SIME DARBY BERHAD
(Company No. 752404-U)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWELFTH ANNUAL GENERAL MEETING OF SIME DARBY BERHAD 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.

Present : Members/Proxies

1,650 members/corporate representatives and
643 proxy holders
(as listed in the attendance sheet)

1.0 OPENING REMARKS BY THE CHAIRMAN

1.1 Tan Sri Samsudin Osman presided as Chairman of the Meeting in place of Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah, the Chairman of the Company who was not able to attend the Meeting due to health reasons. The Chairman conveyed the apologies of Tan Sri Dato' Sri Dr Wan Abdul Aziz to the shareholders and proxy holders present at the Meeting.

1.2 The Chairman called the Meeting to order at 10.00 a.m. and welcomed all persons present at the Twelfth Annual General Meeting ("AGM") of Sime Darby Berhad ("Sime Darby" or "Company").

2.0 QUORUM

2.1 The requisite quorum being present, the Chairman called the Meeting to order.

2.2 The Chairman introduced the members of the Board of Directors, Management team and representatives from PricewaterhouseCoopers PLT ("PwC"), the Auditors of the Company, to the shareholders. The Chairman informed the Meeting that the representatives from Tricor Investor & Issuing House Services Sdn Bhd ("Tricor"), the Company's Share Registrar, and Deloitte Enterprise Risk Sdn Bhd ("Deloitte"), the Company's Scrutineers, were also present at the Meeting.

3.0 GENERAL INSTRUCTIONS ON MEETING PROCEDURES

3.1 The Chairman briefed the Meeting as follows:

(i) the shareholders and proxy holders were encouraged to take the opportunity to participate in the affairs of the Company by deliberating and voting on the resolutions to be put to vote at the Meeting; and

(ii) the information on the Company, its activities, results and financial position as at 30 June 2018 and the Chairman's Message were set out in the Annual Report 2018, which had been distributed to the shareholders on 17 October 2018.

4.0 NOTICE OF ANNUAL GENERAL MEETING

4.1 The Notice of AGM, which had been set out on pages 324 to 330 of the Annual Report 2018, had been sent to all shareholders, Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Auditors of the Company in accordance with the Constitution of the Company.

4.2 With the consent of the shareholders present, the Notice of AGM was taken as read.

5.0 CHAIRMAN'S ADDRESS

5.1 The Chairman informed the Meeting that:

(i) in accordance with the Notice of AGM, the cut-off date to determine those who were qualified to attend, speak and vote at the Meeting was on 7 November 2018;

(ii) as at to-date, the Company has a total issued shares of 6,800,839,377 ordinary shares;

(iii) a total of 3,998 valid proxy forms were lodged within the stipulated timeframe, representing 5,434,026,820 ordinary shares or 79.88% of the total ordinary shares of Sime Darby; and

(iv) in his capacity as the Chairman of the Meeting, he had received proxies from members whom he would vote for as indicated in the proxy forms. Where a proxy vote had been given to the Chairman without any voting instructions, the Chairman expressed his intention to vote in favour of the resolutions set out in the Notice of AGM.

5.2 The Chairman further informed the Meeting of the procedures on poll voting, that:

(i) in accordance with the Main Market Listing Requirements of Bursa Securities ("MMLR"), all resolutions set out in the Notice of AGM would be voted by way of poll;

(ii) each share would represent one (1) vote in the polling which would be carried out by way of electronic voting (e-voting);

(iii) the poll voting for all resolutions set out in the Notice of AGM would be commenced after the adjournment of the Meeting. All the questions posed on the resolutions would be dealt with prior to the commencement of the polling process;

(iv) a total of sixteen (16) ordinary resolutions to be voted for at the Meeting which would each require a simple majority in order for the resolutions to be passed; and

(v) Tricor had been appointed as the Poll Administrator to conduct the polling process and Deloitte as the Scrutineers to verify the poll results.

5.3 The Chairman also briefed the Meeting on the programme outline of the AGM's agenda which would commence with a brief review of Sime Darby's performance by the Group Chief Executive Officer ("GCEO"), if requested, to run through of the questions received from the Minority Shareholders Watchdog Group ("MSWG") on 9 November 2018 and the Company's response, the question and answer session, presentation of all resolutions set out in the Notice of AGM, adjournment of the AGM, commencement of the polling process, declaration of the poll results of the AGM and conclusion of the AGM.

