attributable to joint venturers	114	–	(14)	100	73
Other comprehensive (loss)/income	(18)	(14)	(18)	(50)	12
Total comprehensive income/(loss)	96	(14)	(32)	50	85
Share of results	57	–	(7)	50	36
Share of other comprehensive (loss)/income	(9)	(7)	(9)	(25)	6
Share of total comprehensive income/(loss)	48	(7)	(16)	25	42

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

	2018			2017
	RSDH	WPS	WSDLT	RSDH
Non-current assets	1,223	1,120	802	1,220
<u>Current assets</u>				
Cash and cash equivalents	51	–	61	28
Other current assets	152	29	24	118
	203	29	85	146
<u>Non-current liabilities</u>				
Financial liabilities <sup>1</sup>	(32)	–	(242)	(65)
Other non-current liabilities	(43)	–	(200)	(54)
	(75)	–	(442)	(119)
<u>Current liabilities</u>				
Financial liabilities <sup>1</sup>	–	(67)	(145)	–
Other current liabilities	(140)	(506)	–	(133)
	(140)	(573)	(145)	(133)
Non-controlling interests	(14)	–	–	(13)
Net assets	1,197	576	300	1,101

<sup>1</sup> 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.

The most recent available financial statements of the joint ventures are used in applying equity method of accounting with appropriate adjustments made for significant transactions occurring between that date and 30 June.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

	2018			Total	2017
	RSDH	WPS	WSDLT		RSDH
Net assets					
At 1 July	1,101	590	271	1,962	1,016
Total comprehensive income/(loss)	96	(14)	(32)	50	85
Capital injection	–	–	61	61	–
At 30 June	1,197	576	300	2,073	1,101
Group's interest (%)	50.0	36.6	50.0		50.0
Interest in joint ventures	598	213	150	961	550
Goodwill	132	–	–	132	132
Carrying amount at end of the financial year	730	213	150	1,093	682

### b. Commitments and contingent liabilities

Pursuant to the joint venture agreement, additional share capital of RMB20 million (approximately RM12 million) for WSDLT is required to be injected before December 2021.

A subsidiary of RSDH was named as one of the defendants in a 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 RM28 million) from the eight defendants to be jointly and severally liable. The opinion of the legal counsel indicates RSDH has a good chance of success in defending the case.

Other than the above, there are no commitments nor contingent liabilities relating to the Group's interest in the joint ventures.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 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:

	2018			2017		
	Material associate	Others	Total	Material associates	Others	Total
Share of results	(87)	–	(87)	4	(5)	(1)
Share of other comprehensive (loss)/income	–	(21)	(21)	–	25	25
Share of total comprehensive (loss)/income	(87)	(21)	(108)	4	20	24
Share of capital reserve	(4)	–	(4)	–	–	–
Quoted shares in Malaysia, at costs	292	–	292	292	–	292
Unquoted shares, at costs	–	243	243	77	203	280
Share of post-acquisition reserves	59	60	119	(26)	135	109
Unrealised profit on transactions with associates	(8)	(2)	(10)	(8)	(2)	(10)
Impairment losses	(103)	(23)	(126)	–	(19)	(19)
	<b>240</b>	<b>278</b>	<b>518</b>	<b>335</b>	<b>317</b>	<b>652</b>

### a. Material associates

In the opinion of the Directors, the associate that is material to the Group is as follows:

<u>Name of associate</u>	<u>Description</u>
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.

Tesco Stores (Malaysia) Sdn Bhd (Tesco) is no longer regarded as a material associate for the financial year ended 30 June 2018 as the Group's carrying value in the associate is nil. The Group does not have legal or constructive obligation to recognise further losses in respect of this associate.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 13 ASSOCIATES – GROUP (CONTINUED)

#### a. Material associates (continued)

##### Summarised financial information

The summarised statements of comprehensive income and dividends received from the material associates are as follows:

	2018		2017	
	E&O	E&O	Tesco	Total
Revenue	983	705	4,430	5,135
Depreciation and amortisation	(15)	(19)	(203)	(222)
Profit before interest and tax	270	137	114	251
Interest income	19	9	1	10
Interest expense	(61)	(51)	(171)	(222)
Profit/(loss) before tax	228	95	(56)	39
Taxation	(80)	(34)	(64)	(98)
Profit/(loss) for the financial year	148	61	(120)	(59)
Non-controlling interests	(16)	(4)	–	(4)
Profit/(loss) attributable to owners of associates	132	57	(120)	(63)
Other comprehensive loss	(1)	(2)	–	(2)
Total comprehensive income/(loss)	131	55	(120)	(65)
Share of results				
- current year	16	7	–	7
- dilution	–	(3)	–	(3)
Impairment	(103)	–	–	–
Share of total comprehensive (loss)/income	(87)	4	–	4
Share of capital reserve	(4)	–	–	–
Dividends received	5	6	–	6

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 13 ASSOCIATES – GROUP (CONTINUED)

### a. Material associates (continued)

#### Summarised financial information (continued)

The summarised statements of financial position of the material associates are as follows:

	2018	2017	
	E&O	E&O	Tesco
Non-current assets	<b>3,406</b>	3,236	3,432
<u>Current assets</u>			
Cash and cash equivalents	<b>522</b>	414	73
Other current assets	<b>1,299</b>	1,431	466
	<b>1,821</b>	1,845	539
<u>Non-current liabilities</u>			
Financial liabilities <sup>1</sup>	<b>(1,255)</b>	(1,251)	(1,109)
Other non-current liabilities	<b>(348)</b>	(370)	(101)
	<b>(1,603)</b>	(1,621)	(1,210)
<u>Current liabilities</u>			
Financial liabilities <sup>1</sup>	<b>(396)</b>	(282)	(1,722)
Other current liabilities	<b>(228)</b>	(242)	(1,031)
	<b>(624)</b>	(524)	(2,753)
Preference shares	–	–	(300)
Non-controlling interests	<b>(27)</b>	(53)	–
Net assets/(liabilities)	<b>2,973</b>	2,883	(292)

<sup>1</sup> Financial liabilities consist of borrowings and shareholders' loans

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 13 ASSOCIATES – GROUP (CONTINUED)

#### a. Material associates (continued)

##### Summarised financial information (continued)

The summarised statements of financial position reflect the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, fair value adjustments at the acquisition date and unrealised profit adjustments.

The most recent available financial statements of the associates are used in applying equity method of accounting with appropriate adjustments made for significant transactions occurring between that date and 30 June.

##### Reconciliation

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the material associates are as follows:

	2018	2017		Total
	E&O	E&O	Tesco	
Net assets/(liabilities)				
At 1 July	<b>2,883</b>	2,737	(172)	2,565
Total comprehensive income/(loss)	<b>131</b>	55	(120)	(65)
Dividend paid	<b>(40)</b>	(25)	–	(25)
Reserves movement	<b>(1)</b>	1	–	1
Capital injection	–	115	–	115
At 30 June	<b>2,973</b>	2,883	(292)	2,591
Group's interest (%)	<b>11.8</b>	11.6	30.0	
Interest in associates	<b>340</b>	332	(88)	244
Impairment and goodwill	<b>(100)</b>	3	–	3
Unrecognised share of losses	–	–	88	88
Carrying amount at end of the financial year	<b>240</b>	335	–	335

The recoverable amount of the Group's investment in E&O was 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 29 June 2018, the last trading day prior to the reporting date. Arising from the assessment, the Group recognised an impairment charge of RM103 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 2018

Amounts in RM million unless otherwise stated

### 14 FINANCE INCOME

	Group		Company	
	2018	2017	2018	2017
Interest income from:				
- subsidiaries	–	–	7	257
- discontinued operations	48	465	–	–
- banks and other financial institutions	30	30	–	5
- joint ventures	24	12	–	–
- other interest income	1	4	–	–
	<b>103</b>	511	<b>7</b>	262
Accretion of discount on receivables	1	1	–	–
	<b>104</b>	512	<b>7</b>	262

### 15 FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
Interest expense paid to:				
- banks and other financial institutions	109	143	–	–
- a subsidiary	–	–	–	103
Cross currency swap interest	9	19	–	–
Islamic financing distribution payment	11	158	4	48
Total finance costs	<b>129</b>	320	<b>4</b>	151
Interest capitalised in:				
- property, plant and equipment	(16)	(20)	–	–
- intangible assets	–	(11)	–	–
Net finance costs	<b>113</b>	289	<b>4</b>	151

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 16 TAXATION

	Group		Company	
	2018	2017	2018	2017
Income tax:				
In respect of current year				
- Malaysian income tax	43	43	-	-
- foreign income tax	212	192	-	-
In respect of prior years				
- Malaysian income tax	(5)	9	-	-
- foreign income tax	70	9	-	-
<b>Total income tax</b>	<b>320</b>	<b>253</b>	<b>-</b>	<b>-</b>
Deferred tax:				
- origination and reversal of temporary differences	63	(33)	-	(1)
- effects of recognition of previously unrecognised tax losses and other temporary differences	(3)	(8)	-	-
<b>Total deferred tax</b>	<b>60</b>	<b>(41)</b>	<b>-</b>	<b>(1)</b>
<b>Total tax expense/(credit)</b>	<b>380</b>	<b>212</b>	<b>-</b>	<b>(1)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 16 TAXATION (CONTINUED)

#### Tax reconciliation

Reconciliation from tax at applicable tax rate to tax expense/(credit) is as follows:

	Group		Company	
	2018	2017	2018	2017
Profit before tax	1,065	1,007	1,714	1,455
Less: Share of results of joint ventures	(59)	(47)	–	–
Share of results of associates	87	1	–	–
	<b>1,093</b>	961	<b>1,714</b>	1,455
Applicable tax	276	217	411	349
Withholding tax on foreign income	23	21	–	–
Provision for withholding tax recoverable	71	–	–	–
Effects of tax incentives and non-taxable income:				
- non-taxable dividends	(29)	(30)	(423)	(336)
- disposal of E&O shares and warrants	–	(8)	–	–
- tax incentives and other income	(25)	(96)	(1)	(1)
Effects of non-deductible expenses:				
- impairment of goodwill	–	59	–	–
- other expenses	60	69	13	16
Effects of capital gains tax	(17)	(5)	–	–
Perpetual sukuk distribution and expenses	–	(29)	–	(29)
Effects of deferred tax assets not recognised and previously unrecognised deferred taxes	27	(4)	–	–
(Over)/under provision in prior years	(6)	18	–	–
Tax expense/(credit) for the financial year	<b>380</b>	212	–	(1)
Effective tax rate (%)	<b>34.8</b>	22.1	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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	2017
<u>Statements of Profit or Loss</u>		
Revenue	6,980	16,958
Operating expenses	(5,588)	(14,595)
Other operating income	43	139
Other gains	154	44
Operating profit	1,589	2,546
Share of results of joint ventures and associates	111	232
Profit before interest and tax	1,700	2,778
Finance income	69	163
Finance costs	(130)	(518)
Profit before tax	1,639	2,423
Taxation	(261)	(537)
Profit for the financial year	1,378	1,886
Profit for the financial year attributable to owners of:		
- the Company	1,301	1,823
- perpetual sukuk	52	2
- non-controlling interests	25	61
	1,378	1,886



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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	2017
<u>Statements of Comprehensive Income</u>		
Profit for the financial year	<b>1,378</b>	1,886
Other comprehensive (loss)/income		
<u>Items that will be reclassified subsequently to profit or loss</u>		
Currency translation differences	<b>(398)</b>	316
Net change in fair value of:		
- investments	<b>(2)</b>	(4)
- cash flow hedges	<b>14</b>	39
Share of other comprehensive (loss)/income of joint ventures and associates	<b>(40)</b>	66
Taxation	<b>(1)</b>	(7)
	<b>(427)</b>	410
Reclassified to profit or loss:		
- currency translation differences on:		
- repayment of net investments	-	10
- deconsolidation/disposal of subsidiaries	<b>188</b>	(7)
- changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses	<b>11</b>	(14)
- changes in fair value of investments	-	2
	<b>(228)</b>	401
<u>Items that will not be reclassified subsequently to profit or loss</u>		
Actuarial gains on defined benefit pension plans	-	17
Share of other comprehensive loss of a joint venture	-	(8)
Taxation	-	(4)
	-	5
Total other comprehensive (loss)/income	<b>(228)</b>	406
Total comprehensive income for the financial year	<b>1,150</b>	2,292
Total comprehensive income for the financial year attributable to owners of:		
- the Company	<b>1,088</b>	2,209
- perpetual sukuk	<b>52</b>	2
- non-controlling interests	<b>10</b>	81
	<b>1,150</b>	2,292

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 17 DISCONTINUED OPERATIONS – GROUP (CONTINUED)

b. Analysis of the cash flows of the discontinued operations is as follows:

	2018	2017 Restated
<u>Statements of Cash Flows</u>		
Net cash from operating activities	596	3,452
Net cash used in investing activities	(1,474) <sup>1</sup>	(1,813)
Net cash used in financing activities	(936)	(1,379)
Net (decrease)/increase in cash and cash equivalents	(1,814)	260
Foreign exchange differences	(34)	40
Cash and cash equivalents at beginning of the financial year	1,848	1,548
Cash and cash equivalents at end of the financial year	–	1,848

<sup>1</sup> Includes cash and cash equivalents deconsolidated of RM1,838 million

### 18 EARNINGS PER SHARE - GROUP

Basic earnings per share attributable to owners of the Company are computed as follows:

	2018	2017
Profit for the financial year		
- continuing operations	618	615
- discontinued operations	1,301	1,823
	1,919	2,438
Weighted average number of ordinary shares in issue (million)	6,801	6,639
Earnings per share (sen)		
- continuing operations	9.1	9.3
- discontinued operations	19.1	27.4
	28.2	36.7

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 2018

Amounts in RM million unless otherwise stated

## 19 DIVIDENDS

	Group/Company	
	2018	2017
Final dividend of 17.0 sen per share (2017: 21.0 sen per share) for the financial year ended 30 June 2017, paid on 20 December 2017	<b>1,156</b>	1,395
Interim dividend of 2.0 sen per share (2017: 6.0 sen per share) for the financial year ended 30 June 2018, paid on 4 May 2018	<b>136</b>	408
	<b>1,292</b>	1,803
Dividends paid by way of:		
- issuance of shares pursuant to the Dividend Reinvestment Plan	–	1,188
- cash	<b>1,292</b>	615
	<b>1,292</b>	1,803

The Board of Directors has declared a second interim dividend of 4 sen per ordinary share (amounting to RM272 million) and a special dividend of 2 sen per ordinary share (amounting to RM136 million) in respect of the financial year ended 30 June 2018. The dividends will be paid on 31 October 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

2018	Hedging reserve	Available- for-sale reserve
Currency translation differences	–	–
Net change in fair value of cash flow hedges	<b>26</b>	–
Share of other comprehensive loss of joint ventures and associates	<b>(1)</b>	–
Reclassified to profit or loss:		
- currency translation differences on repayment of net investments	–	–
- changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses	<b>(8)</b>	–
- changes in fair value of cash flow hedges to inventories	<b>(2)</b>	–
Actuarial gains on defined benefit pension plans	–	–
Other comprehensive income/(loss) before tax	<b>15</b>	–
Taxation	<b>(4)</b>	–
Continuing operations	<b>11</b>	–
Discontinued operations	<b>11</b>	<b>(45)</b>
<b>Total other comprehensive income/(loss) after tax</b>	<b>22</b>	<b>(45)</b>
<b>2017</b>		
Currency translation differences	–	–
Net change in fair value of cash flow hedges	(12)	–
Share of other comprehensive income of joint ventures and associates	1	–
Reclassified to profit or loss:		
- currency translation differences:		
- on repayment of net investments	–	–
- on disposal of subsidiaries	–	–
- changes in fair value of cash flow hedges as adjustment to revenue and other gains and losses	19	–
- changes in fair value of cash flow hedges to inventories	7	–
Actuarial loss on defined benefit pension plans	–	–
Other comprehensive income/(loss) before tax	15	–
Taxation	(4)	–
Continuing operations	11	–
Discontinued operations	18	(6)
<b>Total other comprehensive income/(loss) after tax</b>	<b>29</b>	<b>(6)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Attributable to owners of the Company			Non-controlling interests		Tax effects			Net of tax
Exchange reserve	Retained profits	Total		Total				
(710)	–	(710)	(50)	(760)	–	(760)		
–	–	26	–	26	(8)	18		
(42)	–	(43)	–	(43)	–	(43)		
(23)	–	(23)	–	(23)	–	(23)		
–	–	(8)	–	(8)	4	(4)		
–	–	(2)	–	(2)	–	(2)		
–	6	6	–	6	–	6		
(775)	6	(754)	(50)	(804)	(4)	(808)		
–	–	(4)	–	(4)				
(775)	6	(758)	(50)	(808)				
(179)	–	(213)	(15)	(228)				
(954)	6	(971)	(65)	(1,036)				
280	–	280	30	310	–	310		
–	–	(12)	–	(12)	2	(10)		
29	–	30	–	30	–	30		
19	–	19	–	19	–	19		
5	–	5	–	5	–	5		
–	–	19	–	19	(4)	15		
–	–	7	–	7	(2)	5		
–	(2)	(2)	(1)	(3)	–	(3)		
333	(2)	346	29	375	(4)	371		
–	–	(4)	–	(4)				
333	(2)	342	29	371				
369	5	386	20	406				
702	3	728	49	777				

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 21 PROPERTY, PLANT AND EQUIPMENT – GROUP

2018	Freehold land	Leasehold land
At 1 July 2017	338	404
Additions	26	13
Disposals	(1)	–
Write offs	–	–
Impairment losses	–	–
Reclassification	–	–
Depreciation	–	(7)
Exchange differences	(40)	(14)
Transferred (to)/from:		
- investment properties	(1)	–
- inventories	–	–
- assets held for sale	78	(1)
Reclassification from discontinued operations <sup>1</sup>	–	–
At 30 June 2018	400	395
Cost	400	459
Accumulated depreciation	–	(60)
Accumulated impairment losses	–	(4)
Carrying amount at end of the financial year	400	395

<sup>1</sup> 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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Buildings	Plant and machinery	Rental assets	Vehicles, equipment and fixtures	Capital work in progress	Total
2,440	534	946	494	468	5,624
28	111	682	118	177	1,155
(17)	(2)	–	(34)	(8)	(62)
(1)	–	–	(2)	–	(3)
(4)	(1)	–	–	–	(5)
23	13	5	10	(51)	–
(105)	(90)	(212)	(125)	–	(539)
(140)	(26)	(37)	(23)	(8)	(288)
–	–	–	–	–	(1)
–	–	(369)	–	–	(369)
233	(108)	–	(3)	–	199
64	–	–	–	(2)	62
<b>2,521</b>	<b>431</b>	<b>1,015</b>	<b>435</b>	<b>576</b>	<b>5,773</b>
<b>3,411</b>	<b>1,061</b>	<b>1,425</b>	<b>1,366</b>	<b>576</b>	<b>8,698</b>
<b>(850)</b>	<b>(621)</b>	<b>(410)</b>	<b>(925)</b>	<b>–</b>	<b>(2,866)</b>
<b>(40)</b>	<b>(9)</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>(59)</b>
<b>2,521</b>	<b>431</b>	<b>1,015</b>	<b>435</b>	<b>576</b>	<b>5,773</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 21 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

2017	Freehold land	Leasehold land
At 1 July 2016	2,867	1,903
Acquisition of businesses	69	–
Disposal of subsidiaries	–	–
Additions	–	26
Disposals	(9)	(16)
Write offs	–	–
Impairment losses	–	(6)
Reversal of impairment losses	–	9
Reclassification	–	(34)
Depreciation	–	(34)
Exchange differences	13	53
Transferred (to)/from:		
- investment properties	(2)	–
- property development costs	–	–
- inventories	–	–
- assets held for sale	(2,600)	(1,497)
At 30 June 2017	338	404
Cost	338	458
Accumulated depreciation	–	(49)
Accumulated impairment losses	–	(5)
Carrying amount at end of the financial year	338	404



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Buildings	Bearer plants	Plant and machinery	Rental assets	Vehicles, equipment and fixtures	Capital work in progress	Total
6,352	4,932	3,033	852	1,054	3,463	24,456
8	7	17	–	1	2	104
–	–	(16)	–	–	(161)	(177)
117	–	141	522	63	1,762	2,631
(13)	(6)	(44)	–	(23)	(2)	(113)
(9)	(64)	(4)	(1)	(4)	(3)	(85)
(18)	(192)	–	(5)	–	–	(221)
9	–	–	–	–	–	18
385	927	133	(54)	104	(1,461)	–
(345)	(504)	(398)	(201)	(283)	–	(1,765)
154	46	76	87	37	113	579
–	–	–	–	–	–	(2)
–	–	–	–	–	60	60
–	–	–	(254)	(5)	28	(231)
(4,200)	(5,146)	(2,404)	–	(450)	(3,333)	(19,630)
2,440	–	534	946	494	468	5,624
3,286	–	1,188	1,371	1,509	468	8,618
(807)	–	(644)	(422)	(1,007)	–	(2,929)
(39)	–	(10)	(3)	(8)	–	(65)
2,440	–	534	946	494	468	5,624

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 RM16 million (2017: RM74 million). No depreciation was capitalised in the financial year ended 30 June 2018 (2017: RM25 million).

