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Delivering Sustainable Futures

11 November 2019

BY FAX/HAND
(Fax No.: 603 - 2070 9107)

MINORITY SHAREHOLDERS WATCH GROUP
Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: Mr Devanesan Evanson
Chief Executive Officer

Dear Sirs,

Thirteenth Annual General Meeting ("13th AGM") of Sime Darby Berhad to be held on 14 November 2019

We thank you for your letter dated 7 November 2019 informing Sime Darby Berhad ("SDB" or "Company") of the issues that the Minority Shareholders Watch Group ("MSWG") intends to raise at the 13th AGM of the Company to be held on Thursday, 14 November 2019 at 10.00 a.m.

We enclose SDB's response to the matters raised by MSWG in the letter as requested.

Thank you.

Yours faithfully,
SIME DARBY BERHAD

NOOR ZITA HASSAN
Group Secretary

BP/Board/Meeting/2019/14.11.2018/Pre-AGM/MSWG/Letter to MSWG Q&A AGM 2019

Strategic/Financial Matters

1. **On Page 12 of the Annual Report (MD&A), it is stated that for its Industrial Division, efforts are anticipated to make an impression in an industry that is seeing autonomous mining trucks with shortened cycle times, lower fuel consumption and improved tire wear, and uses Artificial Intelligence (AI) for services such as predictive maintenance of equipment to reduce down time and gain traction.**

   Please elaborate on the plans undertaken to counter the expected industry changes, including the introduction of autonomous mining trucks and the use of AI for services?

   Innovation in Industrial Division is done alongside our principal, Caterpillar, who is at the forefront of technology in this area. CAT has innovative solutions for autonomous mining and predictive maintenance leveraging on AI and Internet of Things (IoT). This will increase efficiency, reduce fuel consumption and improve downtimes. Being a leading CAT dealers, Sime Darby has the ability to introduce these products and technologies if our customers require it.

   We have one of the largest connected asset programmes amongst CAT dealers globally with 30,000 machines. This affords us the opportunity to use data analytics for predictive maintenance to enhance productivity and safety for our customers, while allowing us to harvest parts and services opportunities.

   In addition, we have developed a digital platform with the goal to improve Customer Experience and Employee Experience which enables us to reach, engage and convert customers rapidly with real-time, individualised digital experiences.

2. **In relation to the Group's Healthcare Division,**

   a. **What is the Group's progress on the introduction/development of AI, Internet of Things (IoT) and Virtual Reality along with the emergence of 5G?**

      Our hospitals strive to be at the forefront of medical technology. We endeavour to use the best-in-class medical equipment as we believe it will increase efficiency and enhance patient outcomes.

      Emerging technology trends such as AI, IoT and Virtual Reality are still nascent in our markets and are not widely adopted yet. Nevertheless, we will closely monitor these new innovations and will introduce them into our operations when the market is ready.

      On a more current front, we are implementing initiatives to continuously drive improvement across our operations through better utilisation of hospital assets, optimisation of cost, upgrade of existing hospitals and recruitment efforts focused on hiring skilled specialists and nurses to meet patient needs.

   b. **What is the current average occupancy of your hospitals?**

      The average occupancy rate of our hospitals as of 30th June 2019 increased by 4% to 62% (FY2019) from 58% (FY2018). Our Malaysian hospitals generally have a higher occupancy rate (above 70%) as compared to the Indonesian ones.

c. What are the plans to have more hospitals in the near future and what would be the expected increase in capacity?

We have developed a Healthcare Strategy Blueprint to help us navigate the landscape and determine the areas of focus.

For hospitals, we are looking at a two-pronged approach encompassing greenfield and brownfield expansion plans. We have constantly been on the lookout for potential brownfield hospital acquisitions however valuations are high. We will also explore Brownfield initiatives such as continuous upgrades of our existing hospitals. Alternatively, we will explore greenfield opportunities, tapping on the growth of new townships in the Klang Valley.

We are also keen to venture into healthcare adjacencies such as ophthalmology centres, diagnostic labs, oncology centres, etc. which would provide us with niche exposure to the growing medical trend.

We value our long-term partnership with Ramsay, an exceptional healthcare operator, and will continue to work closely with them in growing the Healthcare Division.

d. What is the Group's share from medical tourism and what measures have been taken to capture the growing medical tourism market?

For Ramsay Sime Darby Healthcare (RSDH), total patient revenue in FY19 from foreign patients was RM53.5m which represents 9% of total patient revenue.

RSDH works with the Malaysia Tourism Council to develop initiatives that can channel more medical tourism business into our hospitals. We see that better marketing efforts would increase opportunities in this space given the close proximity of our hospitals (Subang Jaya and Ara Damansara) to the Subang Airport which has direct flights from Indonesia.

3. As stated on Page 16 (MD&A), under the strategy overview (revenue enhancement), one of the initiatives is to have growth in after-sales, parts and services for the automotive and industrial sectors, and used car sales.

Could the Board brief on the progress made in each of the areas in FY2019 vis-à-vis FY2018?

One of our areas of focus under our Value Creation Plan is to grow aftersales and product support as we believe it is more stable in nature, has high profit margins and is an area that provides more flexibility in operations.

Our Industrial side is more advanced in its product support initiatives, resulting in an increase in our average POPS-C[1] (Percentage of Parts Sales – Caterpillar branded) across our largest regions of Australia and China. POPS-C is an indicator of our market share for our CAT equipment.

Region	POPS-C FY2018	POPS-C FY2019
Australia	73%	75%
China	26%	30%

In addition, Industrial's revenue from parts and after-sales services has increased by 6.1% to RM6.3bn in FY2019 from RM5.9bn in FY2018.

[1] POPS-C is defined as Caterpillar branded parts sales achieved divided by the total parts sales opportunity on the population of Caterpillar products (M&PS) in the field

For Motors, our after-sales strategy involves increasing utilisation of our workbays, improving customer retention rates and better workshop planning to drive sales and improve efficiency. For used cars, initiatives would include improving vehicle sourcing, enhancing branding and strengthening the workforce.

4. **As reported on Page 31 (Group CEO's Review), the Group's results for FY2019 were largely driven by the performance of Australia and China Industrial operations. The Motors division also posted a strong set of results, despite industry-wide changes.**

   What is the outlook in FY2020? Is the Motors division strong set of results expected to sustain in FY2020?

   Moving forward, for Industrial, we are cautiously optimistic that the Australian mining momentum will sustain into FY2020 which will spur product support and equipment deliveries in our key market of Australia. China's Central Bank's decision to pump in USD126 billion as fiscal stimulus appears to be positive for the construction sector as activities have picked up, which bodes well for our China CAT business.

   For Motors, in general we are seeing a slowdown in the overall market. However, we still see growth in the luxury segment where we operate, which we find encouraging. This, coupled with BMW's new model line-up which is its biggest in decades, will be the drivers for the Division this year.

5. **The Company still has a 11% equity stake in Eastern & Oriental Berhad.**

   Please explain the reasons for the Group to still hold 11% equity stake in Eastern & Oriental Berhad considering that the company has not been performing well and that for FY2019, there was a share of loss (inclusive of impairment) of the Group's investment in Eastern & Oriental Berhad of RM117 million.

   We consider our stake in E&O as a non-core investment and there are no plans to invest further in the company.

   Following the Pure Play Exercise, we explored options to divest our stake and were holding on to a price that we felt better reflected the intrinsic value of the company, given that E&O's share price (currently RM0.67) is far below its net assets (RM1.41/ share) and average RNAV (RM3.00 to RM4.00/ share). However, the plan did not materialise and unfortunately the share price has continued to weaken.