6.0 PRESENTATION BY THE GROUP CHIEF EXECUTIVE OFFICER

6.1 The Chairman invited the GCEO, Dato' Jeffri Salim Davidson, to present Sime Darby's performance and business, the salient points of which were as follows:

(i) after the completion of the pure play exercise in November 2017, the Company became a trading company with a main focus on Industrial, Motors and Healthcare businesses;

(ii) Sime Darby has presence in eighteen (18) countries with a staff strength of approximately 20,000 employees. It was one of the largest Caterpillar and BMW dealers in the world and has four (4) ports in the Shandong Province, China and six (6) hospitals in Malaysia and Indonesia;

(iii) 14% of the Sime Darby Group's revenue was generated locally while the remaining 86% was generated from its overseas businesses mainly from China and Australia which contributed approximately 40% and 30% revenue to the Group, respectively;

(iv) the Motors business comprised retail, distribution, rental and assembly spanning across nine (9) markets in the Asia Pacific Region, with China being the biggest market. Sime Darby has established strong relationship with BMW for over 40 years and has been the distributor of BMW, Hyundai, Ford, Land Rover and Jaguar vehicles in Malaysia;

(v) the Industrial business comprised the sale of equipment and provision of after sales support and had held the Caterpillar dealership for almost ninety (90) years. The main focus sectors for the sale of equipment were mining and construction. For the financial year 2018, Sime Darby's market share for construction equipment sales in China stood at 16%, ranked third in the market while the market share for parts sales was at 26%. Presently, Sime Darby has Caterpillar dealerships in seven (7) out of twenty eight (28) provinces in China;

(vi) other investments of the Company included 12% and 30% equity interest in Eastern & Oriental Berhad ("E&O") and Tesco Store (Malaysia) Sdn Bhd ("Tesco"), respectively. Sime Darby also owned 8,800 acres of land in the Malaysia Vision Valley ("MVV");

(vii) the focus of the Group remained on revenue enhancement, cost optimisation, business expansion, portfolio rationalisation, expansion of Healthcare business and synergistic mergers and acquisitions;

(viii) The Sime Darby Group's financial results from continuing operations for the financial year 2018 were as follows:

a.	Revenue	RM33.8 billion, 8.8 % up year-on-year ("YoY")
b.	Profit Before Interest & Tax	RM1.07 billion, 37% up YoY
c.	Net Profit	RM618 million, 0.5% up YoY
d.	Core Net Profit	RM835 million, 36.2% up YoY
e.	Gross Debt/Equity Ratio	19.6%, (FY2017 : 20.8%)
f.	Basic Earnings Per Share	9.1 sen
g.	Net Dividend Per Share	8 sen, 88% of the Company's reported earnings

(ix) the Industrial business was anticipated to deliver significantly stronger performance due to the recovery of the mining sector. As at to-date, it had an order book worth approximately RM2.7 billion, 94% up year-on-year ("YoY"). Activities in the mining sector were expected to increase as the momentum of the mining sector continued;

(x) in May 2018, Sime Darby launched its BMW Engine Assembly Plant in Kulim, Kedah, one of the few BMW plants outside of Germany which would be producing BMW engines for the ASEAN market. It had also set up a new BMW showroom in Kunming, China and acquired the Volvo dealership in Brisbane, in January and June 2018 respectively, as part of its plans to grow the Motors business. The launches of new models from BMW and Ford, namely the BMW 3-series and the Raptor respectively, which received positive response from the market, was expected to drive better earnings in the coming financial year;

(xi) the reference price of Sime Darby's share post pure play exercise was RM1.85 and had increased by 30% to RM2.40 as at 13 November 2018; and

(xii) moving forward, Sime Darby targeted to sustain its strong performance by leveraging on growth opportunities available in all its business segments.

6.2 Dato' Jeffri concluded his presentation and thanked all shareholders for their attention.

6.3 The Chairman informed the Meeting that the Company had, on 9 November 2018, received a letter from the MSWG containing questions pertaining to the Company to which the Company had responded on 14 November 2018. The letter from MSWG and the Company's response were available on the Company's website and the hard copies were distributed to the shareholders entering the Ballroom.

6.4 With the consent of the shareholders present, the letter from MSWG and the Company's response were taken as read.

A copy of the letter from MSWG and the Company's response were enclosed as Appendix I and Appendix II, respectively.

6.5 The Chairman invited questions from the floor. A summary of the questions/comments raised and the Company's responses, where relevant, was as follows:

6.5.1 Questions from Shareholder

(i) What were the Company's strategies and plans to achieve the medium term target for the Return on Average Shareholders' Equity ("ROE") of 8%?

(ii) Has the Company moved away from the International Financial Reporting Standards ("IFRS") 15 and adopted the new accounting standard of the Malaysian Financial Reporting Standards ("MFRS") 15 which could strengthen revenue recognition? If so, whether there was any material change to the Company's revenue recognition?

(iii) What would be the Company's strategies to ensure continuous traction in local automotive industry in view of the declining number of the total industry volume and whether the Company would be looking at China, Hong Kong and Australia markets to boost its automotive earnings?

Response

(i) Based on the Group's core net profit of RM835 million, the ROE was 6%, close to the 8% medium term target ROE. From the Group's growth and expansion plans, there was a high likelihood that the Group's ROE would be on an upward trend towards the 8% target.