#### b. Assets pledged as security

Property, plant and equipment with a total carrying amount of RM119 million (2017: RM128 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 RM5 million (2017: RM221 million, which included RM202 million recognised on the oil palm estates in Liberia following an assessment to determine the recoverability of the property, plant and equipment in Liberia as a result of continued losses by the Liberian operations).

#### d. Reconciliation to the statement of cash flows

Reconciliation to the cash flow for purchase of property, plant and equipment is as follows:

	2018	2017
Additions for the financial year	1,155	2,631
Add/(less):		
Net changes in payables for purchase of property, plant and equipment	10	36
Additions to rental assets, included as changes in working capital in the statements of cash flows	(682)	(522)
Interest expense capitalised in capital work in progress	(16)	(74)
Depreciation capitalised in capital work in progress	–	(25)
<b>Total cash payments during the financial year</b>	<b>467</b>	<b>2,046</b>
Total cash payments during the financial year by:		
- continuing operations	467	394
- discontinued operations	–	1,652
	<b>467</b>	<b>2,046</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

	2018			2017		
	Land-use rights	Sea-use rights	Total	Land-use rights	Sea-use rights	Total
At 1 July	234	125	359	869	123	992
Disposal of subsidiaries	–	–	–	–	(13)	(13)
Additions	1	–	1	2	13	15
Disposals	(6)	–	(6)	–	–	–
Reclassification <sup>1</sup>	1	(1)	–	–	–	–
Impairment losses	–	–	–	(2)	–	(2)
Amortisation	(5)	(3)	(8)	(50)	(3)	(53)
Exchange differences	(7)	(5)	(12)	43	5	48
Transferred to assets held for sale	(34)	–	(34)	(628)	–	(628)
At 30 June	184	116	300	234	125	359
Cost	244	135	379	306	141	447
Accumulated amortisation	(58)	(19)	(77)	(70)	(16)	(86)
Accumulated impairment losses	(2)	–	(2)	(2)	–	(2)
Carrying amount at end of the financial year	184	116	300	234	125	359

<sup>1</sup> In accordance with local regulations, the sea-use rights are allowed to be converted to land-use rights when the land reclamation works on the relevant sea area has been completed and the related conversion has been approved by the relevant government authorities

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 23 INVESTMENT PROPERTIES – GROUP

2018	Freehold land	Leasehold land	Buildings	Capital work in progress	Total
At 1 July 2017	2	29	104	182	317
Depreciation	–	– <sup>1</sup>	(3)	–	(3)
Exchange differences	–	–	(2)	–	(2)
Transferred from property, plant and equipment	1	–	–	–	1
Reclassification from discontinued operations <sup>2</sup>	–	–	–	(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

<sup>1</sup> Less than RM1 million

<sup>2</sup> Arising from remeasurement of the carrying value of investment properties under construction by the Property Division following the completion of the pure-play exercise

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 23 INVESTMENT PROPERTIES – GROUP (CONTINUED)

2017	Freehold land	Leasehold land	Buildings	Capital work in progress	Total
At 1 July 2016	33	61	301	–	395
Disposal of subsidiaries	–	(22)	(38)	–	(60)
Additions	–	–	29	83	112
Disposals	–	–	(2)	–	(2)
Impairment losses	–	–	(5)	–	(5)
Reversal of impairment	–	–	8	–	8
Depreciation	–	(1)	(8)	–	(9)
Exchange differences	1	–	5	–	6
Transferred from/(to):					
- property, plant and equipment	2	–	–	–	2
- property development assets and inventories	18	–	61	261	340
- assets held for sale	(52)	(9)	(247)	(162)	(470)
At 30 June 2017	2	29	104	182	317
Cost	2	38	139	182	361
Accumulated depreciation	–	(9)	(31)	–	(40)
Accumulated impairment losses	–	–	(4)	–	(4)
Carrying amount at end of the financial year	2	29	104	182	317

The fair value of investment properties as at 30 June 2018 was RM2,986 million (2017: RM421 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:

	2018	2017
Rental income	14	9
Direct operating expenses	(1)	(1)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 24 SUBSIDIARIES – COMPANY

The Company's equity interest in the subsidiaries, their respective principal activities and countries of incorporation are disclosed in Note 56.

	2018	2017
Unquoted shares at cost	2,734	2,734
Accumulated impairment	(31)	–
Contribution to a subsidiary	887	887
	<b>3,590</b>	<b>3,621</b>

Contribution to a subsidiary refers to amounts for which the Company does not expect repayment in the foreseeable future and is considered as part of the Company's investment in the subsidiary.

### 25 AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2018	2017
Non-current (interest bearing)	–	700
Current (non-interest bearing)	6,034	8,955
	<b>6,034</b>	<b>9,655</b>
	%	%
Interest rates per annum on interest bearing amounts:		
Amounts due from subsidiaries – non-current	–	4.19

The amounts due from subsidiaries are unsecured. The amounts due from subsidiaries classified under non-current are not expected to be recalled within the next twelve months.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 26 INVESTMENTS – GROUP

2018	Loan to a joint venture	Unquoted shares	Others	Total
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

2017				
At 1 July 2016	23	104	31	158
Additions	50	–	–	50
Disposals	–	–	(13)	(13)
Impairment losses	(9)	–	–	(9)
Interest accrued	8	–	–	8
Net change in fair value charged to other comprehensive income	–	–	(4)	(4)
Exchange differences	3	2	–	5
Transferred to assets held for sale	–	(85)	(10)	(95)
At 30 June 2017	75	21	4	100

The loan to a joint venture has no fixed and determinable payment terms and bears interest at 15% (2017: 15%) per annum. Fair value is determined primarily based on the income approach using unobservable inputs. Under the income approach, the fair value is derived based on the interest rate specified within the loan agreement.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 27 INTANGIBLE ASSETS – GROUP

2018		Goodwill
At 1 July 2017		136
Acquisition of a business [Note 46(a)(i)]		2
Additions		–
Impairment losses		–
Reversal of impairment losses		–
Amortisation		–
Exchange differences		(12)
Transferred to assets held for sale		–
At 30 June 2018		126
Cost		292
Accumulated amortisation		–
Accumulated impairment losses		(166)
Carrying amount at end of the financial year		126
2017		Goodwill
At 1 July 2016		2,396
Acquisition of businesses		3
Additions		–
Write offs		–
Impairment losses		(203)
Reversal of impairment losses		–
Amortisation		–
Exchange differences		172
Transferred to assets held for sale		(2,232)
At 30 June 2017		136
Cost		338
Accumulated amortisation		–
Accumulated impairment losses		(202)
Carrying amount at end of the financial year		136

<sup>1</sup> Internally generated assets consist of computer software and development costs



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Acquired					Internally generated assets <sup>1</sup>	Total intangible assets
Distribution/ dealership rights	Computer software	Trademarks and others	Total			
921	21	22	1,100	584	1,684	
–	–	–	2	–	2	
–	4	2	6	16	22	
(61)	–	(11)	(72)	–	(72)	
–	–	2	2	–	2	
–	(9)	(3)	(12)	(59)	(71)	
(84)	(2)	(2)	(100)	(51)	(151)	
–	(1)	–	(1)	–	(1)	
776	13	10	925	490	1,415	
804	77	61	1,234	579	1,813	
–	(63)	(36)	(99)	(86)	(185)	
(28)	(1)	(15)	(210)	(3)	(213)	
776	13	10	925	490	1,415	

Acquired					Internally generated assets <sup>1</sup>	Total intangible assets
Distribution/ dealership rights	Smallholder relationship	Computer software	Trademarks and others	Total		
870	590	48	84	3,988	556	4,544
–	–	–	–	3	–	3
–	–	28	12	40	93	133
–	–	–	(2)	(2)	–	(2)
(31)	–	–	–	(234)	–	(234)
–	–	–	1	1	–	1
–	(16)	(29)	(10)	(55)	(21)	(76)
82	44	11	6	315	45	360
–	(618)	(37)	(69)	(2,956)	(89)	(3,045)
921	–	21	22	1,100	584	1,684
952	–	84	62	1,436	618	2,054
–	–	(62)	(36)	(98)	(31)	(129)
(31)	–	(1)	(4)	(238)	(3)	(241)
921	–	21	22	1,100	584	1,684

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 27 INTANGIBLE ASSETS – GROUP (CONTINUED)

#### a. Intangible assets under development

No interest expense was capitalised in the financial year ended 30 June 2018 (2017: RM11 million).

#### b. Material intangible assets

In the opinion of the Directors, intangible assets and their carrying amounts which are material to the Group are as follows:

Segment	Investment	Intangible asset	Carrying amount	
			2018	2017
Industrial	Bucyrus business	Goodwill	40	69
		Distribution rights	685	760
	New enterprise resource planning system	Computer software	488	581
Motors	Australia	Goodwill	24	26
		Dealership rights	91	100
	Vietnam	Distribution/ dealership rights	- <sup>1</sup>	61

<sup>1</sup> The distribution rights in Vietnam has been fully impaired and written off in the financial year ended 30 June 2018 as the Group is no longer the distributor of BMW and MINI vehicles in Vietnam

#### Goodwill and distribution/dealership rights

The goodwill and the distribution rights for Bucyrus products in the Northern Territory and Queensland in Australia, Papua New Guinea and New Caledonia (Australasia) were acquired by the Industrial division in December 2011. The acquisition also conferred the rights to sell and service the Bucyrus product line to all of the Industrial division's dealerships in other territories.

The goodwill and dealership rights for the Motors segment are in respect of the BMW, MINI and Lamborghini distribution rights in Brisbane, Australia.

The Group ceased to be the distributor of BMW and MINI vehicles in Vietnam during the financial year.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 27 INTANGIBLE ASSETS – GROUP (CONTINUED)

### c. Intangible assets with indefinite useful lives

Goodwill and distribution/dealership rights are intangible assets with indefinite useful lives. These assets are not amortised as they are not confined to a predetermined service period and they are expected to contribute to net cash inflows indefinitely, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level.

#### Bucyrus goodwill and distribution rights

For purposes of impairment testing, the Bucyrus goodwill and distribution rights were allocated to the CGUs within the Industrial operations in Australasia. The recoverable amount of the CGUs was determined based on the CGUs' value-in-use model (2017 – based on CGU's fair value less costs to sell), determined using the discounted cash flow projections based on the five year budget projection for the Industrial operations in Australasia. The key assumptions used are as follows:

	2018	2017
Discount rates (%) per annum	9.0 – 15.0	9.0 – 15.3
Forecast growth rates (%):		
- revenue	(3) – >12	(3) – >39
- earnings before interest, tax, depreciation and amortisation (EBITDA)	0 – >11	(5) – >59
- terminal	2.5 – 4.5	0.3 – 4.5

Based on management's assessment, no impairment charge is required on the carrying value of the Bucyrus goodwill and distribution rights for the Industrial operations in Australasia. Management believes that there are no reasonable possible change in any key assumption that would cause the carrying amounts of the CGU to materially exceed the recoverable amounts.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 27 INTANGIBLE ASSETS – GROUP (CONTINUED)

#### c. Intangible assets with indefinite useful lives (continued)

##### Australia Motors goodwill and dealership rights

The key assumptions used for the impairment testing are as follows:

	2018	2017
Discount rates (%) per annum	13.3	12.0
Forecast growth rates (%):		
- year 1 to 5	4.0 – 20.0	4.0 – 11.0
- terminal	2.5	2.5

Based on management's assessment, no impairment charge is required on goodwill and dealership rights for the Motors' operations in Australia. Management believes that there are no reasonable possible change in any key assumption that would cause the carrying amount of the cash generating unit to materially exceed the recoverable amount.

##### Vietnam distribution/dealership rights

As the Group ceased to be the distributor of BMW and MINI vehicles in Vietnam during the financial year, the Group has fully impaired the carrying value of the distribution/dealership rights in Vietnam of RM61 million.

#### 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 RM71 million (2017: RM76 million) was recorded in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 28 DEFERRED TAX – GROUP

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:

	2018	2017
Deferred tax assets	519	611
Deferred tax liabilities	(286)	(338)
	233	273
Tax losses for which the tax effects have not been recognised in the financial statements	2,228	2,127

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 RM200 million (2017: RM210 million) would be payable.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 28 DEFERRED TAX – GROUP (CONTINUED)

The components and movements of the Group's deferred tax assets and liabilities are as follows:

2018	Property, plant and equipment and investment properties
At 1 July 2017	<b>153</b>
(Charged)/credited to profit or loss	
- continuing operations	<b>(31)</b>
- discontinued operations	–
Charged to other comprehensive income	–
Exchange differences	<b>1</b>
Transferred to assets held for sale	–
At 30 June 2018	<b>123</b>

2017	Property, plant and equipment	Intangible assets
At 1 July 2016	(1,798)	(479)
Credited/(charged) to profit or loss		
- origination and reversal of temporary differences	58	3
- effects of recognition of previously unrecognised tax losses and other temporary differences	(46)	–
- effects of change in tax base applicable to unrealised profit following changes to the land use	–	–
- effects of change in tax base following changes to the tax revaluation	71	–
- effects of changes in tax rates	–	–
Charged to other comprehensive income	–	–
Exchange differences	(41)	(21)
Transferred to assets held for sale	1,909	156
At 30 June 2017	153	(341)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Intangible assets	Impairment and provisions	Tax losses and unabsorbed capital allowances	Others	Total
(341)	157	266	38	273
(3)	38	(26)	(38)	(60)
–	–	–	29	29
–	–	–	(4)	(4)
34	(12)	(20)	(1)	2
–	–	–	(7)	(7)
(310)	183	220	17	233

Prepaid lease rentals	Property development	Impairment and provisions	Tax losses and unabsorbed capital allowances	Others	Total
(158)	366	418	380	(10)	(1,281)
–	(16)	18	(24)	23	62
(35)	–	94	1	61	75
–	2	–	–	–	2
–	–	–	–	–	71
–	–	–	(8)	–	(8)
–	–	(4)	–	(11)	(15)
(32)	–	19	8	(15)	(82)
225	(352)	(388)	(91)	(10)	1,449
–	–	157	266	38	273

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 29 TAX RECOVERABLE – GROUP

	Group	
	2018	2017
Non-current	63	160
Current	63	67
	<b>126</b>	<b>227</b>

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.

During the financial year, management has assessed the recoverability of the withholding tax recoverable from the India tax authorities. Arising from this assessment, the Group made a provision of RM71 million on the withholding tax recoverable due to uncertainty of the recoverability which is dependent on the decision of the Indian tax authorities, as well as the timing of the refunds.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 30 DERIVATIVE ASSETS/LIABILITIES – GROUP

The Group's derivative assets and liabilities are as follows:

	2018			2017		
	Derivative assets	Derivative liabilities	Net	Derivative assets	Derivative liabilities	Net
<u>Non-current</u>						
Derivatives not designated as hedges:						
- forward foreign exchange contracts [note (a)]	-	(2)	(2)	-	-	-
Cash flow hedges:						
- interest rate swap contracts [note (b)]	-	-	-	1	-	1
- cross currency swap contract [note (c)]	-	-	-	43	-	43
	-	(2)	(2)	44	-	44
<u>Current</u>						
Derivatives not designated as hedges:						
- forward foreign exchange contracts [note (a)]	1	(21)	(20)	10	-	10
Cash flow hedges:						
- forward foreign exchange contracts [note (a)]	21	(3)	18	5	(11)	(6)
- interest rate swap contracts [note (b)]	1	-	1	2	-	2
- cross currency swap contract [note (c)]	43	-	43	80	-	80
	66	(24)	42	97	(11)	86
<b>Total</b>	<b>66</b>	<b>(26)</b>	<b>40</b>	<b>141</b>	<b>(11)</b>	<b>130</b>

These derivatives are entered into to hedge foreign currency, interest rate and price 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 under the specific rules in MFRS 139 or where the certain subsidiaries have chosen not to apply hedge accounting.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 30 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:

	2018			2017		
	Maturities		Total	Maturities		Total
	Less than 1 year	1 year to 3 years		Less than 1 year	1 year to 3 years	
Forward contracts used to hedge anticipated sales denominated in:						
- United States dollar	54	8	62	55	–	55
- other currencies	41	–	41	59	–	59
	95	8	103	114	–	114
Forward contracts used to hedge receivables denominated in:						
- United States dollar	15	2	17	12	–	12
- European Union euro	10	–	10	17	–	17
- other currencies	3	–	3	16	–	16
	28	2	30	45	–	45
Forward contracts used to hedge intercompany receivables denominated in:						
- Australian dollar	–	–	–	195	–	195
- Chinese renminbi	47	–	47	–	–	–
	47	–	47	195	–	195
Forward contracts used to hedge anticipated purchases denominated in:						
- United States dollar	462	–	462	330	2	332
- European Union euro	477	243	720	217	–	217
- Australian dollar	76	–	76	113	–	113
- other currencies	75	–	75	81	–	81
	1,090	243	1,333	741	2	743

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 30 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)

	2018			2017		
	Maturities		Total	Maturities		Total
	Less than 1 year	1 year to 3 years		Less than 1 year	1 year to 3 years	
Forward contracts used to hedge payables denominated in:						
- United States dollar	314	–	314	120	–	120
- European Union euro	272	–	272	70	–	70
- other currencies	20	–	20	13	–	13
	<b>606</b>	<b>–</b>	<b>606</b>	<b>203</b>	<b>–</b>	<b>203</b>
Forward contracts used to hedge borrowings denominated in:						
- United States dollar	39	–	39	–	–	–
Total notional amount	<b>1,905</b>	<b>253</b>	<b>2,158</b>	<b>1,298</b>	<b>2</b>	<b>1,300</b>
Net fair value (liabilities)/assets	<b>(2)</b>	<b>(2)</b>	<b>(4)</b>	<b>4</b>	<b>–</b>	<b>4</b>

### b. Interest rate swap contracts

The Group has 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, are as follows:

Effective period	Range of weighted average rate per annum	Original currency	Notional amount in original currency	
			2018	2017
12 December 2012 to 12 December 2018	1.822% to 1.885%	USD	33	100
30 June 2015 to 17 December 2018	3.938%	RM	42	120

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 30 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/(liabilities)	
	2018	2017	2018	2017
Maturity periods:				
- due no later than one year	175	366	1	2
- due later than one year and no later than three years	–	183	–	1
	175	549	1	3

#### c. Cross currency swap contract

The Group has entered into a cross currency swap contract to exchange the principal payments of a USD44 million (2017: USD133 million) loan into AUD, the functional currency of the subsidiary, to reduce the Group's exposure from adverse fluctuations in foreign currency.

	Notional amount		Fair value assets/(liabilities)	
	2018	2017	2018	2017
Maturity periods:				
- due no later than one year	178	382	43	80
- due later than one year and no later than three years	–	189	–	43
	178	571	43	123

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 31 RECEIVABLES AND OTHER ASSETS

	Group		Company	
	2018	2017	2018	2017
<b>Non-current</b>				
Trade receivables [note (a)]	48	38	–	–
Amount due from joint ventures [note (a)]	136	111	–	–
Indirect taxes recoverable, other receivables and others	18	17	–	–
	202	166	–	–
Pension assets [note (c)]	12	5	–	–
	214	171	–	–
<b>Current</b>				
Trade receivables	3,002	2,436	–	–
Amounts due from joint ventures	104	29	–	–
Amounts due from associates	3	13	–	–
Other receivables:				
- indirect taxes recoverable	272	166	1	–
- rebates from principals	297	301	–	–
- inventories held on behalf	515	385	–	–
- others	422	579	3	–
Deposits	72	110	–	–
	4,687	4,019	4	–
Accumulated impairment losses:				
- trade receivables	(75)	(89)	–	–
- other receivables	(76)	(83)	–	–
	4,536	3,847	4	–
<b>Total receivables and other assets</b>	<b>4,750</b>	<b>4,018</b>	<b>4</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 31 RECEIVABLES AND OTHER ASSETS (CONTINUED)

#### a. Receivables on deferred payment terms

Analysis of receivables on deferred payment terms are as follows:

Group 2018	Trade receivables	Amounts due from joint ventures	Other receivables	Total
<u>Nominal value</u>				
At 1 July 2017	80	111	20	211
Addition	38	70	17	125
Received	(28)	(40)	(2)	(70)
Exchange differences	(5)	(5)	–	(10)
Transferred to assets held for sale	–	–	(17)	(17)
At 30 June 2018	85	136	18	239
<u>Discount</u>				
At 1 July 2017	(5)	–	–	(5)
Accretion credited to profit or loss	1	–	–	1
At 30 June 2018	(4)	–	–	(4)
Carrying amount at end of the financial year	81	136	18	235

The receivables on deferred payment terms are subject to the following maturity periods:

	Trade receivables	Amounts due from joint ventures	Other receivables	Total
<u>Non-current</u>				
Due later than one year	48	136	18	202
<u>Current</u>				
Due no later than one year	33	–	–	33
	81	136	18	235

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 31 RECEIVABLES AND OTHER ASSETS (CONTINUED)

### a. Receivables on deferred payment terms (continued)

Analysis of receivables on deferred payment terms are as follows: (continued)

Group 2017	Trade receivables	Redeemable loan stocks	Amounts due from joint ventures	Other receivables	Total
<u>Nominal value</u>					
At 1 July 2016	124	500	61	133	818
Arising from disposal of a subsidiary	–	–	48	–	48
Addition	30	–	–	–	30
Received	(39)	–	–	(98)	(137)
Exchange differences	2	–	2	4	8
Transferred to assets held for sale	(37)	(500)	–	(19)	(556)
At 30 June 2017	80	–	111	20	211
<u>Discount</u>					
At 1 July 2016	(6)	(196)	–	–	(202)
Accretion credited to profit or loss	2	21	–	–	23
Transferred to assets held for sale	(1)	175	–	–	174
At 30 June 2017	(5)	–	–	–	(5)
Carrying amount at end of the financial year	75	–	111	20	206

The receivables on deferred payment terms are subject to the following maturity periods:

	Trade receivables	Amounts due from joint ventures	Other receivables	Total
<u>Non-current</u>				
Due later than one year	38	111	17	166
<u>Current</u>				
Due no later than one year	37	–	3	40
	75	111	20	206

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 31 RECEIVABLES AND OTHER ASSETS (CONTINUED)

#### a. Receivables on deferred payment terms (continued)

##### 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 ranges from 4.9% to 19.6% (2017: 9.0% to 11.8%) 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 2018, the loans to WSDLT and WSDWP amounted to approximately RMB163.0 million and RMB59.5 million (approximately RM99.4 million and RM36.3 million) respectively (2017: approximately RMB100 million and RMB75.5 million (approximately RM63.3 million and RM47.8 million) respectively). Long-term loans to joint ventures bear fixed interest rates ranging from 6.0% to 6.4% per annum (2017: 6.0% to 6.4%) and are repayable by instalments from December 2019 to December 2024.