(ii) The Group had early adopted MFRS 15, the new revenue recognition standard since the financial year 2017. The adoption did not result in any major change to the Company's revenue recognition for the Industrial and Motors businesses.

(iii) Sime Darby would be focusing on growing the market share for its after sales services which have higher profit margins, increasing the assembly capacity of the Kulim assembly plant and penetrating the used car as well as car rental markets. The Group was looking to grow its automotive business, especially in China and Australia.

6.5.2 Questions from Shareholder

(i) Qatar Petroleum Project, Maersk Oil Qatar Project and the Marine Project Civil Suits

What was the reason for the prolonged delay in the filing of the Notice of Application for Direction for Assessment of Damages where the consent Interlocutory Judgement recorded on the liability of the Defendants was on 13 June 2014?

(ii) Malaysia Marine and Heavy Engineering Holdings Berhad ("MMHE") Notice of Arbitration

Why did Sime Darby Engineering Sdn Bhd ("SDE") lose the arbitration and what were the grounds established on SDE's liability to pay the compensation of RM16.5 million?

Response

(i) The legal action against Dato' Seri Ahmad Zubir Murshid and other defendants has been ongoing for several years. The legal process requires considerable amount of time before the legal action could be concluded. The decision on the quantum of damages would likely be obtained in the next year.

(ii) SDE had filed a counter claim against MMHE in the arbitration proceedings commenced by MMHE pertaining to the disposal of SDE's oil and gas business to MMHE. Notwithstanding the counter claim filed by SDE, the arbitration tribunal had decided in favour of MMHE and awarded MMHE damages amounting to RM16.5 million together with an interest at 5% on the cost of the arbitration from the date of award until full settlement.

6.5.3 Question from Shareholder

(i) The Company's leadership team comprised mainly executives with finance and accounting background only although the Company's business was engineering in nature. Would this mix of leadership skills be suitable for the Company's businesses and whether the Company has any plan to change this skill mix to reflect the nature of the Company's business?

Response

(i) Sime Darby has a significant number of employees equipped with the relevant engineering background and technical skills at the operational level across its businesses. Sime Darby also has executives in sales and marketing disciplines.

6.5.4 Questions from Shareholder

(i) What was the reason behind the lower finance income of RM104 million compared to RM512 million recorded in the financial year 2017?

(ii) As the Industrial business recorded revenue of about the same level of revenue in the financial years 2017 and 2018, what were the factors that underpinned the significant increase of its profit to RM612 million compared to the loss position which was recorded in the financial year 2017? Which of the businesses were categorised as "Others" as reported on page 237 of the Annual Report 2018?

(iii) Which segment of the Company's business has been underperforming and would it continue to be so?

(iv) Would the Company be in a position to deliver the targeted performance in 2019 based on the market outlook?

Response

(i) The Company's operations had downsized significantly after the pure play exercise. However, the interest income from banks and/or financial institutions did not decline. The decline was mainly from interest income from Plantation and Property.

(ii) The Industrial segment had recorded losses in the financial year 2017 mainly due to the significant impairment provision made for the Bucyrus distribution rights as the Australasian business was impacted by the slowdown of the mining sector.

(iii) The RM98 million losses reported under “Others” on page 237 of the Annual Report 2018 was mainly due to the impairment for the shares held in E&O and the provisions made for the legacy oil & gas balances.

(iv) Sime Darby’s first quarter results would be announced at the end of November 2018 and the shareholders would then be provided with an indication on the Company’s performance. Management anticipated that the US-China trade war would likely have an impact on Sime Darby’s performance in the financial year 2019.

6.5.5 Questions from Proxy holder

(i) Sime Darby Motors market share may be affected by the third National car project which was announced recently by the Government. What were the Company’s views on this?

(ii) What were the Company’s products offering which catered for the mass market?

(iii) Would the Company’s share price at RM2.40 be considered as acceptable?

(iv) What were the Company’s plans in relation to its RM4.7 billion retained profits?

(v) Why did the practice of providing door gifts to the shareholders at the AGM not being continued?

Response

(i) There has been no clear direction on the third National car project and discussions on the project have been ongoing. Depending on how the third National car would be positioned in the market, there was no certainty as to whether it would affect the Motors Division’s local market share.

(ii) The Motors business is largely in the luxury and super luxury segments, particularly in the Malaysia and China markets. However, the Motors Division also offered products from Ford and Hyundai in the Malaysia market.

(iii) The Board noted the observation made on the Company’s share price.

(iv) Most of Sime Darby’s reserves had been planned for investment in future projects or business growth, particularly the plans which were presented by the GCEO in his presentation on Motors, Industrial and Healthcare businesses.

(v) The Board's focus was to ensure the Group's continued growth in profitability and enhancing shareholders' value. As a way of rewarding the shareholders, the Company had declared and paid on 31 October 2018 a Special Dividend together with an Interim Dividend. The Board believes that dividend would be a better form of reward to the shareholders compared to the door gifts/vouchers which would only benefit those who attend the AGM.

6.5.6 Comments from Shareholder

(i) In view of the contracting local market and impact of the US-China trade war, the Company should consider concentrating on the China market which would enable the Company to leverage on the one-belt one-road initiatives. The Company should consider spinning off its businesses and look into the prospects of listing the Company on the Hong Kong Stock Exchange.

Response

(i) China would remain as one of the main growth markets for the Company. The Company has taken note of the shareholder's comment on the possibility to list the Company on the Hong Kong Stock Exchange.

6.5.7 Questions from Shareholders

(i) The Company's assets held for sale were substantially reduced from RM43.136 billion in the financial year 2017 to RM340 million in the financial year 2018. What had happened to the substantial amount of assets sold?

(ii) Would the Company be disposing its 8,800 acres MVV land since it was not involved in the property development business?

(iii) Which were the underperforming joint ventures or subsidiary companies that have been identified to be placed under a turn-around plan and what would be the next step if these companies continue to be underperforming?

(iv) Based on order of importance, what would constitute the Company's non-core businesses? Has any company been identified for disposal and what would be the impact of such disposal?

(v) Significant impairment was made for the Company's shares in E&O and Tesco. Would the Company be looking into divesting its equity interest in these companies and were these companies considered to be the core or non-core business of the Group?

Response

(i) The substantial amount of assets held for sale in the financial year 2017 of RM43 billion comprised the assets held under Plantation and Property divisions. These assets were no longer part of the Group after completion of the pure play exercise.

The RM340 million assets held for sale in the financial year 2018 represented the Weifang Water and was significantly lower compared to the financial year 2017 due to the pure play exercise.

(ii) Sime Darby has no plans to venture into the property development business and compete with Sime Darby Property in that sector. Pursuant to option agreements entered into between Sime Darby and Sime Darby Property, Sime Darby Property has been granted an option period of five (5) years (with an option to extend for another three (3) years) to acquire the MVV land from Sime Darby at market price.

(iii) The Sime Darby Group has been managing various businesses in multiple countries and it was likely that some would be underperforming at certain times. Most greenfield investments would require a period of at least five (5) years before it could start to make profit. An example of an underperforming business would be the Kia Dealership in Taiwan. Management expected the business to turn around in the next few years. The process of identifying and rationalising underperforming businesses was ongoing.

(iv) Sime Darby's core businesses have been the trading and services business under the Industrial and Motors divisions and the Company has planned to develop Healthcare as its third core business. Businesses outside these core businesses were categorised as non-core. The Board could not share any detailed information on its plans pertaining to potential divestments of the Company's non-core businesses at this juncture. The process of identifying non-core business for disposal was ongoing.

6.5.8 <u>Questions from Shareholder</u>

(i) The Annual Report 2018 has reported that the Company had made a provision of RM288 million for inventories. What was the reason behind the increase in the inventories provision made for Sime Darby Motors? Was it a norm for the Company to make such a high provision every year?

(ii) The net book value of the MVV land was reported at RM3 million. Would Sime Darby Property be stating the same value for the land?

(iii) What would be the trend of the Company's future dividend payout and would future dividend continued to be paid out of the Company's free cash flow?

(iv) The Annual Report 2018 reported RM100 million invested capital for "Others". What were the businesses that had been categorised as "Others"?

<u>Response</u>

(i) The increase in inventory provision made for Motors was mainly arising from the business in Vietnam which it had exited in this financial year.

(ii) The potential disposal of the MVV land to Sime Darby Property would be based on market value which would be substantially higher than the net book value.

(iii) Based on the Company's dividend policy, the payout should be at least 50% of the Group's Profit After Tax and Minority Interest. The dividend payout for the financial year 2018, included a special dividend of 2 sen per share, was approximately 88% of the Group's net earnings.

(iv) The businesses which had been categorised as "Others" comprised the Company's investment in Tesco, insurance-broking business and E&O.

6.5.9 Questions from Proxy holder

(i) Would the Company be continuing with the practice of announcing its key performance indicators ("KPIs")?

(ii) Would there be further impairments to be made for other investments of the Company in the next financial year?

Response

(i) Sime Darby's first quarter results were expected to be announced by the end of November 2018 and where required, the approval of the Board of Directors would be sought on the announcement to be made on its KPIs for the financial year 2019.

(ii) Depending on the performance of Sime Darby's investments, further impairment may or may not be required in the next financial year.

6.5.10 Questions from Shareholder

(i) What would be the Company's hedging policy and how would the Company be protected from any forex exposure in view of the weakening Ringgit Malaysia?

(ii) To what extent was the Company affected by the depreciation of the Ringgit Malaysia in the previous six (6) months?