#### b. Ageing analysis of receivables

Ageing analysis of receivables categorised into impaired and not impaired are as follows:

	Group		Company	
	2018	2017	2018	2017
Not impaired:				
- not past due	3,465	2,843	3	-
- past due by				
1 to 30 days	648	500	-	-
31 to 60 days	251	247	-	-
61 to 90 days	106	101	-	-
91 to 180 days	97	71	-	-
more than 181 days	101	157	1	-
Impaired	221	266	-	-
Gross receivables	4,889	4,185	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% (2017: 67.9%) 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 (2017: RM266 million), an impairment of RM123 million (2017: RM124 million) has been made while the balance is expected to be recovered through the debt recovery process.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 31 RECEIVABLES AND OTHER ASSETS (CONTINUED)

#### b. Ageing analysis of receivables (continued)

Movements of impairment charge of the Group are as follows:

	2018	2017
At 1 July	172	279
Write offs	(22)	(16)
Impairment losses	30	49
Reversal of impairment losses	(14)	(14)
Exchange differences	(9)	5
Deconsolidation of a subsidiary	(6)	–
Transferred to assets held for sale	–	(131)
At 30 June	151	172
Impairment arising from:		
- individual assessment	123	124
- collective assessment	28	48
Carrying amount at end of the financial year	151	172

The Group's credit risk management objectives, policy and the exposures are described in Note 5.

#### c. Pension assets

Certain subsidiaries in Hong Kong operate funded defined benefit plans. The defined benefit 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 financial years are estimated. The pension assets presented is net of present value of obligations of RM34 million (2017: RM38 million).

### 32 INVENTORIES – GROUP

	2018	2017
Raw material and consumables	32	60
Work in progress	403	384
Trading inventories		
- equipment	2,023	1,661
- motor vehicles	3,131	3,084
- parts	1,595	1,892
- others	26	22
	7,210	7,103

Provision were made for inventories where the net realisable value is expected to be below the carrying amount. During the financial year, the Group provided an amount of RM288 million (2017: RM203 million). The carrying amount of trading inventories stated at net realisable value was RM1,502 million (2017: RM2,714 million).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 33 CONTRACT ASSETS AND LIABILITIES – GROUP

	2018	2017
<u>Contract assets</u>		
<u>Current</u>		
Construction contracts [note (a)]	47	39
	<b>47</b>	<b>39</b>
<u>Contract liabilities</u>		
<u>Non-current</u>		
Deferred income:		
- maintenance income and extended warranties	126	104
	<b>126</b>	<b>104</b>
<u>Current</u>		
Construction contracts [note (a) and note (b)]	19	95
Deferred income:		
- maintenance income and extended warranties [note (b)]	341	331
Customer deposits [note (c)]	931	657
Incentives payable to customers and others	24	32
	<b>1,315</b>	<b>1,115</b>
	<b>1,441</b>	<b>1,219</b>

#### a. Construction contracts

The construction 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:

	2019	2020	After 2020	Total
Deferred income	341	36	104	481
Construction contracts	113	4	16	133
	<b>454</b>	<b>40</b>	<b>120</b>	<b>614</b>

#### 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

There were no significant changes in the contract assets and liabilities during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 34 PREPAYMENTS – GROUP

	2018	2017
Prepaid to inventory suppliers	385	273
Other prepayments	142	193
	<b>527</b>	466

### 35 BANK BALANCES, DEPOSITS AND CASH

	Group		Company	
	2018	2017	2018	2017
Deposits				
- Islamic	243	612	162	200
- conventional	322	378	–	–
	<b>565</b>	990	<b>162</b>	200
Cash at bank and in hand	1,107	1,082	1	–
Total bank balances, deposits and cash	<b>1,672</b>	2,072	<b>163</b>	200
Effective profit/interest rates per annum on deposits with licensed banks/financial institutions:				
	%	%	%	%
- Islamic	3.36	3.21	3.31	3.22
- conventional	1.88	1.16	–	–

### 36 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

	Group		Company	
	2018	2017	2018	2017
Assets held for sale				
- property, plant and equipment [note (a)]	106	667	–	–
- disposal groups [note (b)]	234	42,469	–	–
- subsidiaries	–	–	–	4,505
	<b>340</b>	43,136	–	4,505
Liabilities associated with assets held for sale				
- disposal groups [note (b)]	(43)	(17,290)	–	–
Net assets held for sale	<b>297</b>	25,846	–	4,505

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 36 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE (CONTINUED)

#### a. Property, plant and equipment

During the financial year, the Group reclassified certain properties in Australia from assets held for sale to property, plant and equipment as these properties are no longer part of the on-going disposal process. The reclassification has resulted in catch-up depreciation that was not recognised when the properties were classified as held for sale. The remaining property, plant and equipment held for sale relates to a property in Australia.

#### b. Disposal groups

On 29 June 2018 Sime Darby Overseas (HK) Limited entered into a share purchase agreement (SPA) 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), an indirect wholly-owned subsidiary of Sime Darby for a total cash consideration of USD68 million (equivalent to RMB450 million or approximately RM275 million), subject to terms and conditions of the SPA. Accordingly, the WSD Water has been reclassified as a disposal group under assets held for sale and liabilities associated with assets held for sale as at 30 June 2018.

The assets and the associated liabilities held for sale/distribution as at 30 June are as follows:

	2018		2017	
	WSD Water	SD Plantation	SD Property	Total
<u>Assets held for sale</u>				
Property, plant and equipment	149	18,089	915	19,004
Prepaid lease rentals and investment properties	35	643	455	1,098
Joint ventures, associates and investments	–	658	2,421	3,079
Inventories	1	1,470	797	2,267
Biological assets	–	199	–	199
Property development costs	–	–	3,572	3,572
Receivables	26	2,444	956	3,400
Cash held under Housing Development				
Accounts, bank balances, deposits and cash	19	718	1,130	1,848
Other assets	4	4,898	3,104	8,002
	<b>234</b>	<b>29,119</b>	<b>13,350</b>	<b>42,469</b>
<u>Liabilities associated with assets held for sale</u>				
Borrowings	–	7,831	2,082	9,913
Payables	15	1,698	1,764	3,462
Contract and derivative liabilities	–	61	373	434
Other liabilities	28	3,108	373	3,481
	<b>43</b>	<b>12,698</b>	<b>4,592</b>	<b>17,290</b>

As at 30 June 2017, the above property, plant and equipment, investment properties, land held for property development, property development costs, receivables and contract assets with a total carrying amount of RM502 million were pledged as security for certain borrowings classified under liabilities associated with assets held for sale as at that date.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 37 SHARE CAPITAL

	Group/Company			
	Number of shares (million)		Share capital	
	2018	2017	2018	2017
Issued and fully paid up:				
Ordinary shares				
At 1 July	6,801	6,327	9,299	3,164
Issued during the financial year	–	474	–	236
Transfer from share premium	–	–	–	5,899
At 30 June	6,801	6,801	9,299	9,299

## 38 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.

The grants under the PBESS comprise the Group Performance Share (GPS), the Division Performance Share (DPS) and the General Employee Share (GES).

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 is 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 has 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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### 38 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:

Vesting conditions	Type of grant		
	GPS	DPS	GES
Performance metrics	Group Long Term Incentive Plan (LTIP) scorecard (financial targets) and absolute and relative total shareholders' return of Sime Darby Berhad	Division/Group LTIP scorecard (financial and strategic targets)	Division/Group LTIP scorecard (financial and strategic targets)
Vesting period	Second grant - over a 3-year period from the commencement date of 1 July 2014, with retest till 30 June 2019 only for GPS		

Depending on the level of achievement of the performance targets as determined by the NRC, the total number of shares which will vest may be lower or higher than the total number of shares granted.

The movements in the number of Sime Darby Shares granted under the PBESS to the Group's and the Company's eligible employees are as follows:

	Fair value at grant date (RM)	At 1 July 2017 '000	Lapsed '000	At 30 June 2018 '000
<u>Group</u>				
Second grant				
GPS	7.24	3,160	(3,160)	—
DPS	8.18	4,255	(4,255)	—
GES	8.18	4,356	(4,356)	—
<u>Company</u>				
Second grant				
GES	8.18	2	(2)	—

The second grant awarded on 20 October 2014 has reached the end of the performance period on 30 June 2017 and the NRC has on 23 August 2017 approved the non-vesting as the performance conditions were not met.

On 29 August 2018, the Board of Directors approved for the Long Term Incentive Plan to be revised. The revised plan is being finalised and is expected to be implemented in the financial year ending 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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### 39 RESERVES

The Group's reserves comprise:

<u>Nature</u>	<u>Description</u>
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
Available-for-sale reserve	Arising from changes in fair value of available-for-sale investments
Exchange reserve	Arising from exchange differences on retranslation of the net investments in foreign operations

Group 2018	Capital reserve	Legal reserve	Hedging reserve	Available- for-sale reserve	Exchange reserve	Total
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

2017						
At 1 July 2016	212	69	(68)	54	356	623
Other comprehensive income/(loss) [Note 20]	–	–	29	(6)	702	725
Transfer (to)/from retained profits	(63)	5	–	–	–	(58)
Transactions with owners:						
- acquisition of non-controlling interests	58	–	–	–	–	58
At 30 June 2017	207	74	(39)	48	1,058	1,348

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 40 PERPETUAL SUKUK

On 24 March 2016, the Company made its first issuance of RM2.2 billion nominal value of Perpetual Subordinated Sukuk (perpetual sukuk) pursuant to the RM3.0 billion Perpetual Subordinated Sukuk Programme. On 23 June 2017, the perpetual sukuk was novated from Sime Darby Berhad to SD Plantation following the consent obtained at the Extraordinary General Meeting of the perpetual sukuk holders held on 16 June 2017.

The perpetual sukuk is accounted as equity as there is no contractual obligation to redeem the instrument. The Programme is rated AA<sub>is</sub> by the Malaysian Rating Corporation Berhad.

The salient features of the perpetual sukuk are as follows:

- a. Unsecured and is issued under the Islamic principle of Wakalah Bi Al-Istithmar (“Sukuk Wakalah”) where SD Plantation manages a Wakalah portfolio on behalf of the perpetual sukuk holders. The Wakalah portfolio comprises a combination of investments in Ijarah assets and Commodity Murabahah.
- b. Carries an initial fixed periodic distribution rate of 5.65% per annum payable on a semi-annual basis in arrears. The periodic distribution rate will be reset on 24 March 2026 to the then prevailing 10-year Malaysian Government Securities (MGS) benchmark rate plus 1.75% (Initial Spread) and 1.00% (Step-Up Margin) and at every 10 year thereafter.
- c. No fixed redemption date but SD Plantation as the issuer has the option to redeem at the end of the tenth year from the date of issue and on each subsequent semi-annual periodic distribution date.
- d. The expected periodic distribution amount may be deferred by SD Plantation to perpetuity. As long as any deferred periodic distribution is not made in full due to the profit distribution deferral, no discretionary dividend distribution or other payment can be declared by SD Plantation in respect of any of its ordinary shares.

## 41 NON-CONTROLLING INTERESTS – GROUP

The profit, comprehensive income and net assets attributable to owners of non-controlling interests are as follows:

	2018	2017
Profit for the financial year	92	119
Other comprehensive (loss)/income	(65)	49
<b>Total comprehensive income</b>	<b>27</b>	<b>168</b>
<b>Net assets</b>	<b>389</b>	<b>976</b>

In the opinion of the Directors, the Group has no non-controlling interests which are material as at 30 June 2018.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 42 BORROWINGS

Group	2018			2017		
	Secured	Unsecured	Total	Secured	Unsecured	Total
<u>Non-current</u>						
Term loans [note (a)]	29	–	29	43	231	274
Islamic Medium Term Notes [note (b)]	–	–	–	–	700	700
Islamic financing	–	215	215	–	272	272
Finance leases	3	–	3	5	–	5
	<b>32</b>	<b>215</b>	<b>247</b>	<b>48</b>	<b>1,203</b>	<b>1,251</b>
<u>Current</u>						
Bank overdrafts	–	43	43	–	78	78
Term loans due within one year [note (a)]	12	220	232	12	461	473
Islamic Medium Term Notes [note (b)]	–	–	–	–	1	1
Short term Islamic financing	–	549	549	–	8	8
Islamic financing due within one year	–	55	55	–	23	23
Revolving credits, trade facilities and other short-term borrowings	–	1,761	1,761	–	1,365	1,365
Finance leases	2	–	2	6	–	6
	<b>14</b>	<b>2,628</b>	<b>2,642</b>	<b>18</b>	<b>1,936</b>	<b>1,954</b>
<b>Total borrowings</b>	<b>46</b>	<b>2,843</b>	<b>2,889</b>	<b>66</b>	<b>3,139</b>	<b>3,205</b>

Company	2018	2017
	Unsecured	Unsecured
<u>Non-current</u>		
Islamic Medium Term Notes	–	700
<u>Current</u>		
Islamic Medium Term Notes	–	1
<b>Total borrowings</b>	<b>–</b>	<b>701</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 42 BORROWINGS (CONTINUED)

#### a. Term loans and Islamic financing

The term loans and Islamic financing include the following:

Group		2018	2017
<u>Unsecured</u>	<u>Repayment Terms</u>		
RM230 million (2017: RM250 million)	Repayment commencing 36 months from the drawdown date of 27 May 2015, fully repayable by May 2022	<b>230</b>	250
USD44 million (2017: USD133 million)	Repayment commencing 36 months from the drawdown date of 12 December 2011, fully repayable by December 2018	<b>178</b>	571

#### b. Islamic Medium Term Notes (IMTN)

The IMTNs outstanding as at 30 June 2017 were fully repaid on 23 August 2017 and the programme has been novated to SD Property in September 2017.

#### c. Other information on borrowings

##### i. Effective interest rates

The average effective interest rates of borrowings per annum are as follows:

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Term loans and Islamic financing after interest rate swaps	<b>4.78</b>	4.72	–	–
Islamic Medium Term Notes	–	4.19	–	4.19
Other borrowings	<b>3.49</b>	2.83	–	–

The Group's floating rate term loans and Islamic financing from continuing operations which have not been swapped to fixed and that are subject to contractual interest rates repricing within 1 year amounted to RM324 million (2017: RM455 million).

##### ii. Secured financing

As at 30 June 2018, borrowings amounting to RM41 million (2017: RM55 million) are secured by property, plant and equipment with a carrying value of RM119 million (2017: RM128 million).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 42 BORROWINGS (CONTINUED)

#### c. Other information on borrowings (continued)

##### iii. Disclosure to the cash flow

Change in liabilities arising from financing activities:

Group	At 1 July 2017	Net (repayment) /addition	Net overdraft repayment disclosed as cash and cash equivalent	Acquisition of business and net changes from interest payables	Exchange differences	Reclassification	At 30 June 2018
Non-current borrowings	1,251	(768)	–	–	(7)	(229)	247
Current borrowings	1,954	622	(32)	5	(136)	229	2,642
	3,205	(146)	(32)	5	(143)	–	2,889
<b>Company</b>							
Non-current borrowings	700	(700)	–	–	–	–	–
Current borrowings	1	–	–	(1)	–	–	–
	701	(700)	–	(1)	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 43 PROVISIONS – GROUP

2018	Warranties	Risk sharing	Liquidated ascertained damages	Onerous contracts and others	Total
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

2017	Warranties	Risk sharing	Development cost	Liquidated ascertained damages	Onerous contracts and others	Total
At 1 July 2016	200	17	254	191	13	675
Additions	36	30	–	–	80	146
Reversals	(47)	(20)	–	–	(13)	(80)
Translation differences	–	–	–	13	–	13
(Credited)/charged to profit or loss	(11)	10	–	13	67	79
Recognised in property development costs	–	–	(118)	–	–	(118)
Utilised	(47)	(10)	–	–	–	(57)
Exchange differences	13	1	–	–	–	14
Transferred to liabilities associated with assets held for sale	(8)	–	(136)	–	(38)	(182)
At 30 June 2017	147	18	–	204	42	411

The provisions are subject to the following maturity periods:

	2018	2017
<u>Non-current</u>		
Due later than one year	17	37
<u>Current</u>		
Due no later than one year	356	374
	<b>373</b>	<b>411</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 43 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.

## 44 GOVERNMENT GRANTS – GROUP

Government grants were received in relation to the construction of the port infrastructure and other facilities.

During the financial year, government grant of RM6 million (2017: RM5 million) has been amortised to profit or loss.

## 45 PAYABLES

	Group		Company	
	2018	2017 Restated	2018	2017
<u>Non-current</u>				
Employee benefits [note (a)]	10	10	–	–
Others [note (b)]	44	70	–	–
	54	80	–	–
<u>Current</u>				
Trade payables	3,169	2,621	–	–
Accruals and other payables				
- indirect taxes payable	101	118	–	–
- others [note (c)]	1,436	1,504	6	16
Amounts due to joint ventures	54	25	–	–
	4,760	4,268	6	16
	4,814	4,348	6	16

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 45 PAYABLES (CONTINUED)

#### 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 RM43 million (2017: RM61 million).

### 46 ACQUISITIONS

#### a. Continuing operations

Acquisition of a business

On 13 June 2018, Sime Darby Motors Wholesales Australia Pty Ltd entered into a sale and purchase agreement to acquire a Volvo dealership in Australia. The net cash flow arising from the acquisition is as follows:

Net assets acquired	– <sup>1</sup>
Goodwill	2
<hr/>	
Purchase consideration/cash outflow on acquisition	<hr/> 2

<sup>1</sup> less than RM1 million

#### b. Discontinued operations

##### i. Acquisition of a subsidiary

On 24 November 2017, Mulligan International B.V acquired 90% interest in PT Tamiyang Sumber Rezeki (PTTSR) for a total cash consideration of IDR78 billion (approximately RM24 million). PTTSR has been granted with the Hak Izin Lokasi and the Izin Usaha Perkebunan on 20,000 hectares of greenfield land in Kabupaten Barito Timur, Kalimantan Tengah, Indonesia.

The net cash outflow arising from the acquisition is as follows:

Net asset acquired	1
Goodwill	23
<hr/>	
Purchase consideration	24
Less: deferred consideration	(3)
<hr/>	
Cash outflow on acquisition	<hr/> 21

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 46 ACQUISITIONS (CONTINUED)

### b. Discontinued operations (continued)

- ii. Acquisition of additional interest in an associate

On 9 November 2017, Sime Darby Netherlands B.V. (SD Netherlands) subscribed to 340,092,449 Series 5 Convertible Preferred Stock in Verdyzyne, Inc. (Verdyzyne). Following the subscription, the equity interest held by SD Netherlands in Verdyzyne increased from 36% to 43%.

## 47 DISPOSALS

### a. Continuing operations

- i. Distribution of shares in SD Plantation and SD Property to shareholders of the Company

On 29 November 2017, the Company completed the distribution of its entire equity interest in SD Plantation and SD Property to its shareholders via a distribution-in-specie. Following the distribution, SD Plantation and SD Property ceased to be subsidiaries of the Company.

The distribution-in-specie was recorded based on the book value of the net assets deconsolidated, summarised as follows:

Assets of disposal groups	42,536
Liabilities of disposal groups	(17,149)
	25,387
Perpetual sukuk	(2,219)
Non-controlling interests	(543)
Distribution-in-specie	22,625

The cash balance of subsidiaries deconsolidated was RM1,838 million.

For the Company, the distribution-in-specie of RM7,901 million was recorded based on the cost of investment in SD Plantation (RM1,100 million) and SD Property (RM6,801 million).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 47 DISPOSALS (CONTINUED)

#### a. Continuing operations (continued)

##### ii. Deconsolidation of a subsidiary

On 15 January 2018, the membership of Yayasan Sime Darby (YSD) was changed from Sime Darby Berhad and Sime Darby Holding Berhad to Sime Darby Berhad, SD Plantation and SD Property. Following the change in membership, YSD ceased to be a subsidiary and become an associate of the Group.