Response

(i) Sime Darby had hedged forward for the purchases of inventories in foreign currencies, whereby it had forward purchased US Dollar and Euro for the purchases of Hyundai and BMW inventories. The forward hedging would protect Sime Darby within the forward range for a period of three (3) to six (6) months and safeguard against volatility of the exchange rate in the current market.

(ii) The movement of foreign exchange rates had resulted in the appreciation of Ringgit Malaysia against the Australian Dollar, Chinese Renminbi, Singapore Dollar and Hong Kong Dollar during financial year 2018. As a result, the Group had recorded a translation difference of RM760 million in its books in view that most of its businesses were located in Australia and China.

Sime Darby had never practiced balance sheet hedging due to the high cost involved but may consider it as an option to partially hedge its balance sheet position in the future.

6.5.11 <u>Questions from Proxy holder</u>

(i) Notwithstanding the Company's negative cash flow position, the Company has proposed to increase the Directors' fees by 22%. Would payment of the Directors' fees be made out of the Company's reserves or operating profits? How would the proposed increase impact the Company's profit and dividend payout?

(ii) What would be the views of the Directors representing Permodalan Nasional Berhad ("PNB") on the proposed increase of the Non-Executive Directors' ("NEDs") fees?

(iii) What would be the comments from MSWG on the Company's response to MSWG on the proposed increase of the NEDs' fees?

(iv) Would the Company be in the position to meet the dividend payout for the next financial year since its cash balance has reduced to RM1.6 billion?

(v) What were the profits recorded by the Healthcare and Tesco businesses?

<u>Response</u>

(i) The Group's cash balances had reduced mainly due to payment of dividend and repayment of borrowings. The statement on cash flows in the Annual Report 2018 reported a positive net cash flow from the continuing operations of RM677 million which was a comfortable position for the Company.

(ii) Datin Paduka Kartini, the nominee Director of PNB on the Board of SDB, commented that the proposed increase of the NEDs' fees was comparable to other companies and the quantum proposed was reasonable as advised by the Independent External Consultant appointed by the Company. The proposed increase would help the Company to attract and retain the NEDs to drive the Company towards greater performance and create better value for the shareholders.

(iii) The Company had appointed an Independent External Consultant to advise on the fair remuneration level for the Company's Directors. The revision was to ensure that the remuneration was comparable with the prevalent market. The new fees structure was proposed based on benchmarking to ensure the fees commensurate with the level of responsibility, the size of the organisation and the complexity and diversity of the operations of the Group.

(iv) MSWG confirmed that they were satisfied with the Company's response on the rationale for the proposed increase of the NEDs' fees.

(v) The Company would be able to meet any propose dividend payout for the next financial year based on its cash flows and the available cash balance.

(vi) The Ramsay Sime Darby Health Care 50:50 joint venture had contributed a profit after tax of RM57 million in the financial year 2018. The losses in Tesco was not taken into account as the investment in Tesco had been fully impaired.

6.5.12 Question from MSWG

(i) What were the companies used in the benchmarking exercise pertaining to Directors' fees whether these were local or overseas companies and what were the size and nature of business of these companies?

Response

(i) The benchmarking exercise was conducted amongst companies within the region which were comparable to Sime Darby in terms of size and nature of business. The exercise was conducted in 2017.

6.5.13 Questions/Comments from Proxy holder

(i) What would be the timeline for the disposal of the non-core business or development of the new core business of the Company?

(ii) More information on the Healthcare business should be provided in the Annual Report 2018.

(iii) Given that most of the Company's revenue were generated from its businesses overseas, was there any hedging arrangement put in place to protect the profits which would be repatriated back to Malaysia from the forex exposure's perspective in view of the weakening Ringgit Malaysia?

(iv) What was the breakdown for the benefits amounting to RM2.0 million payable to the NEDs and the amount for each of the categories?

(v) What was the time frame for the proposed grant of up to 2.5 million of the Company's ordinary shares to the GCEO and whether there were KPIs set for the GCEO to achieve it and what would be the pricing for the proposed grant?

Response

(i) The Company would not be able to share any detailed information on the timeline pertaining to the potential disposal of its non-core businesses at this juncture as it involved the equity interest held in the other public listed companies.

(ii) Management took note of the proxy holder's comments pertaining to the inclusion of more information on the Healthcare business in the Annual Report in the future.

(iii) The profits generated from the Group's businesses overseas would be generally be reinvested in the business. Any repatriation of the profits back to Malaysia would be timed during the period when the forex rates were more favourable.

(iv) The RM2.0 million was an estimation of the benefits payable to the NEDs which comprised medical and insurance coverage, company car, petrol and driver for the Chairman, telecommunications devices, monthly club memberships fees, discounts on purchases of the Group's products and other claimable benefits. The benefits were not an outright payment to the NEDs and depend on the usage of the benefits by the NEDs. The amount incurred in the financial year 2018 was approximately RM600,000.

(v) The proposed granting of 2.5 million of the Company's ordinary shares to the GCEO would be exercised over a period of three (3) years, from 2019 to 2022, subject the Company's achievement of its KPIs.

6.6 The Chairman thanked the shareholders for their questions and for sharing their thoughts.

6.7 The Chairman then proceeded with the items in the Agenda of the AGM.

7.0 AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND THE AUDITORS THEREON

7.1 The Chairman informed the Meeting that the Annual Report 2018 incorporating the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2018 together with the Reports of the Directors' and Auditors' thereon had been sent to all the shareholders in accordance with the Constitution of the Company.

7.2 The Chairman further informed that pursuant to Section 340(1)(a) of the Companies Act 2016, and Rule 143 of the Constitution of the Company, the Company did not require the Audited Financial Statements to be formally approved by the shareholders. Hence, the Audited Financial Statements were not put forth for voting but was tabled for discussion only.

7.3 The Chairman opened the floor for discussion and questions on the Audited Financial Statements of the Company for the financial year ended 30 June 2018.

7.5 As there were no further questions and/or comments, the Chairman proceeded to the resolutions as set out in the Notice of AGM and requested a seconder for each of the motion to be carried.

7.6 The Chairman adjourned the meeting for polling at 12.20 p.m.

8.0 OUTCOME OF THE AGM – POLL RESULTS

8.1 The poll results of the AGM were as follows:

Resolution	Vote in favour		Vote against		Results
	No. of Shares	%	No. of Shares	%	
ORDINARY BUSINESS					
Ordinary Resolution 1 Approval of the payment of Directors' fees to the Non-Executive Directors for the financial year ended 30 June 2018	5,408,105,801	99.9171	4,486,582	0.0829	**Carried**
Ordinary Resolution 2 Approval of the payment of Directors' fees to the Non-Executive Directors for the period from 1 July 2018 until the next AGM of the Company	4,681,516,055	86.4930	731,076,328	13.5070	**Carried**
Ordinary Resolution 3 Approval of 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	5,408,098,098	99.9170	4,494,285	0.0830	**Carried**
Ordinary Resolution 4 Election of Tan Sri Dato' Mohamed Azman Yahya who retired in accordance with Rule 83.2 of the Constitution of the Company	5,344,499,609	98.8123	64,240,638	1.1877	**Carried**
Ordinary Resolution 5 Election of Dato' Sri Abdul Hamidy Abdul Hafiz who retired in accordance with Rule 83.2 of the Constitution of the Company	5,403,186,950	99.8973	5,553,297	0.1027	**Carried**
Ordinary Resolution 6 Election of Dato' Ahmad Pardas Senin who retired in accordance with Rule 83.2 of the Constitution of the Company	5,396,487,950	99.7735	12,252,297	0.2265	**Carried**
Ordinary Resolution 7 Election of Mr Thayaparan Sangarapillai who retired in accordance with Rule 83.2 of the Constitution of the Company	5,400,761,950	99.8525	7,978,297	0.1475	**Carried**
Ordinary Resolution 8 Election of Dato' Jeffri Salim Davidson who retired in accordance with Rule 83.2 of the Constitution of the Company	5,401,554,153	99.8671	7,186,094	0.1329	**Carried**
Ordinary Resolution 9 Election of Dato' Lawrence Lee Cheow Hock who retired in accordance with Rule 83.2 of the Constitution of the Company	5,395,062,753	99.7471	13,677,494	0.2529	**Carried**

Resolution	Vote in favour		Vote against		Results
	No. of Shares	%	No. of Shares	%	
ORDINARY BUSINESS					
Ordinary Resolution 10 Election of Ms Moy Pui Yee who retired in accordance with Rule 83.2 of the Constitution of the Company	5,403,314,050	99.8997	5,426,197	0.1003	**Carried**
Ordinary Resolution 11 Re-election of Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah who retired in accordance with Rule104 of the Constitution of the Company	5,379,350,723	99.5484	24,404,434	0.4516	**Carried**
Ordinary Resolution 12 Re-election of Datuk Wan Salamah Wan Sulaiman who retired in accordance with Rule104 of the Constitution of the Company	5,403,314,050	99.8997	5,426,197	0.1003	**Carried**
Ordinary Resolution 13 Re-appointment of PricewaterhouseCoopers as Auditors of the Company for the financial year ending 30 June 2019 and authorisation for the Directors to determine their remuneration	5,404,177,027	99.9713	1,548,827	0.0287	**Carried**
SPECIAL BUSINESS					
Ordinary Resolution 14 Proposed Share Buy-back Authority for the Company to purchase its own shares up to 10% of the total number of issued shares of the Company	5,412,477,874	99.9995	25,109	0.0005	**Carried**
Ordinary Resolution 15 Proposed Shareholders' mandate for recurrent related party transactions of a revenue or trading nature	1,859,689,937	99.8687	2,445,829	0.1313	**Carried**
Ordinary Resolution 16 Proposed Grant to Dato' Jeffri Salim Davison pursuant to the performance-Based Employee Share Scheme for Eligible Employees (Including Executive Directors) of Sime Darby Berhad and its subsidiaries (excluding subsidiaries which are dormant)	4,856,685,840	89.7294	555,906,432	10.2706	**Carried**

9.0 ANY OTHER BUSINESS

9.1 The Chairman informed that there was no other business to be transacted of which due notice had been given in accordance with the Companies Act 2016.