The net cash outflow arising from the deconsolidation is as follows:

Net assets disposed	61
Loss on deconsolidation	(61)
Proceeds from disposal, net of transaction costs	–
Less: Cash and cash equivalent of subsidiary deconsolidated	(59)
<b>Net cash outflow on deconsolidation</b>	<b>(59)</b>

##### iii. Disposal of associates

- (a) On 15 December 2017, Hastings Deering (Australia) Ltd completed the disposal of its entire 39% equity interest in Nova Power Pty Ltd to Pacific Energy Ltd for a total cash consideration of AUD2 million (approximately RM6 million). The disposal resulted in a gain of RM5 million, net of transaction costs.
- (b) On 22 February 2018, Sime Darby Motor Holdings Limited completed the disposal of its entire 40% equity interest in Munich Automobiles Pte Ltd (Munich) to Prestige Car Pte Ltd for a cash consideration of SGD1. No gain or loss was recognised from the disposal.

#### b. Discontinued operations

##### i. Disposal of subsidiaries

On 19 September 2017, SD Property disposed of its entire equity interest in Malaysia Land Development Company Berhad (MLDC) and its subsidiaries. The net cash inflow arising from the disposal is as follows:

Net assets disposed	20
Gain on disposal of subsidiaries	40
Proceeds from disposal, net of transaction costs	60
Less: Cash and cash equivalent in subsidiaries disposed	(1)
<b>Net cash inflow on disposal of subsidiaries</b>	<b>59</b>

##### ii. Disposal of associates

On 29 September 2017, SD Property completed the disposal of its entire 40% equity interest in Seriemas Development Sdn Berhad (Seriemas) to PNB Development Sdn Bhd for a total cash consideration of RM625 million. The disposal resulted in a gain of RM307 million, net of transaction costs. Following the disposal, Seriemas and its 70% owned subsidiary, Seriemas Resort Sdn Berhad, ceased to be associates of SD Property.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 48 SEGMENT INFORMATION - GROUP

Following the completion of the distribution-in-specie of SD Plantation and SD Property in November 2017, the Group's main businesses comprise Industrial, Motors, Logistics and Healthcare. The Industrial, Motors and Logistics divisions offer different products and services, and are each headed by a 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 and treatment and distribution of treated water
Healthcare	Investment in the Ramsay Sime Darby Health Care Group, providers of healthcare services
Others	Insurance broking, provision of shared services 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 48 SEGMENT INFORMATION – GROUP (CONTINUED)

#### a. Segment results

2018	Continuing operations		
	Industrial	Motors	Logistics
Segment revenue:			
External	13,041	20,341	341
Inter-segment	32	14	–
	13,073	20,355	341
Segment results:			
Operating profit/(loss)	609	538	82
Share of results of joint ventures and associates	3	5	(8)
Profit/(loss) before interest and tax	612	543	74
<u>Included in operating profit/(loss)</u>			
Depreciation and amortisation	(300)	(238)	(68)
(Impairment losses and write offs)/reversal of impairment (net):			
- non-current assets	(34)	(64)	–
- receivables and contract assets	(16)	(2)	–
Gain/(loss) on disposals (net)	181	7	–
Inventory provision (net)	(87)	(201)	–
<b>2017</b>			
Segment revenue:			
External	10,127	20,602	303
Inter-segment	70	24	–
	10,197	20,626	303
Segment results:			
Operating (loss)/profit	(7)	629	62
Share of results of joint ventures and associates	3	4	2
(Loss)/profit before interest and tax	(4)	633	64
<u>Included in operating (loss)/profit</u>			
Depreciation and amortisation	(245)	(245)	(69)
(Impairment losses and write offs)/reversal of impairment (net):			
- non-current assets	(234)	(24)	–
- receivables	4	(2)	–
(Loss)/gain on disposals (net)	(2)	34	5
Inventory provision (net)	(51)	(152)	–

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Healthcare	Others	Corporate and elimination	Total	Discontinued operations	Total
–	105	–	33,828	6,980	40,808
–	95	(141)	–	–	–
–	200	(141)	33,828	6,980	40,808
–	(13)	(114)	1,102	1,589	2,691
57	(85)	–	(28)	111	83
57	(98)	(114)	1,074	1,700	2,774
–	(9)	(6)	(621)	–	(621)
–	1	(2)	(99)	–	(99)
–	(25)	(1)	(44)	(7)	(51)
–	–	(51)	137	164	301
–	–	–	(288)	(2)	(290)
–	55	–	31,087	16,958	48,045
–	131	(225)	–	–	–
–	186	(225)	31,087	16,958	48,045
–	41	13	738	2,546	3,284
36	1	–	46	232	278
36	42	13	784	2,778	3,562
–	(9)	(13)	(581)	(1,297)	(1,878)
–	–	1	(257)	(190)	(447)
–	–	–	2	(37)	(35)
–	36	(1)	72	217	289
–	–	–	(203)	(149)	(352)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 48 SEGMENT INFORMATION – GROUP (CONTINUED)

#### b. Segment assets and liabilities and additions to non-current assets

2018	Continuing operations		
	Industrial	Motors	Logistics
Segment assets	10,628	9,084	2,681
Segment liabilities	(2,928)	(3,188)	(347)
Segment invested capital	7,700	5,896	2,334
Net tax assets			
Borrowings			
Total Equity			
Additions to non-current assets are as follows:			
Capital expenditure	622	471	57
Addition to investments	27	–	–
Additions to interest in joint ventures and associates	–	–	30
	649	471	87
2017			
Segment assets	10,411	8,923	2,626
Segment liabilities	(2,322)	(3,097)	(332)
Segment invested capital	8,089	5,826	2,294
Net tax assets			
Borrowings			
Total Equity			
Additions to non-current assets are as follows:			
Capital expenditure	574	291	145
Addition to investments	50	–	–
Additions to interest in joint ventures and associates	4	–	127
	628	291	272

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

Healthcare	Others	Corporate and elimination	Total	Discontinued operations	Total
730	469	636	24,228	–	24,228
–	(369)	(18)	(6,850)	–	(6,850)
730	100	618	17,378	–	17,378
			270	–	270
			(2,889)	–	(2,889)
			14,759	–	14,759
–	7	21	1,178	653	1,831
–	–	–	27	–	27
–	–	–	30	101	131
–	7	21	1,235	754	1,989
682	484	1,247	24,373	40,400	64,773
–	(347)	(78)	(6,176)	(4,316)	(10,492)
682	137	1,169	18,197	36,084	54,281
			378	(992)	(614)
			(3,205)	(9,913)	(13,118)
			15,370	25,179	40,549
–	–	8	1,018	1,877	2,895
–	–	–	50	–	50
–	–	–	131	395	526
–	–	8	1,199	2,272	3,471

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

2018	Continuing operations	Discontinued operations	Total
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

2017			
Property, plant and equipment	899	1,732	2,631
Prepaid lease rentals	14	1	15
Investment properties	3	109	112
Land held for property development	–	4	4
Intangible assets other than goodwill	102	31	133
	1,018	1,877	2,895

Reconciliation of segment assets and liabilities to total assets and total liabilities are as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
Segment total	24,228	64,773	6,850	10,492
Tax assets/liabilities	645	838	375	460
Borrowings	–	–	2,889	3,205
Discontinued operations	–	2,069	–	12,974
	24,873	67,680	10,114	27,131

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 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	
	2018	2017	2018	2017	2018	2017
Malaysia	4,855	4,714	98	345	2,709	2,650
Other countries in South East Asia	5,951	5,771	(37)	121	653	824
China <sup>1</sup>	12,959	11,547	512	394	3,128	3,224
Australasia <sup>2</sup>	10,063	9,055	501	(76)	3,002	3,069
	<b>33,828</b>	31,087	<b>1,074</b>	784	<b>9,492</b>	9,767

<sup>1</sup> China consists of China, Hong Kong, Macau and Taiwan

<sup>2</sup> Australasia consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands

Revenue by location of customers are not materially different from that of revenue by location of operations.

Reconciliation of non-current assets, other than financial instruments and tax assets to the total non-current assets are as follows:

	2018	2017
Non-current assets other than financial instruments and tax assets	9,492	9,767
Investments	124	100
Deferred tax assets	519	611
Tax recoverable	63	160
Derivative assets	–	44
Receivables and other assets	214	171
	<b>10,412</b>	10,853

The Group's operations are diverse in terms of the range of products and services it offers and the geographical coverage. There is no single customer that contributed 10% or more to the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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### 49 RELATED PARTIES

Significant related party transactions and balances other than as disclosed in notes 6, 7, 8, 10, 11, 14, 15, 24, 25, 31 and 45 are as follows:

Group	2018	2017
<b>a. Transactions with joint ventures and associates</b>		
<u>Continuing operations</u>		
Sale of products and services to Tesco Stores (Malaysia) Sdn Bhd	1	1
Purchase of products and services from Sitech Construction Systems Pty Ltd	10	3
Channel usage fees charged by Weifang Port Services Co Ltd	12	9
Interest income from Mine Energy Solutions Pty Ltd	16	8
Contribution paid to Yayasan Sime Darby	10	–
<u>Discontinued operations</u>		
Tolling fees and sales to Emery Oleochemicals (M) Sdn Bhd group	19	33
Disposal of subsidiaries to Aster Investment Holding Pte Ltd, a subsidiary of Sime Darby Real Estate Investment Trust 1	–	249
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	14
<b>b. Transactions between subsidiaries and their significant owners of non-controlling interests</b>		
<u>Continuing operations</u>		
Purchase of agricultural tractors, engines and parts by Sime Kubota Sdn Bhd from Kubota Corporation	46	38
Sale of vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd	30	60
Royalty payment to and procurement of cars and ancillary services by Inokom Corporation Sdn Bhd (ICSB) from Hyundai Motor Company and its related companies	9	14
Contract assembly service provided by ICSB to Mazda Malaysia Sdn Bhd	91	52
<u>Discontinued operations</u>		
Turnkey works rendered to Sime Darby Brunfield Holding Sdn Bhd (SDBH) group by Brunfield 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	265
Project management services rendered by Tunas Selatan Construction Sdn Bhd, the holding company of Tunas Selatan Pagoh Sdn Bhd to SD Property Selatan Sdn Bhd	–	5
<b>c. Transactions with key management personnel and their close family members</b>		
Sale of properties and cars	1	2



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 49 RELATED PARTIES (CONTINUED)

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 24, 25, 31 and 45 are as follows (continued):

	Group		Company	
	2018	2017	2018	2017
<b>d. Remuneration of Directors and key management personnel</b>				
Salaries, other emoluments and benefits	40	42	4	4
Defined contribution pension plan	2	3	–	–
Performance-based employee share scheme	–	–	–	–
Estimated monetary value of benefits-in-kind	1	1	– <sup>1</sup>	1

<sup>1</sup> 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 2017 '000	Lapsed '000	At 30 June 2018 '000
Second grant				
GPS	7.24	399	(399)	–
DPS	8.18	369	(369)	–

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 49 RELATED PARTIES (CONTINUED)

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 24, 25, 31 and 45 are as follows: (continued)

#### f. Transactions with shareholders and the Government

##### Continuing operations

As at 30 June 2018, Permodalan Nasional Berhad (PNB) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad (ASNB), together owns approximately 51.3% (2017: 51.9%) of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra (YPB). The Group regards YPB as the ultimate holding company. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government-related entities) are related parties of the Group and of the Company.

Transactions entered into during the financial year with government-related entities include the sales and purchases of goods and services. These related party transactions were entered into in the ordinary course of business.

On 29 November 2017, the Group completed the distribution of SD Plantation and SD Property shares to shareholders of the Company. Transactions between the Group and SD Plantation or SD Property are classified as related party transactions as YPB is the common major shareholding of the 3 groups. Significant related party transactions with the former subsidiaries are as follows:

	Year ended 30 June 2018
Provision of shared services	52
Sales, servicing and leasing of equipment and vehicles	41
Sale of apartments and bungalows	15
Royalty received	4
Rental income	5
Rental charges	5

##### Discontinued operations

On 31 July 2017, SD Property entered into a Share Sale Agreement with PNB Development Sdn Bhd for the disposal of its entire 40% equity interest in Seriemas Development Sdn Bhd for a total cash consideration of RM625 million. The disposal was completed on 29 September 2017.

On 27 October 2017, Kumpulan Jelei Sdn Bhd, a wholly-owned subsidiary of SD Plantation, had entered into an agreement with PNB for the sale of zero coupon redeemable loan stock of Prolintas Expressway Sdn Bhd (formerly known as Guthrie Corridor Expressway Sdn Bhd) for a total purchase consideration of RM333 million. Kumpulan Jelei Sdn Bhd ceased to be a subsidiary of the Group following the completion of the distribution of SD Plantation and SD Property shares to shareholders of the Company.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 49 RELATED PARTIES (CONTINUED)

Significant related party transactions and balances other than as disclosed in Notes 6, 7, 8, 10, 11, 14, 15, 24, 25, 31 and 45 are as follows: (continued)

### g. Outstanding balances with related parties

The significant outstanding balances between the Group and related parties are as follows:

	2018	2017
<u>Continuing operations</u>		
<u>i. Amounts due from/(to) joint ventures and associates</u>		
Weifang Sime Darby Liquid Terminal Co Ltd	131	83
Weifang Sime Darby West Port Co Ltd	42	56
Weifang Port Services Co Ltd	23	34
Malaysia - China Hydro Joint Venture	(23)	(23)
<u>ii. Amount due from YPB group companies</u>		
Sime Darby Plantation Berhad group	64	–
Sime Darby Property Berhad group	8	–
<u>Discontinued operations</u>		
<u>i. Amounts due to owner of non-controlling interests of SDBH</u>		
Brunsfeld Metropolitan Sdn Bhd	–	234
Brunsfeld Engineering Sdn Bhd	–	25
<u>ii. Amount due from YPB group</u>		
Prolintas Expressway Sdn Bhd (nominal value)	–	500

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 2018 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 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:

##### Investments

Quoted market prices in active markets are considered Level 1. If such quoted market prices are not available, fair value are determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for non-performance risk. The inputs used in present value techniques are observable and fall into the Level 2 category. It is classified into the Level 3 category if significant unobservable inputs are used.

##### Derivatives

The fair values of derivative are determined using quoted price of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quoted for similar instruments, appropriately adjusted, or present value techniques, based on available market observable inputs are used, including foreign exchange spot and forward rates and interest rate curves. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used, which would result in Level 3 valuation methods.

Specific valuation techniques used by the Group to value derivatives include the following:

- i. fair value of forward foreign exchange contracts are calculated using observable forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- ii. fair value of cross currency swap contract and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on observable yield curves.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 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
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
Derivative liabilities				
- forward foreign exchange contracts	–	26	–	26
<b>2017</b>				
<u>Financial assets</u>				
Investments	–	5	95	100
Derivative assets				
- forward foreign exchange contracts	–	15	–	15
- interest rate swap contracts	–	3	–	3
- cross currency swap contract	–	123	–	123
	–	146	95	241
Financial assets included in assets held for sale	11	83	62	156
	11	229	157	397
<u>Financial liabilities</u>				
Derivative liabilities				
- forward foreign exchange contracts	–	11	–	11
Financial liabilities included in liabilities associated with assets held for sale				
	–	26	–	26
	–	37	–	37

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 50 FINANCIAL INSTRUMENTS (CONTINUED)

#### a. Financial instruments measured at fair value (continued)

The investments categorised as Level 3 in the fair value hierarchy are non-traded equity investments which are valued at their recoverable amounts. There was no transfer between levels of the fair value hierarchy during the financial year.

The Company does not have any financial assets and liabilities measured at fair value as at 30 June 2018 (2017: 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 are as follows:

2018	Group	
	Carrying amount	Fair value
<u>Financial assets</u>		
Receivables		
- trade and other receivables	99	99
- amount due from joint ventures	136	137
<u>Financial liabilities</u>		
Payables	54	54
Borrowings	536	536

The Company does not have any long-term financial assets and liabilities measured at amortised cost as at 30 June 2018.

2017	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Amount due from a subsidiary	–	–	700	700
Receivables				
- trade and other receivables	95	95	–	–
- amount due from a joint venture	111	111	–	–
<u>Financial liabilities</u>				
Payables	80	80	–	–
Borrowings				
- Islamic Medium Term Notes	701	678	701	678
- term loans and others	1,053	1,053	–	–

The fair values of the Group's long-term financial instruments are categorised as Level 2 in the fair value hierarchy as they are estimated by discounting the future contractual cash flows at the current market rate available for similar instruments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 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 policy on financial risk management is described in Note 5.

Details of each financial risk are as follows:

#### a. Foreign exchange risk

Currency profile of monetary financial assets and financial liabilities are as follows:

Group 2018	Denominated in currencies other than functional currencies				Denominated in functional currencies	Total
	United States dollar	Chinese renminbi	European Union euro	Others		
Investments	–	–	–	–	124	124
Receivables (net)	179	156	31	22	4,350	4,738
Bank balances, deposits and cash	56	60	6	42	1,508	1,672
Borrowings	(960)	–	–	–	(1,929)	(2,889)
Payables	(365)	–	(274)	(54)	(4,121)	(4,814)
	(1,090)	216	(237)	10	(68)	(1,169)
Financial instruments included in:						
- assets held for sale	–	–	–	–	45	45
- liabilities associated with assets held for sale	–	–	–	–	(15)	(15)
	(1,090)	216	(237)	10	(38)	(1,139)
<b>2017</b>						
Investments	–	–	–	–	100	100
Receivables (net)	169	134	28	120	3,562	4,013
Bank balances, deposits and cash	186	3	6	37	1,840	2,072
Borrowings	(1,134)	–	–	–	(2,071)	(3,205)
Payables	(176)	(2)	(77)	(42)	(4,051)	(4,348)
	(955)	135	(43)	115	(620)	(1,368)
Financial instruments included in:						
- assets held for sale	416	18	11	165	4,638	5,248
- liabilities associated with assets held for sale	(5,803)	–	(3)	(132)	(7,437)	(13,375)
	(6,342)	153	(35)	148	(3,419)	(9,495)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 51 FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of each financial risk are as follows: (continued)

#### a. Foreign exchange risk (continued)

Currency profile of monetary financial assets and financial liabilities are as follows: (continued)

Other than a nominal amount of cash held in US dollars, the Company does not have any financial assets or liabilities denominated in foreign currency as at 30 June 2018 (2017: RM3 million payables denominated in US dollars).

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 RM960 million borrowings denominated in US dollars, RM217 million has been hedged with derivatives and RM427 million is designated as hedge instruments for receivables and anticipated sales. The remaining RM316 million is in a HK dollar functional currency subsidiary, where the foreign exchange risk is mitigated as the HK dollar is pegged to the US dollar, trading within a narrow band against the US dollar.

##### 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 are 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 term (pending settlement or hedging), with limited foreign exchange risk. The Euro and US dollar payables have largely been hedged with derivatives. However, certain material balances in non functional currencies of the continuing operations 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	Foreign	Amount in	Foreign	Impact on
2018	currency	currency	RM	currency	profit before
				scenario	tax
Receivables and bank balances	HKD	RMB	216	(5%)	(11)
<b>2017</b>					
Receivables, payables and bank balances (net)	HKD	RMB	135	(5%)	(7)



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 of continuing operations are as follows:

	Group		Company	
	2018	2017	2018	2017
Total borrowings	2,889	3,205	–	701
Fixed rate borrowings	37	750	–	701
Floating rate borrowings (swapped to fixed)	175	549	–	–
Total fixed rate borrowings after swap	212	1,299	–	701
Percentage of fixed rate borrowings over total borrowings:				
- before swap (%)	1.3	23.4	–	100.0
- after swap (%)	7.3	40.5	–	100.0

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 2018, the Group's floating rate borrowings of the continuing operations not swapped to fixed stood at RM2,677 million (2017: RM1,906 million). The following table demonstrates the effect of changes in interest rate of floating rate borrowings after taking into account the IRS contracts mentioned in the preceding paragraph. If the interest rate increased by 1% in the following currencies of borrowings, the Group's continuing operations' profit before tax will be higher/(lower) by:

2018	Impact
Profit before tax	
- Group (continuing operations)	(27)
2017	
Profit before tax	
- Group (continuing operations)	(19)

A 1% decrease in interest rate would have an equal but opposite effect.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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	
	2018	2017	2018	2017
<u>Maximum exposure</u>				
Amounts due from subsidiaries	–	–	6,034	9,655
Receivables	4,889	4,185	4	–
Financial assets of WSD Water (under disposal groups)	45	–	–	–
Derivative assets	66	141	–	–
Bank balances, deposits and cash	1,672	2,072	163	200
Credit risk of continuing operations	6,672	6,398	6,201	9,855
Credit risk of discontinued operations	–	5,536	–	–
	6,672	11,934	6,201	9,855
<u>Collateral and credit enhancement</u>				
Receivables	326	816	–	–

The credit risks concentration profile of the Group's net trade receivables analysed by country where the Group operates and by reportable segment are as follows:

2018	Continuing operations				Total
	Industrial	Motors	Logistics	Others	
Malaysia	305	423	–	86	814
Other countries in South East Asia	175	166	–	2	343
China <sup>1</sup>	414	150	32	1	597
Australasia <sup>2</sup>	1,023	198	–	–	1,221
	1,917	937	32	89	2,975

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 51 FINANCIAL RISK MANAGEMENT (CONTINUED)

Details of each financial risk are as follows: (continued)

### c. Credit risk (continued)

The credit risks concentration profile of the Group's net trade receivables analysed by country where the Group operates and by reportable segment are as follows: (continued)

2017	Continuing operations					Total	Discontinued operations	Total
	Industrial	Motors	Logistics	Others				
Malaysia	232	322	–	22	576	1,244	1,820	
Other countries in South								
East Asia	129	149	–	1	279	176	455	
China <sup>1</sup>	368	121	41	1	531	–	531	
Australasia <sup>2</sup>	745	254	–	–	999	236	1,235	
Europe	–	–	–	–	–	351	351	
Other countries	–	–	–	–	–	97	97	
	1,474	846	41	24	2,385	2,104	4,489	

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.