10.0 CONCLUSION

10.1 The Chairman declared the AGM closed at 1.30 p.m. and thanked all shareholders for their presence and participation.

MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

9 November 2018

BY FAX/HAND
(Fax No.: 603-7623 2100)

The Board of Directors
Sime Darby Berhad
Level 9, Menara Sime Darby
Oasis Corporate Park
Jalan PJU 1A/2, Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan

Attention: **Puan Noor Zita Hassan**
Company Secretary

Re: **Twelfth (12th) Annual General Meeting (AGM) of Sime Darby Berhad ("SDB" or "the Company") on 15 November 2017**

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues at the Twelfth (12th) Annual General Meeting of Sime Darby Berhad:-

Strategic/Financial matters

1. Following the completion of the pure-play exercise, Industrial and Motors are two core businesses of the Company, contributing 99% of the Group's revenue (refer to Note 48 to the Financial Statements on page 236 of the Annual Report). As stated on page 24 of the Annual Report, the Company is looking to expand the healthcare component as a core business?

   a) What is the target revenue contribution, in percentage, for the healthcare component?

   b) Will the healthcare business be expanded organically or inorganically?

2. As highlighted on page 39 of the Annual Report, the Company is establishing a downturn strategy to mitigate the cyclical market risk in the mining and oil & gas sectors which has direct impact on the Industrial Segment of the Group.

   Please share the details of the downturn strategy? How will this strategy helps to better predict the timing of cyclical downturns and protect the profitability and the balance sheet of the Group during the downturn of the industry?

3. As reported on page 40 of the Annual Report, the Industrial Segment achieved total cost reduction benefits of RM128 million from Operational Excellence ("OE") initiatives in FY2018.

   a) What are the major OE initiatives that have helped the Group achieve the cost reduction benefits? What are the costs that have been reduced from these initiatives?

b) For FY2018, the "operating expenses" is 8% higher than FY2017. How will the OE initiatives affect the trend of the operating expenses of the Group, moving forward?

4. As stated on page 26 of the Annual Report, the online sales portal for Industrial Segment launched in China and Australia has successfully enhanced customer experience and contributed to increased market share.

   a) What is the current market share of the Company in China and Australia?

   b) Is the market share expected to increase, moving forward?

5. As stated on page 48 of the Annual Report, one of the key risks of the Company's Motor Business is the competition from other dealers and grey importers selling vehicles at highly discounted prices.

   (a) The operating profit margin for the Motor Segment of the Company is low at around 3%. What are the advantages that other competitors have over SDB that allows them to sell vehicles at highly discounted prices?

   (b) What is the price control mechanism put in place by the Principals?

   (c) Is there any customer retention programme employed by the Company to retain loyal customers?

6. As shown in Note 13 to the Financial Statements on page 179 of the Annual Report, the Group's share of loss of the associate, Eastern & Oriental Berhad ("E & O"), for FY2018 amounted to RM87 million and the Group recognised an impairment loss of RM103 million on the investment in E & O.

   Would E & O be part of the Group's strategy to dispose non-core businesses?

Corporate Governance

1. The Company has under Resolution 1 tabled the Directors' fees for the Non-Executive Directors for the financial year ended 30 June 2018. From the remuneration structure disclosed in Explanatory Note 2 on page 328 of the Annual Report, we note the following increases in the Directors' fees:-

	Pre Pure-Play (RM/Year)	Post Pure-play (RM/Year)	Increase (RM/Year) (%)
Board			
- Member	180,000	220,000	40,000 (22%)
G&AC			
- Chairman	40,000	80,000	40,000 (50%)
- Member	30,000	50,000	20,000 (67%)
Other Committee			
- Chairman	40,000	60,000	20,000 (50%)
- Member	30,000	35,000	5,000 (17%)

Given that the Company has been "downsized" after the Pure-play exercise, what is the rationale and the justification for the increase in the above Directors' fees?

2. The Company in its Corporate Governance Report states that it has adopted Step Up Practice 4.3 of the MCCG which requires the Board to have a 9-year tenure limit policy for its independent directors.

   However, in Paragraph 3.2 of the Company's Board Charter, it is stated that "If the Board intends to retain an Independent Non-Executive Director beyond nine (9) years, it shall justify and seek annual shareholders' approval".