<sup>1</sup> China consists of China, Hong Kong, Macau and Taiwan

<sup>2</sup> Australasia consists of Australia, New Caledonia, New Zealand, Papua New Guinea and Solomon Islands

### d. Liquidity and cash flow risk

The undiscounted contractual cash flows of the financial liabilities are as follows:

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	4,760	54	–	–	4,814	4,814
	7,417	133	174	17	7,741	7,703
Financial liabilities included in liabilities associated with assets held for sale	15	–	–	–	15	15
	7,432	133	174	17	7,756	7,718

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2017	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	1,948	310	188	757	3,203	3,202
- interest	100	45	114	128	387	3
Payables	4,348	–	–	–	4,348	4,348
	6,396	355	302	885	7,938	7,553
Financial liabilities included in liabilities associated with assets held for sale	5,400	1,461	5,716	2,052	14,629	13,375
	11,796	1,816	6,018	2,937	22,567	20,928

Company 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
Payables	6	–	–	–	6	6

2017						
Borrowings						
- principal	–	–	–	700	700	700
- interest	29	29	88	102	248	1
Payables	16	–	–	–	16	16
	45	29	88	802	964	717

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 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.

The outstanding guarantees as at 30 June are as follows:

	Group		Company	
	2018	2017	2018	2017
Performance and advance payment guarantees to customers of:				
- subsidiaries	–	–	<b>1,582</b>	1,582
- the Group	<b>2,193</b>	2,362	–	–
Guarantees in respect of credit facilities granted to:				
- certain subsidiaries	–	–	<b>220</b>	691
- certain associates and joint ventures	<b>218</b>	176	–	–
	<b>2,411</b>	2,538	<b>1,802</b>	2,273
Outstanding guarantees for discontinued operations	–	96	–	–
	<b>2,411</b>	2,634	<b>1,802</b>	2,273

In addition, the Group guarantees the payment from its customers under a risk sharing arrangement with a third party leasing company in connection with the sale of its equipment up to a pre-determined amount. As at 30 June 2018, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM270 million (2017: RM226 million).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 52 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Contingent liabilities and commitments are as follows: (continued)

#### b. Claims

As at 30 June 2018, claims not taken up in the statement of financial position are as follows:

Group	2018	2017
Continuing operations	4	14
Discontinued operations	–	16
	<b>4</b>	<b>30</b>

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

There were no claims against the Company as at 30 June 2018 (2017: Nil).

#### c. Capital commitments

Authorised capital expenditure not provided for in the financial statements:

Group 2018	Continuing operations
Property, plant and equipment	
- contracted	184
- not contracted	620
	<b>804</b>
Other capital expenditure	
- contracted	69
- not contracted	–
	<b>873</b>

2017	Continuing operations	Discontinued operations	Total
Property, plant and equipment			
- contracted	229	295	524
- not contracted	837	975	1,812
	1,066	1,270	2,336
Other capital expenditure			
- contracted	42	291	333
- not contracted	39	–	39
	1,147	1,561	2,708

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 52 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Contingent liabilities and commitments are as follows: (continued)

### c. Capital commitments (continued)

As at 30 June 2017, pursuant to the Subscription and Shareholders' Agreement, which is reiterated through Letters of Undertaking issued by the shareholders of Battersea Project Holding Company Limited (Battersea) to Battersea, the shareholders are committed to subscribe for shares in Battersea in proportion to their respective shareholdings when a capital call is made for the purpose of ensuring Battersea and its subsidiaries are able to meet their respective funding obligations.

The Company does not have any capital commitments as at 30 June 2018 (2017: Nil).

### d. Leases

The future minimum lease payments under non-cancellable operating leases are as follows:

Group 2018	Continuing operations	Discontinued operations	Total
Due no later than one year	444	–	444
Due later than one year but not later than five years	798	–	798
Due later than five years	676	–	676
	<b>1,918</b>	<b>–</b>	<b>1,918</b>
<b>2017</b>			
Due no later than one year	423	15	438
Due later than one year but not later than five years	832	44	876
Due later than five years	338	131	469
	<b>1,593</b>	<b>190</b>	<b>1,783</b>

The Company does not have any non-cancellable operating lease as at 30 June 2018 (2017: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 53 RESTATEMENT AND RECLASSIFICATION

#### a. Statement of Profit or Loss

The Group has reclassified gains/(losses) on disposals and (impairments)/reversal of impairments for the financial year ended 30 June 2017 from operating expenses and other operating income to other gains or losses to conform with the current year's presentation. The restatement had no impact on the statement of comprehensive income and statement of financial position.

Statement of Profit or Loss for the financial year ended 30 June 2017	As previously reported	Reclassification	As restated
Operating expenses	(30,885)	271	(30,614)
Other operating income	399	(86)	313
Other gains and losses	137	(185)	(48)

#### b. Statement of Financial Position

The Group has reclassified certain payables amounting to RM80 million from current to non-current liabilities to reflect the settlement period and the provision for liquidated ascertained damages of RM204 million from contract liabilities to provisions to conform with the current year's presentation. The restatement had no impact on the statement of profit or loss and statement of comprehensive income.

Statement of Financial Position as at 30 June 2017	As previously reported	Reclassification	As restated
<u>Non-current liabilities</u>			
Payables	–	80	80
<u>Current liabilities</u>			
Payables	4,348	(80)	4,268
Contract liabilities	1,319	(204)	1,115
Provisions	170	204	374

#### c. Statement of Cash Flows

The Group has reclassified payment by discontinued operations to continuing operations for the financial year ended 30 June 2017 as part of investing cash flow of continuing operations and financing cash flow of discontinued operations to conform with the current year's presentation.

Statement of Cash Flows for the financial year ended 30 June 2017	As previously reported	Reclassification	As restated
Investing cash flow from continuing operations	366	1,548	1,914
Investing cash flow used in discontinued operations	(1,813)	–	(1,813)
Net cash (used in)/from investing activities	(1,447)	1,548	101
Financing cash flow used in continuing operations	(3,469)	–	(3,469)
Financing cash flow from/(used in) discontinued operations	169	(1,548)	(1,379)
Net cash used in financing activities	(3,300)	(1,548)	(4,848)



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 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 (Marine Project) for an aggregate amount of RM93 million and USD79 million (approximately RM319 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 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 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 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. The Registrar has fixed the hearing of the assessment of damages on 8 to 12 April 2019.

Counsel is of the view that as the Defendants have consented to judgement in respect of liability, the only outstanding matter would be the assessment of damages to ascertain the actual losses suffered by the Plaintiffs which would largely depend on the documents available and the evidence given to establish such losses. The damages recoverable by the Plaintiffs will also be dependent on the amount recovered from the respective employers for the QP and MOQ Projects and the proceeds of the sale of the derrick lay barge in regards of the Marine Project within the time frame stipulated.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 54 MATERIAL LITIGATION (CONTINUED)

The material litigations outstanding are as follows: (continued)

#### b. Bakun Hydroelectric Project (Bakun Project) and the Indemnity Agreement Civil Suits (Bakun Suit) (continued)

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.

Counsel is of the view that as the Defendants have consented to judgement in respect of liability, the only outstanding matter would be the assessment of damages to ascertain the actual losses suffered by the Plaintiffs which would largely depend on the documents available and the evidence given to establish such losses. The damages recoverable by the Plaintiffs will also be dependent on the amount recovered from Sarawak Hidro Sdn Bhd and/or the Ministry of Finance in relation to the Bakun Project within the time frame stipulated.

#### c. Emirates International Energy Services (EMAS)

On 13 January 2011, EMAS filed a civil suit in the Plenary Commercial Court in Abu Dhabi against Sime Darby Engineering Sdn Bhd (SDE) (First Suit) claiming payment of USD178 million (approximately RM720 million) comprising (a) a payment of USD128 million (approximately RM517 million) for commissions; and (b) a payment of USD50 million (approximately RM202 million) as "morale compensation", which was dismissed by the Court on 22 August 2011.

##### i. Proceedings at the Judicial Department of Abu Dhabi (Second Suit)

On 31 March 2012, EMAS filed a second suit against SDE at the Judicial Department of Abu Dhabi for USD178 million based on the same facts and grounds as the First Suit.

On 18 May 2014, the Court issued judgement for the sum of AED41 million (approximately RM45 million) against SDE.

The judgement was subsequently reversed by the Court of Appeal on 2 July 2014 and by the Supreme Court on 25 December 2014. By virtue of the Supreme Court's decision, EMAS has effectively exhausted all its avenues in the Abu Dhabi courts in pursuing its claim against SDE.

##### ii. Proceedings at Dubai Chamber of Commerce and Industry (DIAC)

On 24 January 2016, EMAS submitted a Request for Arbitration against SDE to DIAC, claiming an amount of AED41 million (approximately RM45 million). The hearing was held from 15 to 20 January 2018. The tribunal which was expected to issue its award in September 2018 has been granted an extension by DIAC till December 2018 to deliver its award.

SDE's counsel is optimistic of SDE's chances of success.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 54 MATERIAL LITIGATION (CONTINUED)

The material litigations outstanding are as follows: (continued)

### d. Qatar Petroleum (QP) Statement of Claim

On 15 August 2012, 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 million) to SDE (Judgement) and both parties have appealed to the Court of Appeal against the Judgement. On 30 October 2017, the Court referred the matter to court experts to examine the appeal and fixed 3 June 2018 for the experts to submit their report. Subsequently, the court granted an extension to the experts until 3 December 2018 for them to submit their report.

SDE's counsel is of the view that there is a likelihood that the Court of Appeal will adopt the views of the experts in the experts' report.

### 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 RM764 million).

Disputes have arisen between the Consortium and ONGC and the parties have subsequently referred the dispute to an Outside Expert Committee (OEC). SDE's portion of the Consortium's claim is circa USD33 million (approximately RM133 million).

On 2 December 2014, the OEC recommended payment of USD12 million in full and final settlement in favour of the Consortium, of which USD7 million (approximately RM28 million) was apportioned to SDE. On 20 March 2015, the Consortium sought a higher amount of compensation which was rejected by ONGC.

On 21 December 2015, the Consortium issued a notice to ONGC of its intention to proceed with arbitration. The tribunal fixed proceedings on 17 December 2016 which was subsequently adjourned pending settlement negotiations between the parties.

On 29 March 2017, ONGC submitted a settlement offer to the Consortium for the sum of USD10 million (approximately RM40 million), which is to be apportioned between SDE (USD7 million) (approximately RM28 million) and SOC (USD3 million) (approximately RM12 million) (the Settlement Offer). The Consortium confirmed its acceptance of the Settlement Offer and on 25 May 2017, the Consortium requested ONGC to enter into separate settlement agreements with SDE and SOC.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 54 MATERIAL LITIGATION (CONTINUED)

The material litigations outstanding are as follows: (continued)

**e. 05 Wellhead Platform Project (05WHP Project) (continued)**

As there was no response from ONGC on the settlement terms, on 29 March 2018, the Consortium filed its application for an order by the tribunal to record an arbitral award based on the Settlement Offer but was rejected by the tribunal. ONGC filed its statement of defence on 8 June 2018. The tribunal has fixed 4, 5, 11 and 13 October 2018 for examination of witnesses and 22 to 24 October and 19 to 21 November 2018 for hearing.

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 B-193 5 Wellhead Platform project. The agreement shall become executory after the arbitration tribunal has recorded the settlement and issued its award based on the Settlement Agreement, which is anticipated to occur during the hearing commencing 4 October 2018.

**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 (Contract) was executed for a total contract price of USD618 million (approximately RM2.5 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 RM307 million).

The hearing has been concluded and oral closing submissions were held on 2 January 2018 to 5 January 2018. 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 High Court fixed provisional hearing date on 4 June 2018 but was subsequently deferred. The High Court has yet to fix a new hearing date.

The Consortium's Counsel is unable to predict at this juncture the chances of success of ONGC's application to set aside the arbitration award.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 54 MATERIAL LITIGATION (CONTINUED)

The material litigations outstanding are as follows: (continued)

### g. Malaysia Marine and Heavy Engineering (MMHE) Notice of Arbitration

MMHE and SDE entered into a Sale and Purchase Agreement dated 25 August 2011 (SPA) for the disposal of SDE's oil and gas business to MMHE for a consideration of RM394 million and a Supplemental Agreement dated 30 March 2012 (SSPA) to vary certain terms and conditions of the SPA.

The SSPA provides, inter alia, that the fabrication of KBB Topsides Contract No. KPOC/COC/2009/015 for the Keabangan Northern Hub Development (KPOC Project) between Keabangan Petroleum Operating Company Sdn Bhd and SDE dated 20 September 2011 shall be novated by SDE to MMHE with effect from 31 March 2012 for a consideration of RM20 million.

On 16 March 2015, MMHE referred the disputes relating to the KPOC Project to arbitration before the Regional Centre for Arbitration Kuala Lumpur (now known as the Asian International Arbitration Centre). The initial claim from MMHE was RM57 million but was subsequently revised to RM34 million on 1 November 2016.

The hearing was concluded on 24 March 2017 and oral submissions were held on 4 August 2017.

The tribunal issued its award on 13 March 2018 ordering SDE to pay MMHE damages of RM17.3 million for claims in relation to the dispute arising from the SPA and the SSPA as well as interest and arbitration costs. This amount has been fully provided for.

After series of discussion, the parties agreed to settle the matter at RM16.5 million (with no interest and costs) as full and final settlement. A Settlement Agreement was signed on 1 June 2018 and SDE remitted payment to MMHE on 6 June 2018.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows:

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Industrial – Subsidiaries</b>					
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 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	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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Industrial – Subsidiaries (continued)</b>					
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 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 TMR Sdn Bhd	Malaysia	100.0	100.0	1	Reconditioning of used equipment and machinery
Sime Kubota Sdn Bhd	Malaysia	90.0	90.0	1	Assembly and distribution of Kubota agricultural machinery and other machinery and equipment
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 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
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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Industrial – Subsidiaries (continued)</b>					
Mecomb Singapore Limited	Singapore	100.0	100.0	2	Manufacture and installation of industrial equipment and the import and sale of technical, nautical and scientific instruments and mechanical, electrical and electronic equipment
Sime Darby Eastern Investments Private Limited	Singapore	100.0	100.0	2	Investment holding
Sime Darby Eastern Limited	Singapore	100.0	100.0	2	
Sime Darby Energy Pte Ltd	Singapore	100.0	100.0	2	
Sime Darby Industrial Singapore Pte Ltd	Singapore	100.0	100.0	2	
Tractors Singapore Limited	Singapore	100.0	100.0	2	
Tractors Singapore (Maldives) Private Limited	Maldives	100.0	–	2	Sale and rental of engines, power systems, assembly and product support for industrial machinery and parts
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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Industrial – Subsidiaries (continued)</b>					
Sime Darby CEL Machinery (Guangdong) Co Ltd	China	100.0	100.0	2 )	)
Sime Darby CEL Machinery (Guangxi) Co Ltd	China	100.0	100.0	2 )	)
Sime Darby CEL Machinery (Hunan) Co Ltd	China	100.0	100.0	2 )	Sale of Caterpillar equipment and spare parts and service support
Sime Darby CEL Machinery (Jiangxi) Co Ltd	China	100.0	100.0	2 )	)
Sime Darby CEL Machinery (Xinjiang) Co Ltd	China	100.0	100.0	2 )	)
Sime Darby Joy (Shanghai) Co Ltd	China	55.0	55.0	2	Supply of process equipment and heat exchangers
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
AC Haynes Investments Pty Ltd	Australia	100.0	100.0	2	Crane hire
Austchrome Pty Ltd	Australia	100.0	100.0	2	Chroming and hydraulic repairs
DG Nominees Pty Ltd	Australia	100.0	100.0	4	Auto glass supplier/installer
Hastings Deering (Australia) Limited	Australia	100.0	100.0	2	Sale, rental and servicing for Caterpillar products, hardchroming and hydraulic repair

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Industrial – Subsidiaries (continued)</b>					
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
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	
Sime Darby Industrial (B) Sdn Bhd	Brunei	70.0	70.0	3	Assembly, marketing and distribution of agricultural and industrial equipment
CICA Limited	Channel Islands	100.0	100.0	3	Supply of industrial equipment and after-sales services
Caltrac SAS	New Caledonia	100.0	100.0	2	Sale of Caterpillar equipment and spare parts and service support
SCI Sime Darby Invest NC	New Caledonia	100.0	100.0	4	Property investment
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	Sales, assembly, import and export, lease and maintenance of, and provision of technology services for engines and power systems

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Industrial – Subsidiaries (continued)</b>					
Mecomb (Thailand) Limited	Thailand	100.0	100.0	2	Sale of electrical and mechanical equipment components and instruments
Haynes Group (USA) Holdings Inc. (formerly known as Pakka Jack International Holdings Inc)	United States of America	100.0	100.0	4	Investment holding
Haynes Group (USA) Holdings LLC. (formerly known as Pakka Jack International 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	Consultancy and services for installation, operation, repair and maintenance of industrial machines
<b>Industrial – Joint ventures</b>					
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
Wilpena Pty Ltd	Australia	50.0	50.0	4	Sale of Caterpillar equipment and spare parts and service support

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Industrial – Associates</b>					
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
Nova Power Pty Ltd	Australia	–	38.9	2	Sale of low emission power to support electricity distribution
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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Motors – Subsidiaries</b>					
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	Sales 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 Bavaria Sdn Bhd	Malaysia	100.0	100.0	1	Management services, retail of motor vehicles, spare parts and accessories, after-sales services and assembler of motor vehicles
Sime Darby Auto Britannia Sdn Bhd	Malaysia	75.0	75.0	1	Provision of after-sales services
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 (formerly known as Sime Darby System Integrators Sdn Bhd)	Malaysia	100.0	100.0	1	Holder of license for manufacturing and assembling of engines 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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Motors – Subsidiaries (continued)</b>					
Sime Darby Motor Holdings Limited	Singapore	100.0	100.0	2	Investment holding and management and auxiliary services
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
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
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	) )
Kunming Bow Chuang Motor Sales and Services Co Ltd	China	65.0	–	2	) )
Nanjing Sime Darby Motors Sales & Services Co Ltd	China	60.0	60.0	2	) )

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Motors – Subsidiaries (continued)</b>					
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
Shantou Bow Yue Dehong Motors Services Co Ltd	China	60.0	60.0	2	Retail of spare parts and after-sales services for motor vehicles
Shantou Bow Yue Vehicle Trading Co Ltd	China	100.0	100.0	2	) Retail of motor vehicles and spare parts
Shenzhen Bow Chuang Vehicle Trading Co Ltd	China	100.0	100.0	2	
Shenzhen Sime Darby Motor Enterprises Co Ltd	China	100.0	100.0	2	Retail of spare parts and after-sales services for motor vehicles
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	
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	
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



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Motors – Subsidiaries (continued)</b>					
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 )	
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
Universal Automobile Company Limited	Hong Kong	100.0	100.0	2 )	Distribution and retail of motor vehicles
Universal Cars Limited	Hong Kong	100.0	100.0	2 )	
Wallace Harper Motors Company Limited	Hong Kong	100.0	100.0	2	Car leasing
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	70.0	70.0	2	Retail of spare parts, panels and accessories
Brisbane BMW Unit Trust	Australia	70.0	70.0	2 )	Motor vehicle dealerships
LMM Holdings Pty Ltd	Australia	70.0	70.0	2 )	
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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Motors – Subsidiaries (continued)</b>					
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 vehicles 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
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	Distribution of motor vehicles and spare parts
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	

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Motors – Subsidiaries (continued)</b>					
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
Sime Darby Auto Services Limited	Thailand	100.0	100.0	2	License holder of body and paint facility
Sime Darby (Thailand) Limited	Thailand	100.0	100.0	2	Investment holding and provision of management and auxiliary services
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	
Viking Motors 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
Performance Motors Vietnam Joint Stock Company	Vietnam	99.0	99.0	2	Retail of vehicles and provision of body and paint services
Sime Darby Hong Kong Group Company Limited	Bermuda	100.0	100.0	4	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Motors – Associates</b>					
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
Munich Automobiles Pte Ltd	Singapore	–	40.0	3	Sale and distribution of motor vehicles and after-sales services
BMW Financial Services Hong Kong Limited	Hong Kong	49.0	49.0	3	Provision of financing and hire purchase facilities

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Logistics – Subsidiaries</b>					
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 Port Co Ltd	China	99.0	99.0	2 )	
Weifang Sime Darby Water Management Co Ltd	China	100.0	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
<b>Logistics – Joint ventures</b>					
Weifang Port Services Co Ltd Group	China	36.6	36.6	3	Construction, management and maintenance of sea channel, anchorage and port infrastructure
Weifang Senda Container Service Provider Co Ltd	China	50.0	50.0	3	Operation of container services

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Logistics – Joint ventures (continued)</b>					
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
<b>Logistics – Associate</b>					
Weifang Ocean Shipping Tally Co Ltd	China	39.6	39.6	3	Shipping tally services for cargo and containers
<b>Others – Subsidiaries</b>					
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 oil and gas industry
Sime Darby Global Services Centre Sdn Bhd	Malaysia	100.0	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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Others – Subsidiaries (continued)</b>					
Sime Darby Insurance Pte Ltd	Malaysia	100.0	100.0	1	Onshore and offshore captive insurer
Sime Darby Lockton Insurance Brokers Sdn Bhd	Malaysia	60.0	60.0	1	Insurance and reinsurance brokers, insurance advisory and consultancy services
Sime Darby Malaysia Berhad	Malaysia	100.0	100.0	1	Holding of trademarks
Sime Darby Nominees Sendirian Berhad	Malaysia	100.0	100.0	1	)
Sime Darby Ventures Sdn Bhd	Malaysia	100.0	100.0	1	)
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	)
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	)
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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Others – Joint ventures</b>					
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
<b>Others – Associates</b>					
Eastern & Oriental Berhad group	Malaysia	11.8	11.6	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, undertake sports, environmental conservation and sustainability projects
Union Sime Darby (Thailand) Ltd	Thailand	49.0	49.0	2	Insurance brokers



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are dormant/inactive as at 30 June 2018 are as follows:

Name of company	Country of incorporation	Group's effective interest (%)		Auditors
		2018	2017	
<b>Industrial – Subsidiaries</b>				
Associated Tractors Sendirian Berhad	Malaysia	100.0	100.0	1
Tractors Machinery International Pte Ltd	Singapore	100.0	100.0	2
Sime Darby SEM Dealer (Fujian) Ltd	China	100.0	100.0	2
Sime Darby Yangon Limited	Myanmar	100.0	100.0	3
<b>Motors – Subsidiaries</b>				
Associated Motor Industries Malaysia Sdn Bhd	Malaysia	51.0	51.0	1
Auto Bavaria M Performance Sdn Bhd	Malaysia	100.0	100.0	1
Hyundai-Sime Darby Berhad	Malaysia	99.9	99.9	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
Universal Cars (Importers) Limited	Hong Kong	100.0	100.0	2
Wallace Harper & Company Limited	Hong Kong	100.0	100.0	2
Warwick Motors Limited	Hong Kong	100.0	100.0	2
Sime Darby Hong Kong Group Company Limited	Bermuda	100.0	100.0	4
Continental Cars Limited	New Zealand	100.0	100.0	2
Europe Automobiles Corporation	Vietnam	99.0	99.0	2

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are dormant/inactive as at 30 June 2018 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors
		2018	2017	
<b>Logistics – Subsidiaries</b>				
Jining Sime Darby Guozhuang Port Co Ltd	China	70.0	70.0	2
Weifang Wei Gang Dredging Project Co Ltd	China	99.5	99.5	3
<b>Others – Subsidiaries</b>				
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
<b>Others – Associate</b>				
Sime Darby Almana WLL	Qatar	49.0	49.0	4

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows:

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Subsidiaries</b>					
Chartquest Sdn Bhd	Malaysia	–	61.1	1	Cultivation of oil palm
Chermang Development (Malaya) Sdn Bhd	Malaysia	–	83.9	1	) ) Investment holding
Consolidated Plantations Berhad	Malaysia	–	100.0	1	)
Golden Hope Overseas Sdn Bhd	Malaysia	–	100.0	1	)
Guthrie Industries Malaysia Sendirian Berhad	Malaysia	–	100.0	1	Cultivation of oil palm and processing of palm oil and palm kernel
Guthrie International Investments (L) Limited	Malaysia	–	100.0	1	) ) Investment holding
Kumpulan Jelei Sendirian Berhad	Malaysia	–	100.0	1	)
Mostyn Palm Processing Sdn Bhd	Malaysia	–	100.0	1	)
Sanguine (Malaysia) Sdn Bhd	Malaysia	–	100.0	1	Cultivation of oil palm
Sime Darby Agri-Bio Sdn Bhd	Malaysia	–	100.0	1	Manufacturing of rat baits and trading of agricultural related products
Sime Darby Austral Holdings Berhad	Malaysia	–	100.0	1	Investment holding
Sime Darby Austral Sdn Bhd	Malaysia	–	60.0	1	Processing of palm oil and palm kernel
Sime Darby Biodiesel Sdn Bhd	Malaysia	–	100.0	1	Production and sale of biodiesel and related products
Sime Darby Biotech Laboratories Sdn Bhd	Malaysia	–	100.0	1	Provision of oil palm tissue culture services
Sime Darby Consulting Sdn Bhd	Malaysia	–	100.0	1	Investment holding
Sime Darby Foods & Beverages Marketing Sdn Bhd	Malaysia	–	100.0	1	Distribution and marketing of cooking oil, tocotrienols, guava juices and palm related products

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Subsidiaries (continued)</b>					
Sime Darby Futures Trading Sdn Bhd	Malaysia	–	100.0	1	Trading of crude palm oil and palm oil products and sub-marketing agent of refined products
Sime Darby Global Berhad	Malaysia	–	100.0	1	Special purpose vehicle for the issue of securities programme
Sime Darby Global Trading (Labuan) Limited	Malaysia	–	100.0	1	Trading of commodity
Sime Darby Kempas Sdn Bhd	Malaysia	–	100.0	1	Processing of edible oil and related products
Sime Darby Latex Sdn Bhd	Malaysia	–	100.0	1	Investment property holding
Sime Darby Plantation (Sabah) Sdn Bhd	Malaysia	–	100.0	1	) Cultivation of oil palm and processing of palm oil and palm kernel
Sime Darby Plantation (Sarawak) Sdn Bhd	Malaysia	–	100.0	1	
Sime Darby Plantation Berhad	Malaysia	–	100.0	1	
Sime Darby Plantation Childcare Centre Sdn Bhd	Malaysia	–	100.0	1	Childcare services to employees
Sime Darby Plantation Intellectual Property Sdn Bhd	Malaysia	–	100.0	1	Registered holder of commercial patents, trademarks, copyrights, trade security and Intellectual Property rights

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Subsidiaries (continued)</b>					
Sime Darby Plantation IT Sdn Bhd (formerly known as Sime Darby Jomalina Sdn Bhd)	Malaysia	–	100.0	1	Provision of information technology related services
Sime Darby Plantation Thailand Sdn Bhd	Malaysia	–	100.0	1	Investment holding
Sime Darby Research Sdn Bhd	Malaysia	–	100.0	1	Research and development services on tropical agriculture
Sime Darby Seeds & Agricultural Services Sdn Bhd	Malaysia	–	100.0	1	Agricultural research and advisory services and production of oil palm seeds and seedlings
Sime Darby Technology Centre Sdn Bhd	Malaysia	–	100.0	1	Research and development services on biotechnology and agriculture
The China Engineers (Malaysia) Sdn Bhd	Malaysia	–	100.0	1	)
Wangsa Mujur Sdn Bhd	Malaysia	–	72.5	1	)
PT Aneka Intipersada	Indonesia	–	100.0	2	)
PT Aneka Sawit Lestari	Indonesia	–	100.0	2	)
PT Anugerah Sumbermakmur	Indonesia	–	100.0	2	)
PT Asricipta Indah	Indonesia	–	90.0	2	)
PT Bahari Gembira Ria	Indonesia	–	99.0	2	)
PT Bersama Sejahtera Sakti	Indonesia	–	91.1	2	)
PT Bhumireksa Nusasejati	Indonesia	–	100.0	2	)
PT Bina Sains Cemerlang	Indonesia	–	100.0	2	)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Subsidiaries (continued)</b>					
PT Budidaya Agro Lestari	Indonesia	–	100.0	2	Cultivation of oil palm
PT Golden Hope Nusantara	Indonesia	–	100.0	2	Processing of palm oil products
PT Guthrie Pecconina Indonesia	Indonesia	–	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Indo Sukses Lestari Makmur	Indonesia	–	95.0	2	Cultivation of rubber
PT Indotruba Tengah	Indonesia	–	50.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Kartika Inti Perkasa	Indonesia	–	60.0	2	Investment holding
PT Kridatama Lancar	Indonesia	–	100.0	2	) Cultivation of oil palm and processing of palm oil and palm kernel
PT Ladangrumpun Suburabadi	Indonesia	–	100.0	2	
PT Laguna Mandiri	Indonesia	–	88.6	2	
PT Lahan Tani Sakti	Indonesia	–	100.0	2	) Cultivation of oil palm and processing of palm oil and palm kernel
PT Langgeng Muaramakmur	Indonesia	–	100.0	2	
PT Minamas Gemilang	Indonesia	–	100.0	2	Investment holding
PT Mitra Austral Sejahtera	Indonesia	–	65.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Muda Perkasa Sakti	Indonesia	–	100.0	2	Investment holding
PT Padang Palma Permai	Indonesia	–	100.0	2	) Cultivation of oil palm and processing of palm oil and palm kernel
PT Paripurna Swakarsa	Indonesia	–	100.0	2	
PT Perkasa Subur Sakti	Indonesia	–	100.0	2	Processing of palm oil and palm kernel
PT Perusahaan Perkebunan Industri dan Niaga Sri Kuala	Indonesia	–	100.0	2	Cultivation of oil palm
PT Sajang Heulang	Indonesia	–	100.0	2	) Cultivation of oil palm and processing of palm oil and palm kernel
PT Sandika Natapalma	Indonesia	–	100.0	2	

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Subsidiaries (continued)</b>					
PT Sime Agri Bio	Indonesia	–	100.0	2	Trading of agricultural related products
PT Sime Indo Agro	Indonesia	–	100.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
PT Sritijaya Abaditama	Indonesia	–	60.0	2	Investment holding
PT Swadaya Andika	Indonesia	–	100.0	2	) Cultivation of oil palm and processing of palm oil and palm kernel
PT Tamaco Graha Krida	Indonesia	–	90.0	2	
PT Teguh Sempurna	Indonesia	–	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
PT Timbang Deli Indonesia	Indonesia	–	48.9	2	Production of oil palm seeds and cultivation of rubber
PT Tunggal Mitra Plantations	Indonesia	–	60.0	2	Cultivation of oil palm and processing of palm oil and palm kernel
New Britain Plantation Services Pte Ltd	Singapore	–	100.0	2	Investment holding and management of oil palm plantation and seed production
Sime Darby Edible Products Limited	Singapore	–	100.0	2	Marketing of edible oils and related products
Sime Darby Plantation Europe Ltd	Singapore	–	100.0	2	) Investment holding
Sime Darby Plantation Investment (Liberia) Private Limited	Singapore	–	100.0	2	
Ultra Oleum Pte Ltd	Singapore	–	100.0	2	) Agriculture science and research
Verdant Bioscience Pte Ltd	Singapore	–	52.0	2	
Sime Darby China Oils & Fats Company Limited	Hong Kong	–	100.0	2	) Investment holding
Sime Darby Hong Kong Nominees Limited	Hong Kong	–	100.0	2	
Sime Darby International Investments Limited	Cayman Islands	–	100.0	4	)

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Subsidiaries (continued)</b>					
Sime Darby Plantation Holdings (Asia Pacific)	Cayman Islands	–	100.0	4 )	Investment holding
Sime Darby Plantation Holdings (Cayman Islands)	Cayman Islands	–	100.0	4 )	
Sime Darby Edible Products India Private Limited	India	–	100.0	2	Market support services
Sime Darby Plantation (Liberia) Inc	Liberia	–	100.0	3	Cultivation of oil palm and rubber
Golden Hope Overseas Capital	Mauritius	–	100.0	2 )	Investment holding
Mulligan International BV	Netherlands	–	100.0	2 )	
Sime Darby Netherlands BV	Netherlands	–	100.0	2 )	Processing of edible oil and related products
Sime Darby Unimills BV	Netherlands	–	100.0	2	
Kula Palm Oil Limited	Papua New Guinea	–	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
New Britain Palm Oil Limited	Papua New Guinea	–	100.0	2	Investment holding, cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
Poliamba Limited	Papua New Guinea	–	100.0	2	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
Ramu Agri-Industries Limited	Papua New Guinea	–	100.0	2	Cultivation of oil palm and sugar cane, processing of palm oil, palm kernel oil, sugar and ethanol, cattle rearing and processing of beef



# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Subsidiaries (continued)</b>					
Guadalcanal Plains Palm Oil Limited	Solomon Island	–	80.0	3	Cultivation of oil palm and processing of palm oil, palm kernel and palm kernel oil
Sime Darby Hudson And Knight (Proprietary) Limited	South Africa	–	100.0	3	Processing of edible oil and related products
Industrial Enterprises Co Ltd	Thailand	–	99.9	2	Processing of soya bean oil and related products
Morakot Industries Public Company Limited	Thailand	–	99.9	2	Processing of edible oil and related products and marketing
Sime-Morakot Holdings Thailand Limited	Thailand	–	100.0	2	Investment holding
The China Engineers Thailand Limited	Thailand	–	99.9	2	
New Britain Oils Limited	United Kingdom	–	100.0	2	
Golden Hope-Nha Be Edible Oils Co Ltd	Vietnam	–	51.0	2	Processing of edible oil and related products
<b>Plantation – Joint ventures</b>					
Emery Oleochemicals (M) Sdn Bhd group	Malaysia	–	50.0	3	Production of oleochemicals and derivatives
Emery Specialty Chemicals Sdn Bhd group	Malaysia	–	50.0	3	Investment holding
Mybiomass Sdn Bhd	Malaysia	–	30.0	3	Develop high value green chemicals bio-refinery
Sime Darby TNBES Renewable Energy Sdn Bhd	Malaysia	–	51.0*	1	Production of renewable energy using palm oil effluents
Guangzhou Keylink Chemicals Co Ltd	China	–	49.0	3	Manufacturing of surface active agents
Rizhao Sime Darby Oils & Fats Co Ltd	China	–	45.0	2	Storage of palm oil related products

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Plantation – Associates</b>					
Barlow Bulking Sdn Bhd	Malaysia	–	32.0	3	Bulking and marketing facilities for edible oil producers and millers
Nescaya Maluri Sdn Bhd	Malaysia	–	40.0	3	Investment holding and quarry licensing
Muang Mai Guthrie Public Co Ltd	Thailand	–	49.0	3	Processing of rubber
Thai Eastern Trat Co Ltd	Thailand	–	40.0	2	Processing of palm oil and palm kernel
Verdezyne Inc	United States of America	–	36.0	3	Production of drop-in alternatives to petroleum-derived chemicals from palm-based products and by-products
<b>Property – Subsidiaries</b>					
Genting View Resort Development Sdn Bhd	Malaysia	–	60.0	1	Property development and provision of management services
Golfhome Development Sdn Bhd	Malaysia	–	100.0	1	) Property investment and property development
Golftek Development Sdn Bhd	Malaysia	–	100.0	1	
Harvard Golf Resort (Jerai) Berhad	Malaysia	–	99.0	1	Provision of golfing and sporting services
Harvard Hotel (Jerai) Sdn Bhd	Malaysia	–	100.0	1	Operation of a hotel
Impian Golf Resort Berhad	Malaysia	–	100.0	1	Provision of golfing and sporting services
Ironwood Development Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Kuala Lumpur Golf & Country Club Berhad	Malaysia	–	100.0	1	Provision of golfing and sporting services and property development

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Property – Subsidiaries (continued)</b>					
Malaysia Land Development Company Berhad	Malaysia	–	100.0	1	Property investment, management and investment holding
Sime Darby Ainsdale Development Sdn Bhd	Malaysia	–	100.0	1	Property development
Sime Darby Ampar Tenang Sdn Bhd	Malaysia	–	100.0	1	Property investment
Sime Darby Ara Damansara Development Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Sime Darby Augsburg (M) Sdn Bhd	Malaysia	–	100.0	1	Property development
Sime Darby Brunfield Damansara Sdn Bhd	Malaysia	–	60.0	1	Property investment and property development and construction
Sime Darby Brunfield Holding Sdn Bhd	Malaysia	–	60.0	1	Property development and investment holding
Sime Darby Brunfield Kenny Hills Sdn Bhd	Malaysia	–	60.0	1	Property development
Sime Darby Brunfield Motorworld Sdn Bhd	Malaysia	–	60.0	1	Investment holding
Sime Darby Brunfield Properties Holding Sdn Bhd	Malaysia	–	60.0	1	Property investment
Sime Darby Brunfield Resort Sdn Bhd	Malaysia	–	60.0	1	Property development
Sime Darby Builders Sdn Bhd	Malaysia	–	100.0	1	Property development and construction
Sime Darby Building Management Services Sdn Bhd	Malaysia	–	100.0	1	Property management

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Property – Subsidiaries (continued)</b>					
Sime Darby Chemara Sdn Berhad	Malaysia	–	100.0	1 )	Property development
Sime Darby Constant Skyline Sdn Bhd	Malaysia	–	100.0	1 )	
Sime Darby Elmina Development Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Sime Darby GVR Management Sdn Bhd	Malaysia	–	100.0	1	Resort management
Sime Darby Johor Development Sdn Bhd	Malaysia	–	100.0	1 )	Property development
Sime Darby KLGCC Development Sdn Bhd	Malaysia	–	100.0	1 )	
Sime Darby Kulai Development Sdn Bhd	Malaysia	–	100.0	1 )	Property investment and property development
Sime Darby Landscaping Sdn Bhd	Malaysia	–	100.0	1 )	
Sime Darby Lukut Development Sdn Bhd	Malaysia	–	100.0	1 )	Property investment, property development and property management
Sime Darby Melawati Development Sdn Bhd	Malaysia	–	100.0	1	
Sime Darby Nilai Utama Sdn Bhd	Malaysia	–	70.0	1	Property development
Sime Darby Pagoh Development Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Sime Darby Paralimni Sdn Bhd	Malaysia	–	100.0	1	Property development
Sime Darby Properties (Sabah) Sdn Bhd	Malaysia	–	100.0	1	Property development and investment holding
Sime Darby Properties (Selangor) Sdn Bhd	Malaysia	–	100.0	1	Property development

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Property – Subsidiaries (continued)</b>					
Sime Darby Properties Builders Sdn Bhd	Malaysia	–	100.0	1	Construction
Sime Darby Properties Realty Sdn Bhd	Malaysia	–	100.0	1	Property development and management
Sime Darby Property (Bukit Selarong) Sdn Bhd	Malaysia	–	100.0	1 )	Property development
Sime Darby Property (Bukit Tunku) Sdn Bhd	Malaysia	–	100.0	1 )	
Sime Darby Property (Klang) Sdn Bhd	Malaysia	–	100.0	1 )	
Sime Darby Property (Lembah Acob) Sdn Bhd	Malaysia	–	100.0	1 )	
Sime Darby Property (Nilai) Sdn Bhd	Malaysia	–	100.0	1	Property investment, property development and property management
Sime Darby Property (Subang) Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Sime Darby Property (Sungai Kapar) Sdn Bhd	Malaysia	–	100.0	1	Investment holding, property investment and property development
Sime Darby Property (Utara) Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Sime Darby Property Berhad	Malaysia	–	100.0	1	Investment holding, property development and provision of management services
Sime Darby Property Holdings Sdn Bhd	Malaysia	–	100.0	1 )	Property investment and property management
Sime Darby Property Management Sdn Bhd	Malaysia	–	100.0	1 )	

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Property – Subsidiaries (continued)</b>					
Sime Darby Property Selatan Dua Sdn Bhd	Malaysia	–	60.0	1	) ) ) ) ) Construction and asset management services under concession arrangement
Sime Darby Property Selatan Empat Sdn Bhd	Malaysia	–	60.0	1	
Sime Darby Property Selatan Satu Sdn Bhd	Malaysia	–	60.0	1	
Sime Darby Property Selatan Sdn Bhd	Malaysia	–	60.0	1	
Sime Darby Property Selatan Tiga Sdn Bhd	Malaysia	–	60.0	1	
Sime Darby Serenia Development Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Sime Darby Sungai Kantan Development Sdn Bhd	Malaysia	–	100.0	1	Property development and management
Sime Darby Urus Harta Sdn Bhd	Malaysia	–	100.0	1	Property management
Sime Darby USJ Development Sdn Bhd	Malaysia	–	100.0	1	Property investment and property development
Sime Healthcare Sdn Bhd	Malaysia	–	100.0	1	Property investment
Sime Wood Industries Sdn Bhd	Malaysia	–	100.0	1	Property investment and property management
Stableford Development Sdn Bhd	Malaysia	–	100.0	1	Property investment, property development and operation of a convention centre
Superglade Sdn Bhd	Malaysia	–	60.0	1	Property development services
Syarikat Perumahan Guthrie Sdn Bhd	Malaysia	–	100.0	1	Property development
The Glengowrie Rubber Company Sdn Berhad	Malaysia	–	93.4	1	Property investment and property development
Wisma Sime Darby Sdn Berhad	Malaysia	–	100.0	1	Property investment, property management and related services

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Property – Subsidiaries (continued)</b>					
Darby Park (Management) Pte Ltd	Singapore	–	100.0	2	Property investment, management of service apartments and investment holding
Darby Park (Singapore) Pte Ltd	Singapore	–	100.0	2	Property investment and management of service residences
Sime Darby Property (Vietnam) Pte Ltd	Singapore	–	100.0	2	Investment holding and management of service residences
Sime Darby Property Singapore Limited	Singapore	–	100.0	2	Investment holding and property management
Sime Darby Real Estate Management Pte Ltd	Singapore	–	100.0	2	Property management
Sime Darby Property (Hong Kong) Limited	Hong Kong	–	100.0	2	Investment holding
OCI Management Pty Ltd	Australia	–	60.0	2	Security and landcare services
Sime Darby Australia Limited	Australia	–	100.0	2	Investment holding and management of service apartments
Sime Darby Hotels Pty Ltd	Australia	–	100.0	2	Operation of service apartments
Sime Darby Investments Pty Limited	Australia	–	100.0	2	Investment holding
Sime Darby Resorts Pty Ltd	Australia	–	100.0	2	Management of a resort
Sime Darby Serenity Cove Pty Ltd	Australia	–	60.0	2	Property development
Key Access Holdings Limited	British Virgin Islands	–	100.0	4	Investment holding
Sime Darby Brunfield Australia Pte Ltd	British Virgin Islands	–	60.0	4	

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors	Principal activities
		2018	2017		
<b>Property – Subsidiaries (continued)</b>					
Vibernum Limited	Guernsey	–	100.0	2	)
Sime Darby London Limited	United Kingdom	–	100.0	2	)
Darby Park (Vietnam) Limited	Vietnam	–	65.0	2	Operation of service residences
<b>Property – Joint ventures</b>					
PJ Midtown Development Sdn Bhd	Malaysia	–	30.0	1	Property development
Sime Darby CapitalLand (Melawati Mall) Sdn Bhd	Malaysia	–	50.0	3	Property investment
Sime Darby Sunrise Development Sdn Bhd	Malaysia	–	50.0	1	Property development
Sime Darby Real Estate Investment Trust 1	Singapore	–	25.0	3	Real estate investment
Battersea Project Holding Company Limited group	Jersey	–	40.0	2	Property investment and property development
Battersea Power Station Development Company Limited	United Kingdom	–	40.0	2	Property development and management services
Battersea Power Station Estates Limited	United Kingdom	–	40.0	2	Property sales services
<b>Property – Associates</b>					
Kuantan Pahang Holding Sdn Bhd group	Malaysia	–	30.0	1	Investment holding and property development
Mostyn Development Sdn Bhd	Malaysia	–	30.0	3	Property development
Seriemas Development Sdn Bhd group	Malaysia	–	40.0	3	Property development and provision of related consultancy services
Shaw Brothers (M) Sdn Bhd	Malaysia	–	36.0	3	Investment holding, property investment and provision of management services



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are dormant/inactive under discontinued operation as at 30 June 2017 are as follows:

Name of company	Country of incorporation	Group's effective interest (%)		Auditors
		2018	2017	
<b>Plantation – Subsidiaries</b>				
Derawan Sdn Bhd	Malaysia	–	100.0	1
Kumpulan Jerai Sendirian Berhad	Malaysia	–	100.0	1
Kumpulan Linggi Sendirian Berhad	Malaysia	–	100.0	1
Kumpulan Sua Betong Sendirian Berhad	Malaysia	–	100.0	1
Kumpulan Tebong Sendirian Berhad	Malaysia	–	100.0	1
Kumpulan Temiang Sendirian Berhad	Malaysia	–	100.0	1
Sahua Enterprise Sdn Bhd	Malaysia	–	100.0	1
Sime Darby Beverages Sdn Bhd	Malaysia	–	100.0	1
Sime Darby Bukit Talang Sdn Bhd	Malaysia	–	100.0	1
Sime Darby Oils & Fats Sdn Bhd	Malaysia	–	100.0	1
Sime Darby Plantation (Peninsular) Sdn Bhd	Malaysia	–	100.0	1
PT Guthrie Abdinusa Industri	Indonesia	–	70.0	2
PT Sime Darby Commodities Trading	Indonesia	–	100.0	2
Kwang Joo Seng (Malaysia) Private Limited	Singapore	–	100.0	2
Dongguan Sime Darby Sinograin Oils and Fats Co Ltd	China	–	65.0	2
Dami Australia Pty Ltd	Australia	–	100.0	2
Golden Hope–Nhabe (Cambodia) Import & Export Co Ltd	Cambodia	–	51.0	4
Sime Darby CleanerG BV	Netherlands	–	100.0	2
Sime Darby Oils Europe BV (formerly known as Sime Darby Commodities Europe BV)	Netherlands	–	100.0	2
Trolak Estates Limited	Scotland	–	100.0	3
Sime Darby Edible Products Tanzania Limited	Tanzania	–	100.0	4
Dusun Durian Plantations Limited	United Kingdom	–	100.0	3
Kinta Kellas Rubber Estates Plc	United Kingdom	–	100.0	3
Malaysian Estates Plc	United Kingdom	–	100.0	3
The Kuala Selangor Rubber Plc	United Kingdom	–	100.0	3

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

### 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries, joint ventures and associates which are dormant/inactive under discontinued operation as at 30 June 2017 are as follows: (continued)

Name of company	Country of incorporation	Group's effective interest (%)		Auditors
		2018	2017	
<b>Plantation – Subsidiaries (continued)</b>				
The London Asiatic Rubber and Produce Company Limited	United Kingdom	–	100.0	3
The Pataling Rubber Estates Limited	United Kingdom	–	100.0	3
The Straits Plantations Limited	United Kingdom	–	100.0	3
The Sungei Bahru Rubber Estates Plc	United Kingdom	–	100.0	3
<b>Property – Subsidiaries</b>				
MVV Holdings Sdn Bhd	Malaysia	–	100.0	1
Sime Darby Brunfield Property Sdn Bhd	Malaysia	–	70.0	1
Sime Darby Property (USJ) Sdn Bhd	Malaysia	–	100.0	1
Sime Darby Putra Heights Development Sdn Bhd	Malaysia	–	100.0	1
Robt Bradford & Co Ltd	United Kingdom	–	100.0	2
Robt Bradford Hobbs Savill Ltd	United Kingdom	–	98.6	2
<b>Property – Joint ventures</b>				
Sime Darby Brunfield Properties Australia Pty Ltd	Australia	–	50.0	4
Sime Darby Brunfield International Limited	British Virgin Islands	–	50.0	4

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Amounts in RM million unless otherwise stated

## 56 LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Subsidiaries placed under members' voluntary liquidation/deregistered during the financial year are as follows:

Name of company	Country of incorporation	Group's effective interest (%)		Auditors
		2018	2017	
<b>Motors – Subsidiaries</b>				
Sime Darby Prestige Motors Company Limited	Hong Kong	–	100.0	2

### Notes:

- 1 - audited by PricewaterhouseCoopers, Malaysia
- 2 - audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers, 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 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 2018.

# APPENDICES

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## **Notice of Annual General Meeting and Other Matters**

The Twelfth Annual General Meeting of Sime Darby Berhad will be held at the Grand Ballroom, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 15 November 2018 at 10.00 a.m.

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Analysis of Shareholdings

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Notice to Shareholders Under The Personal Data Protection Act 2010

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Notis Kepada Pemegang Saham Di Bawah Akta Perlindungan Data Peribadi 2010

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Notice to Proxies Under the Personal Data Protection Act 2010

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Notice of Annual General Meeting

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Form of Proxy

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# CORPORATE INFORMATION

AS AT 28 SEPTEMBER 2018

## BOARD OF DIRECTORS

1	<b>TAN SRI DATO' SRI DR WAN ABDUL AZIZ WAN ABDULLAH</b> Non-Independent Non-Executive Chairman	5	<b>DATIN PADUKA KARTINI HJ. ABDUL MANAF</b> Non-Independent Non-Executive Director	9	<b>THAYAPARAN SANGARAPILLAI</b> Independent Non-Executive Director
2	<b>TAN SRI SAMSUDIN OSMAN</b> Non-Independent Non-Executive Director	6	<b>TAN SRI DATO' MOHAMED AZMAN YAHYA</b> Independent Non-Executive Director	10	<b>DATO' LAWRENCE LEE CHEOW HOCK</b> Non-Independent Non-Executive Director
3	<b>DATO SRI LIM HAW KUANG</b> Senior Independent Non-Executive Director	7	<b>DATO' SRI ABDUL HAMIDY ABDUL HAFIZ</b> Independent Non-Executive Director	11	<b>MOY PUI YEE</b> Independent Non-Executive Director
4	<b>DATUK WAN SELAMAH WAN SULAIMAN</b> Independent Non-Executive Director	8	<b>DATO' AHMAD PARDAS SENIN</b> Independent Non-Executive Director	12	<b>JEFFRI SALIM DAVIDSON</b> Executive Director

### GROUP CHIEF EXECUTIVE OFFICER

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

### 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

### 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

### 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

### 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

# ANALYSIS OF SHAREHOLDINGS

AS AT 7 SEPTEMBER 2018

**Share Capital and Number of Issued Shares** : RM3,400,419,688.50 comprising 6,800,839,377 ordinary shares  
**Class of Shares** : Ordinary shares  
**Voting Rights** : One vote per ordinary share in the case of a poll and one vote per person on a show of hand

## ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	2,690	8.79	70,847	0.00
100 to 1,000	7,511	24.55	4,693,412	0.07
1,001 to 10,000	15,177	49.61	52,716,390	0.78
10,001 to 100,000	3,955	12.93	110,807,237	1.63
100,001 to less than 5% of issued capital	1,257	4.11	2,485,351,058	36.54
5% and above of issued capital	4	0.01	4,147,200,433	60.98
<b>Total</b>	<b>30,594</b>	<b>100.00</b>	<b>6,800,839,377</b>	<b>100.00</b>

Classification of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Individuals	24,473	79.99	153,020,561	2.25
Banks/Finance Companies	101	0.33	4,041,185,635	59.42
Investment Trusts/Foundations/Charities	19	0.06	1,679,937	0.03
Industrial and Commercial Companies	597	1.95	88,656,424	1.30
Government Agencies/Institutions	7	0.02	4,644,952	0.07
Nominees	5,395	17.64	2,511,546,593	36.93
Others	2	0.01	105,275	0.00
<b>Total</b>	<b>30,594</b>	<b>100.00</b>	<b>6,800,839,377</b>	<b>100.00</b>

## Directors' Direct and Indirect Interests in the Company and its Related Corporations

None of the Directors of the Company has any interest, direct or indirect, in shares in the Company or in shares, debentures or participatory interest made available by a related corporation.

**30 LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS**

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	2,789,415,300	41.02
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	608,651,010	8.95
3.	Permodalan Nasional Berhad	388,636,374	5.71
4.	Kumpulan Wang Persaraan (Diperbadankan)	360,497,749	5.30
5.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	130,301,741	1.92
6.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	90,059,300	1.32
7.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	74,500,000	1.10
8.	AmanahRaya Trustees Berhad AS 1Malaysia	64,736,100	0.95
9.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	60,925,849	0.90
10.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	57,851,922	0.85
11.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	55,112,036	0.81
12.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	54,841,917	0.81
13.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	50,000,000	0.74
14.	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	44,661,527	0.66
15.	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)	44,057,503	0.65
16.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	37,500,000	0.55
17.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Monetary Authority of Singapore (H)	32,179,823	0.47
18.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	29,075,463	0.43
19.	ValueCAP Sdn Bhd	27,987,300	0.41

**30 LARGEST SHAREHOLDERS AS PER THE RECORD OF DEPOSITORS (CONTINUED)**

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
20.	Maybank Securities Nominees (Tempatan) Sdn Bhd Malayan Banking Berhad for Lembaga Kemajuan Tanah Persekutuan (FELDA 2)	25,000,000	0.37
21.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	23,357,507	0.34
22.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Macquarie Asia New Stars Fund	23,112,800	0.34
23.	Citigroup Nominees (Tempatan) Sdn Bhd Employee Provident Fund Board (CIMB PRIN)	22,732,800	0.33
24.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	22,613,316	0.33
25.	Cartaban Nominees (Asing) Sdn Bhd RBC Inverstor Services Bank S.A for Macquarie Asia New Starsfund (Macquarie FD S)	19,422,900	0.29
26.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	18,152,529	0.27
27.	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	17,301,704	0.25
28.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (NOMURA)	17,224,300	0.25
29.	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	17,214,387	0.25
30.	Citigroup Nominees (Asing) Sdn Bhd Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	16,451,460	0.24

**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/ Deemed Interest)	% of Issued Shares
1.	AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	2,786,693,000	40.98	-	-
2.	Employees Provident Fund Board	602,753,710	8.86	83,064,500	1.22
3.	Permodalan Nasional Berhad	388,636,374	5.72	-	-
4.	Yayasan Pelaburan Bumiputra <sup>1</sup>	-	-	388,636,374	5.72
5.	Kumpulan Wang Persaraan (Diperbadankan)	368,773,849	5.42	47,209,800	0.69

Note:

<sup>1</sup> Deemed interest by virtue of its interest in Permodalan Nasional Berhad pursuant to Section 8(4) of the Companies Act 2016.



# PROPERTIES OF THE GROUP

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>INDUSTRIAL</b>						
<b>Malaysia</b>						
Jalan Lahat, Bukit Merah, Ipoh	Leasehold expiring 2036-2056	3	1982-1996	38	Single storey office building, factory, workshop and warehouse	1
Semambu Industrial Estate, Kuantan	Leasehold expiring 2041	3	1982	38	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	20	Land, 5-storey commercial office, training centre, workshop and warehouse	54
Jalan 225, Petaling Jaya	Leasehold expiring 2080	*	1983	36	Industrial land and building	1
Jalan Skudai, Johor Bahru	Leasehold 2024	*	2014	5	2-storey office building, warehouse and workshop	^
Tuaran Road, Kota Kinabalu	Leasehold expiring 2025	1	1982	38	2-storey office building, workshop and warehouse	^
Jalan Piasau, Miri, Kidurong Light Industrial Estate, Bintulu, Lorong Then Kung Suk, Sibiu	Leasehold expiring 2028-2060	4	1982-1986	18-38	Office buildings detached with factory, workshop and warehouse	6
<b>Overseas</b>						
<b>Singapore</b>						
Benoi Sector, Jurong Pier	Leasehold expiring 2025-2032	9	1978-2004	10-47	Warehouse, workshops and office building	1

**PROPERTIES OF THE GROUP (CONTINUED)**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>INDUSTRIAL (continued)</b>						
<b>Overseas (continued)</b>						
<b>Brunei</b>						
Beribi Industrial Estate, Bandar Seri Begawan	Leasehold expiring 2019	*	2003	15	Office, service centre and warehouse	^
<b>China</b>						
Changsha Economic Technological Development Area, Changsha, Hunan	Leasehold expiring 2063	2	2013-2016	2	Industrial land	22
Ji Mei District, Xiamen, Fujian	Leasehold expiring 2062	1	2012-2015	4	Land, 3-storey office buildings, warehouse and workshop	15
Xiao Lan Industrial Park Nanchang, Jiangxi	Leasehold expiring 2059	1	2009-2011	7	3-storey office building, warehouse and workshop	6
Nanning, Guangxi	Leasehold expiring 2064	3	2014	–	Industrial land	7
Shunjiang Juweihui Industrial Park, Shunde, Foshan, Guangdong	Leasehold expiring 2045	2	1996-2011	7-21	Land, 2 blocks of 4-storey and 2-storey buildings, warehouse and workshops	12
Yifu Garden, Dongguan, Guangdong	Leasehold expiring 2072	*	2014	5	Staff quarters	1
Urumqi Economic & Technological Development Zone, Urumqi, Xinjiang	Leasehold expiring 2060	4	2010-2012	6	Land held for office building, warehouse and workshop	27
<b>Hong Kong</b>						
Yuen Long Industrial Estate, Yuen Long District	Leasehold expiring 2047	2	1993-1995	–	Land for 2-storey office building, warehouse and workshop	7

**PROPERTIES OF THE GROUP (CONTINUED)**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>INDUSTRIAL (continued)</b>						
<b>Overseas (continued)</b>						
<b>Australia</b>						
Alice Springs Facility and Darwin Facility	Freehold	8	1992-2011	14-51	Single-storey office building, warehouse and workshops	28
Gove Facility, Traeger Close	Leasehold expiring 2053	6	2006	12	Single-storey commercial office, workshop and warehouse	^
Archerfield Facility, Kerry Road, Archerfield, Bellrick Street, Beaudesert Road, Acacia Ridge, Brisbane	Freehold	22	1992-2012	3-72	Single-storey and 2-storey commercial office, warehouses and workshops	73
Boundary Road, Richlands, Brisbane	Freehold	1	2010	8	Land, 2 blocks of 2-storey and single-storey office buildings, warehouse and workshop	17
Cairns Facility, Kenny Street, Comport St, Portsmouth, Cairns	Freehold Perpetual lease	1 *	1992-2008	38	Single-storey commercial office, workshop and warehouse	16
Emerald Facility, Archer Drive, Alstonia Drive, Buckland Street	Freehold	13	1992-2013	4-44	Single-storey commercial office, workshops and staff hostels	10
Mackay Facility, Farrellys Lane, Connors Road, Broadsound Road, Commercial Avenue, Mackay	Freehold Perpetual lease Leasehold expiring 2018	43 3 1	1992-2013	1-36	2-storey commercial offices, training facilities, workshops and warehouses	364
Mt Isa Facility, Kolongo Crescent Kalkadoon, Mt Isa	Freehold	5	1992-2011	40	Single-storey commercial office, workshop and warehouse	24
Rockhampton Facility, Port Curtis Road, Richardson Road, Rockhampton	Freehold	35	1992	3-44	13 blocks of single-storey commercial office, workshop, warehouse and training facility	114

**PROPERTIES OF THE GROUP (CONTINUED)**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>INDUSTRIAL (continued)</b>						
<b>Overseas (continued)</b>						
<b>Australia (continued)</b>						
Oraya Street, Kalgoorlie	Freehold	*	2011	27	Commercial office, workshop and warehouse	2
Toowoomba Facility, Carrington Road, Torrington	Freehold	5	1992-2012	18-46	Single-storey commercial offices, workshop and warehouse	50
Townsville Facility, Corner Woolcock Street and Blakey Street, Garbutt, Townsville	Freehold	2	1992	44	2-storey commercial offices, workshop and warehouse	25
<b>New Caledonia</b>						
Paita, Nepoui, Koumac, Kouaoua, Kone, Noumea	Freehold	4	2000-2012	7-24	Commercial office, workshop, warehouse and residential dwelling	76
<b>Papua New Guinea</b>						
Port Moresby, Lihir Island, Tabubil, Lae, Rabaul	Perpetual lease	*	1992-2017	22-66	Land, 2-storey and single-storey office buildings, sales service and parts facility, and staff hostels	25
	Leasehold expiring 2018-2094	18				
<b>Solomon Islands</b>						
Honiara Facility, Guadalcanal Island, Honiara	Leasehold expiring 2091	3	1992	34	Office, industrial building, warehouse and 2-storey staff hostels	^
<b>Industrial Properties</b>						<b>987</b>

**PROPERTIES OF THE GROUP (CONTINUED)**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>MOTORS</b>						
<b>Malaysia</b>						
Padang Meha, Kulim	Freehold	78	2004	21	Assembly plant	106
Automotive Complex, Ara Damansara	Freehold	9	2014-2015	–	Office building and showroom under construction	408
Temasya Industrial Park, Shah Alam	Freehold	*	2004-2006	15-17	3-storey office building and showroom, 3-storey semi detached light industrial office building and showroom	15
Bandar Bukit Raja, Kapar, Klang	Freehold	4	2008	–	Land held for development of a pre-delivery inspection centre	9
193 – 195, Jalan Klang Lama	Leasehold expiring 2026	*	2015	4	2-storey office building, showroom and workshop	6
362, Jalan Tun Razak	Freehold	*	2010	11	4-storey 4S service centre and workshop	49
Kajang, Balakong	Freehold	*	2018	–	Land for development of a 4S centre	37
	Leasehold expiring 2116	*				
Sedco Industrial Estate, Jalan Limau Manis, Kota Kinabalu	Leasehold expiring 2034	2	2003	15	Single-storey showroom and service centre	1
<b>Overseas</b>						
<b>Singapore</b>						
Alexandra Road	Leasehold expiring 2047-2057	9	2002-2005	10-12	6-storey 4S showroom, service centre and workshop	221
Kampung Arang Road	Leasehold expiring 2034	*	1982	49	2-storey service centre and workshop	10
Ubi Road 4	Leasehold expiring 2020	*	1997	26	4-storey 3S showrooms, offices, pre-delivery inspection centre and workshop	6

**PROPERTIES OF THE GROUP (CONTINUED)**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>MOTORS (continued)</b>						
<b>Overseas (continued)</b>						
<b>Thailand</b>						
Anuaswaree, Charan Sanit Wong Road, Charoen Nakhon Road, Ladkrabang Road, Minburi, Paradise Road, Phetkasem Road, Saphansoong, Srinakarin Road, Suksawat Road	Freehold	1	2002-2016	2-18	3S showrooms, workshops and offices	65
	Leasehold expiring 2018-2034	8				
<b>China</b>						
Jinkai Avenue, Chongqing	Leasehold expiring 2031	2	2016	3	5-storey 5S centre	40
Yingbin Road, Panyu, Daguang Nan Road, Tianhe, Guangzhou, Guangdong	Leasehold expiring 2023-2032	3	1999-2015	3-20	2-storey and 4-storey 4S centre	23
Hai Yu Zhong Xian Road, Nanhai Road, Haikou, Hainan	Leasehold expiring 2059-2070	2	2000-2004	12-23	2-storey 4S centre	17
Tianshan Road, Shantou, Guangdong	Leasehold expiring 2022	*	2002	14	2-storey 4S centre	3
Shen Nan Road, Yue Liang Wan Road, Nanshan District, Shenzhen, Guangdong	Leasehold expiring 2042	1	1994-2004	14-23	2-storey and 8-storey 4S centre	13
Hongqiao land, East 3rd Ring, Kunming, Yunnan	Leasehold expiring 2027	2	2010	8	3-storey 4S centre	13
Jinke Nan Road, Chengdu, Sichuan	Leasehold expiring 2052	1	2008-2011	7-10	7-storey 4S showrooms, service centres and workshops	76
West of Houzishi Bridge, Yue Lu District, Changsha, Hunan	Leasehold expiring 2028	1	2011	7	2-storey 4S centre	12
<b>Hong Kong and Macau</b>						
2 - 4 Floor, Kailey Industrial Centre, Fung Yip Street, Chai Wan	Leasehold expiring 2047	–	1989	27	3-floors of a 20-storey office building and service centre	3

**PROPERTIES OF THE GROUP (CONTINUED)**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>MOTORS (continued)</b>						
<b>Overseas (continued)</b>						
<b>Hong Kong and Macau (continued)</b>						
Matauwei Road, Tokwawan, Kowloon	Leasehold expiring 2035	*	1978	55	11-storey service centre, showroom and petrol filling station	19
Castle Peak Road, Tsuen Wan, New Territories	Leasehold expiring 2047	*	1972	46	6-storey 4S service centre	6
Fanling, New Territories	Leasehold expiring 2047	*	2015	–	Land held for development of an automotive support centre	216
3 & 4 Floor, Topsail Plaza, 11 On Sum Street, Shatin	Leasehold expiring 2047	–	1992	23	2-floors of a 16-storey office building and service centre	54
Yuen Long District	Leasehold expiring 2047	4	1984	112	4 separate plots of land for pre-delivery inspection/ commercial repair/storage	1
120-158 Rua dos Pescadores, Macau	Leasehold expiring 2026	*	1977	42	5-storey building with showroom and service centre	^
<b>Australia</b>						
Church Street, Granville, New South Wales	Freehold	*	2015	19	Single-storey office, showroom and workshop	57
Littlefield St, Fortitude Valley, Monier Road, Queensland	Freehold	2	2008-2014	10-38	Single-storey and two-storey offices, showrooms and workshops	178
<b>New Zealand</b>						
Great South Road, Manukau Road, Maranui Avenue, Silverfield Street, Stanway Place, Auckland	Freehold Leasehold expiring 2022-2029	3 8	1998-2017	2-53	Workshop, central parts warehouse and warranty processing centre	23
Malden Street, Palmerston North	Freehold	3	2005	15-49	Workshop, office and central parts warehouse	16
Wairau Road, Wairau Valley, Auckland	Freehold	1	2014	–	Land held for development of a single-storey 3S service centre	25
<b>Motors Properties</b>						<b>1,728</b>

**PROPERTIES OF THE GROUP (CONTINUED)**

Location	Tenure	Land area (Hectares)	Year of acquisition	Age of building (Years)	Description	Net book value (RM million)
<b>LOGISTICS</b>						
<b>China</b>						
Jining City, Shandong	Leasehold expiring 2019-2064	83	2009-2017	2-9	Ports, warehouse and office	280
Weifang Port, Shandong	Leasehold expiring 2055	670	2005-2017	2-14	Port, warehouse and other buildings	983
<b>Logistics Properties</b>						<b>1,263</b>
<b>OTHERS</b>						
<b>Malaysia</b>						
Labu, Negeri Sembilan	Freehold	3,569	1978-1991	–	Malaysia Vision Valley land	3
Ara Damansara, Selangor	Freehold	2	2017-2018	1	Completed office towers	122
				–	Commercial office towers under construction	160
Jalan Tandang, Petaling Jaya	Leasehold expiring 2065-2066	15	1985-1994	25-55	Industrial land and building	48
Apartments and holiday bungalows in Malaysia	Freehold	*	1982-2006	12-89	Apartments/holiday bungalows	2
	Leasehold expiring 2026	1				
<b>Other Properties</b>						<b>335</b>
<b>TOTAL</b>						<b>4,313</b>

\* Less than one hectare

^ Less 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.

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  
Malaysia.

**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”) berminat untuk melindungi data peribadi anda selaras dengan Akta Perlindungan Data Peribadi 2010 (“Akta”). Akta tersebut diperbuat untuk mengawal selia pemrosesan 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, disebarikan 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.

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  
Malaysia.

**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 megikut 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.

Further, we may request your assistance to procure the consent of third parties whose personal data is made available by you to us and you hereby agree to use your best endeavours to do so.

You may at any time after the submission of your personal data to us, request for access to your personal data from Tricor Investor & Issuing House Services Sdn Bhd if:

- you require access to and/or wish to make corrections to your personal data subject to compliance of such request for access or correction not being refused under the provisions of the Act and/or existing laws; or
- you wish to enquire about your personal data.

Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Malaysia.

**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”) berminat 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, disebar 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.

Selanjutnya, kami boleh meminta bantuan anda untuk memperolehi persetujuan pihak ketiga yang data peribadinya telah diberikan oleh anda kepada kami dan anda dengan ini bersetuju untuk menggunakan usaha terbaik anda untuk berbuat demikian.

Anda boleh pada bila-bila masa selepas penyerahan data peribadi anda kepada kami, meminta untuk mengakses data peribadi anda daripada Tricor Investor & Issuing House Services Sdn Bhd jika:

- anda memerlukan akses kepada dan/atau ingin membuat pembetulan kepada data peribadi anda, tertakluk kepada pematuhan permintaan untuk akses atau pembetulan itu tidak ditolak di bawah peruntukan Akta tersebut dan/atau undang-undang yang sedia ada; atau
- anda ingin membuat pertanyaan mengenai data peribadi anda.

Tricor Investor & Issuing House Services Sdn Bhd  
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59200 Kuala Lumpur  
Malaysia.

**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 pemrosesan data peribadi anda dan anda mengakui bahawa anda telah membaca, memahami dan menerima pernyataan-pernyataan dan terma-terma di sini.



# INDEPENDENT ASSURANCE REPORT

TO MANAGEMENT OF SIME DARBY BERHAD (2018)

We have been engaged by Sime Darby Holdings Berhad 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 (“Sime Darby”) in its Annual Report for financial year 2018 (“Sime Darby Annual Report 2018”).

## MANAGEMENT’S RESPONSIBILITY

The Management of Sime Darby Berhad is responsible for the preparation of the Selected Information included in the Sime Darby Annual Report 2018 in accordance with Sime Darby Berhad’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 2018 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 Berhad 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 Berhad’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 2018:

1. (LTIFR) for the financial year ended 30 June 2018.

## CRITERIA

Sime Darby Berhad’s internal sustainability reporting guidelines and procedures by which the Selected Information is gathered, collated and aggregated internally.

## 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 2018 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 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 Berhad'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 maintain 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 Berhad'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 Sime Darby Berhad in its Sime Darby Annual Report 2018. 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 2018 and to be disclosed online at [www.simedarby.com](http://www.simedarby.com), in respect of the 2018 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  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
8 October 2018

**NOTICE IS HEREBY GIVEN** that the **Twelfth Annual General Meeting (“AGM”)** of Sime Darby Berhad (“Sime Darby” 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, 15 November 2018 at 10.00 a.m. for the following businesses:



Thursday, 15 November 2018 at 10.00 a.m



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

# NOTICE OF ANNUAL GENERAL MEETING

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and the Auditors thereon.  
*Refer to Explanatory Note 1*
2. To approve the payment of Directors’ fees to the Non-Executive Directors based on the remuneration structure as disclosed in Explanatory Note 2 for the financial year ended 30 June 2018.  
*Refer to Explanatory Note 2* **Resolution 1**
3. To approve the payment of Directors’ fees to the Non-Executive Directors based on the proposed remuneration structure as disclosed in Explanatory Note 3 for the period from 1 July 2018 until the next AGM of the Company.  
*Refer to Explanatory Note 3* **Resolution 2**
4. To approve the payment of benefits to the Non-Executive Directors up to an amount of RM2.0 million from the Twelfth AGM until the next AGM of the Company.  
*Refer to Explanatory Note 4* **Resolution 3**
5. 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) Tan Sri Dato’ Mohamed Azman Yahya **Resolution 4**
  - (ii) Dato’ Sri Abdul Hamidy Abdul Hafiz **Resolution 5**
  - (iii) Dato’ Ahmad Pardas Senin **Resolution 6**
  - (iv) Thayaparan Sangarapillai **Resolution 7**
  - (v) Jeffri Salim Davidson **Resolution 8**
  - (vi) Dato’ Lawrence Lee Cheow Hock **Resolution 9**
  - (vii) Moy Pui Yee **Resolution 10***Refer to Explanatory Note 5*
6. 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 Dato’ Sri Dr Wan Abdul Aziz Wan Abdullah **Resolution 11**
  - (ii) Datuk Wan Selamah Wan Sulaiman **Resolution 12***Refer to Explanatory Note 5*
7. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2019 and to authorise the Directors to determine their remuneration.  
*Refer to Explanatory Note 6* **Resolution 13**

## AS SPECIAL BUSINESS

8. To consider and, if thought fit, pass the following Ordinary Resolutions:

(i) **Proposed 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 percent (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.”

*Refer to Explanatory Note 7*

**Resolution 14**

(ii) **Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

“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 17 October 2018 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 and/or any of them be and are/is 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.”

*Refer to Explanatory Note 8*

**Resolution 15**

**(iii) Proposed Grant to Jeffri Salim Davidson pursuant to the Performance-Based Employee Share Scheme for the Eligible Employees (including Executive Directors) of Sime Darby Berhad and Its Subsidiaries (excluding subsidiaries which are dormant) (“Scheme”)**

“THAT pursuant to the Scheme as approved by the shareholders at the Extraordinary General Meeting held on 8 November 2012, authority be and is hereby given to the Board of Directors of the Company to, at any time and from time to time, cause/procure the offering and allocation to Jeffri Salim Davidson, the Group Chief Executive Officer of the Company, of up to 2,500,000 ordinary shares in the Company (“Sime Darby Shares”) which will be vested in him at a future date and to procure the transfer of such number of Sime Darby Shares to him, all in accordance with the By-Laws of the Scheme.”

*Refer to Explanatory Note 9*

**Resolution 16**

9. 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 Twelfth Annual General Meeting, 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 2018. Only a depositor whose name appears on the Record of Depositors as at 7 November 2018 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  
17 October 2018

## 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 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 Twelfth Annual General Meeting ("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.
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 14 November 2018 or not less than 24 hours before the time appointed for the taking of the poll at the Twelfth AGM, whichever is the later.

### Explanatory Notes

#### **1. Audited Financial Statements for the Financial Year Ended 30 June 2018**

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 Directors' Fees to the Non-Executive Directors for the Financial Year Ended 30 June 2018**

Pursuant to Section 230(1) of CA 2016 which came into force on 31 January 2017, fees and benefits payable to the Directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Company is requesting for the shareholders' approval for the payment of fees to the Non-Executive Directors ("NEDs") of RM3.74 million for the financial year ended 30 June 2018 in accordance with the remuneration structure set out below:

Board/Board Committees	Pre Pure-play		Post Pure-play	
	Chairman (RM/Year)	Member (RM/Year)	Chairman (RM/Year)	Member (RM/Year)
Board	600,000	180,000 <sup>1</sup> 360,000 <sup>2</sup>	540,000	220,000 <sup>1</sup> 360,000 <sup>2</sup>
Governance & Audit Committee	40,000	30,000	80,000	50,000
Other Committees	40,000	30,000	60,000	35,000
Flagship Subsidiaries	150,000	100,000	-	-
Subsidiary	-	-	150,000	-

Notes:

<sup>1</sup> Fee for Resident Director

<sup>2</sup> Fee for Non-Resident Director

The pure-play exercise of the Sime Darby Group was completed on 30 November 2017.

The fees of each Director are set out in the Corporate Governance Overview Statement on page 82 of the Company's Annual Report 2018.

### 3. Resolution 2 - Payment of Directors' Fees to the Non-Executive Directors from 1 July 2018 to the next AGM of the Company

The Company is requesting for the shareholders' approval for the payment of fees to the NEDs for the period from 1 July 2018 to the next AGM of the Company in 2019 in accordance with the proposed remuneration structure set out below:

Board/Board Committees	Proposed Fee (RM/Year)	
	Chairman	Member
Board	560,000	240,000 <sup>1</sup> 380,000 <sup>2</sup>
Governance & Audit Committee	80,000	50,000
Other Committees	60,000	35,000
Subsidiary	150,000	-

Notes:

<sup>1</sup> Fee for Resident Director

<sup>2</sup> 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 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.

### 4. Resolution 3 - Payment of Benefits to the Non-Executive Directors up to an amount of RM2.0 million from the Twelfth 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.

**5. Resolutions 4 to 12 - 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.

Tan Sri Dato' Mohamed Azman Yahya, Dato' Sri Abdul Hamidy Abdul Hafiz, Dato' Ahmad Pardas Senin, Mr Thayaparan Sangarapillai, Encik Jeffri Salim Davidson, Dato' Lawrence Lee Cheow Hock and Ms Moy Pui Yee were appointed during the year, being eligible, have offered themselves for election at the Twelfth AGM pursuant to Rule 83.2 of the Constitution of the Company.

Tan Sri Mohamed Azman, Dato' Sri Abdul Hamidy, Dato' Ahmad Pardas, Mr Thayaparan, Encik Jeffri, Dato' Lawrence Lee and Ms Moy have completed their Mandatory Accreditation Programme pursuant to the provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

- (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 Dato' Sri Dr Wan Abdul Aziz Wan Abdullah and Datuk Wan Selamah Wan Sulaiman, being eligible, have offered themselves for re-election at the Twelfth 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 ("NRC") 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.

Datin Paduka Kartini Hj Abdul Manaf has informed the Board in writing of her intention to retire as a Non-Independent Non-Executive Director and therefore would not be seeking election at this AGM under Rule 83.2 of the Constitution of the Company. Hence, she will retain office until the conclusion of this AGM in accordance with Rule 103 of the Constitution of the Company.

**6. Resolution 13 - Re-appointment of Auditors**

The Governance & Audit Committee ("GAC") at its meeting held on 21 September 2018 undertook the annual assessment of the suitability and effectiveness of the external audit process, and the performance, suitability and independence of the external auditors, PricewaterhouseCoopers PLT ("PwC"). The following factors were taken into consideration:

- (i) Dissemination of information about policies and processes for maintaining independence, objectivity and the monitoring of PwC's compliance with professional ethical standards;
- (ii) Communication of audit strategy and current developments in relation to accounting and auditing standards relevant to the Group's financial statements and the potential impact on the audit;
- (iii) Timeliness and quality of communication with regard to significant audit, accounting, related risks and control weaknesses and recommendations as well as effective use of meetings with the GAC without management presence;
- (iv) Competency in the coordination of resources and technical knowledge, and expertise in managing its engagement; and
- (v) Reasonableness of the audit fees charged.

The GAC was satisfied with the suitability of PwC based on the quality of audit, performance, competency and sufficiency of resources that the external audit team had provided to the Sime Darby Group as prescribed under Paragraph 15.21 of the MMLR.

The Board at its meeting held on 25 September 2018 approved the GAC's recommendation that the shareholders' approval be sought at the Twelfth AGM on the re-appointment of PwC as external auditors of the Company for the financial year ending 30 June 2019, under Resolution 13. The present external auditors, PwC, have indicated their willingness to continue their services for the next financial year.

**Explanatory Notes on Special Business**

**7. Resolution 14 - Proposed 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**

The proposed Resolution 14, if passed, will allow the Company to purchase its own shares through Bursa Malaysia Securities Berhad of up to ten percent (10%) of the total number of issued shares of the Company. Please refer to the Share Buy-Back Statement dated 17 October 2018 for further information.



**8. Resolution 15 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Resolution 15, 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 for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in Section 2.3 of Part B of the Circular to Shareholders dated 17 October 2018 despatched together with the Company's Annual Report 2018.

**9. Resolution 16 - Proposed Grant to Jeffri Salim Davidson pursuant to the Performance-Based Employee Share Scheme for the Eligible Employees (including Executive Directors) of Sime Darby Berhad and Its Subsidiaries (excluding subsidiaries which are dormant) ("Scheme")**

The establishment of the Scheme was approved by shareholders at the Extraordinary General Meeting of the Company held on 8 November 2012.

The proposed Resolution 16, if passed, will enable the Company to grant to Encik Jeffri Salim Davidson, the Group Chief Executive Officer of the Company, under the Scheme, up to 2,500,000 Sime Darby Shares under the Scheme. The number of Sime Darby Shares proposed to be granted to Encik Jeffri will be determined by the NRC in accordance with the By-Laws as approved by the shareholders of the Company.

Encik Jeffri has abstained and will continue to abstain from voting and/or deliberating on his entitlement under the Scheme at the relevant Board meetings of the Company and will also abstain from voting and/or deliberating in respect of his direct and/or indirect shareholdings in the Company (if any) on the resolution pertaining to his entitlement under the Scheme at the Company's Twelfth AGM to be convened. Encik Jeffri has also undertaken to ensure that all persons connected with him will abstain from voting and/or deliberating in respect of their direct and/or indirect shareholdings in the Company (if any) on the resolution pertaining to his entitlement under the Scheme at the Company's Twelfth AGM to be convened.

# 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 4 to 12 as stated above) at the Twelfth AGM of Sime Darby are set out in the "Profile of Directors" section on pages 70 to 73 of the Company's Annual Report 2018.

The details of any interest in securities held by the said Directors are set out in the "Directors' Report" section on pages 111 to 115 of the Company's Annual Report 2018.

# FORM OF PROXY

Number of ordinary shares held	CDS Account No.									

I/We \_\_\_\_\_  
(FULL NAME OF SHAREHOLDER AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

(NRIC/Passport/Company No. \_\_\_\_\_) of \_\_\_\_\_  
(ADDRESS)

\_\_\_\_\_ (ADDRESS)

Tel. No. \_\_\_\_\_ 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 Twelfth Annual General Meeting ("AGM") of Sime Darby Berhad ("Sime Darby" or "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, 15 November 2018 at 10.00 a.m. and at any adjournment thereof.

No.	Agenda	Resolution	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and the Auditors thereon			
<b>Ordinary Business</b>				
2.	To approve the payment of Directors' fees to the Non-Executive Directors for the financial year ended 30 June 2018	1		
3.	To approve the payment of Directors' fees to the Non-Executive Directors from 1 July 2018 until the next AGM of the Company	2		
4.	To approve the payment of benefits to the Non-Executive Directors up to an amount of RM2.0 million from the Twelfth AGM until the next AGM of the Company	3		
5.	(i) To elect Tan Sri Dato' Mohamed Azman Yahya who retires in accordance with Rule 83.2 of the Constitution of the Company	4		
5.	(ii) To elect Dato' Sri Abdul Hamidy Abdul Hafiz who retires in accordance with Rule 83.2 of the Constitution of the Company	5		
5.	(iii) To elect Dato' Ahmad Pardas Senin who retires in accordance with Rule 83.2 of the Constitution of the Company	6		
5.	(iv) To elect Thayaparan Sangarapillai who retires in accordance with Rule 83.2 of the Constitution of the Company	7		
5.	(v) To elect Jeffri Salim Davidson who retires in accordance with Rule 83.2 of the Constitution of the Company	8		
5.	(vi) To elect Dato' Lawrence Lee Cheow Hock who retires in accordance with Rule 83.2 of the Constitution of the Company	9		
5.	(vii) To elect Moy Pui Yee who retires in accordance with Rule 83.2 of the Constitution of the Company	10		
6.	(i) To re-elect Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah who retires in accordance with Rule 104 of the Constitution of the Company	11		
6.	(ii) To re-elect Datuk Wan Selamah Wan Sulaiman who retires in accordance with Rule 104 of the Constitution of the Company	12		
7.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to determine their remuneration	13		
<b>Special Business</b>				
8.	(i) To approve the authority for the Company to purchase its own shares	14		
8.	(ii) To approve the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	15		
8.	(iii) To approve the Performance-based Employee Share Scheme Grant to Jeffri Salim Davidson	16		

My/Our proxy is to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy shall vote or abstain from voting as he/she thinks fit.

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies must be indicated below:	
	<b>Percentage (%)</b>
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 2018 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 \_\_\_\_\_ 2018

\_\_\_\_\_  
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 Twelfth Annual General Meeting ("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.
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 14 November 2018 or not less than 24 hours before the time appointed for the taking of the poll at the AGM, whichever is the later.
8. Only Members registered in the Record of Depositors as at 7 November 2018 shall be eligible to attend, speak and vote at the AGM or appoint proxy(ies) to attend, speak and/or vote on their behalf.

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**THE SHARE REGISTRAR**

**SIME DARBY BERHAD** (752404-U)

c/o Tricor Investor & Issuing House Services Sdn Bhd (11324-H)

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Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur


Malaysia


Affix  
Postage Stamp


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## **We're here to serve your needs**

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