   Paragraph 3.2 contradicts the Step Up Practice 4.3 as the latter does not provide for any extension of tenure beyond the 9-year tenure of Independent Directors.

   Please take note.

We would appreciate if the Board could present the points raised by us and the related answers for the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our record and posting into our website.

Thank you.

Yours sincerely,

DEVANESAN EVANSON
Chief Executive Officer

DE/LR/LH/SDB/2018

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47301 Petaling Jaya, Selangor, Malaysia

Delivering Sustainable Futures

Appendix II

14 November 2018

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

MINORITY SHAREHOLDER 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,

Twelfth Annual General Meeting ("12th AGM") of Sime Darby Berhad on 15 November 2018

We thank you for your letter dated 9 November 2018 informing Sime Darby Berhad ("SDB" or "Company") of the issues that the Minority Shareholder Watch Group ("MSWG") intends to raise at the 12th AGM of the Company to be held on Thursday, 15 November 2018 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

Strategic/Financial Matters

1. **Following the completion of the pure-play exercise, Industrial and Motors are two core businesses of the Company, contributing 99% of the Group's revenue (refer to Note 48 to the Financial Statements on page 236 of the Annual Report). As stated on page 24 of the Annual Report, the Company is looking to expand the healthcare component as a core business?**

   a. **What is the target revenue contribution, in percentage, for the healthcare component?**

      The healthcare business consists of the Group's 50% equity interest in the Ramsay-Sime Darby Health Care ("RSDH") joint venture. The joint venture is accounted using the equity method, where no revenue is consolidated as part of the Group's revenue. As such, the RSDH joint venture does not contribute to the Group's revenue but the Group's share of profit of the RSDH joint venture is included in the Group's profit before tax.

      The RSDH joint venture contributed a profit of RM57 million in FY2018 or 9% of the Group's profit after tax and non-controlling interests ("Net Profit") of RM618 million. The RSDH joint venture is expected to contribute between 5% and 10% of Group core Net Profit in the near term.

   b. **Will the healthcare business be expanded organically or inorganically?**

      Healthcare is a valuable component for the Group and we are looking to expand it, both organically and inorganically.

2. **As highlighted on page 39 of the Annual Report, the Company is establishing a downturn strategy to mitigate the cyclical market risk in the mining and oil & gas sectors which has direct impact on the Industrial Segment of the Group**

   Please share the details of the downturn strategy? How will this strategy helps to better predict the timing of cyclical downturns and protect the profitability and the balance sheet of the Group during the downturn of the industry?

   Our downturn strategy for Industrial is primarily focussed on cost and working capital management as well as operational efficiency initiatives to strengthen our resilience during downturns.

   Some of the initiatives undertaken to manage overhead costs include branch rationalisation, workforce right sizing, manpower outsourcing to meet peak demand and leveraging on technology to increase efficiency. All these initiatives will assist us in protecting the profitability and balance sheet of the Group. In addition, the Group is exposed to the construction industry which is somewhat countercyclical to the commodity cycles.

   While industry downturns cannot be predicted with certainty, the use of financial analytics and leading indicators would help the business better predict signs of a possible downturn.

3. **As reported on page 40 of the Annual Report, the Industrial Segment achieved total cost reduction benefits of RM128 million from Operational Excellence ("OE") initiatives in FY2018.**

   a. **What are the major OE initiatives that have helped the Group achieve the cost reduction benefits? What are the costs that have been reduced from these initiatives?**

   OE initiatives are driven by all regions, localised to each regions' requirements with the same objectives which are to achieve cost reductions, higher productivity and being more efficient through digital. The OE initiatives are categorised into 3 segments: Business Transformation, Lean Six Sigma ("LSS")/ Caterpillar Production System ("CPS"), and Procurement savings.

   (i) Business Transformation initiatives realised a total of RM57million benefits in FY2018. Initiatives include manpower right-sizing, branch network optimisation and restructuring of the China Power Systems Division.

   (ii) LSS/CPS realised a total of RM43 million in benefits in FY2018. Initiatives include organizational manpower cost and reducing Component Rebuild Hours.

   (iii) Procurement savings realised a total of RM29 million in benefits in FY2018. Initiatives include negotiating better terms from vendors.

   b. **For FY2018, the "operating expenses" is 8% higher than FY2017. How will the OE initiatives affect the trend of the operating expenses of the Group, moving forward?**

   The Group's operating expenses primarily consists of direct costs such as the cost of equipment, vehicle and parts purchased from principals. As such, a significant portion of the operating expenses are variable costs that would change with revenue.

   The Group's operating expenses in FY2018 increased by 8% as compared to FY2017, while revenue increased by 9% during the same period.

   Moving forward, we expect that the OE initiatives will help either reduce or mitigate the increase in operating expenses.

4. **As stated on page 26 of the Annual Report, the online sales portal for Industrial Segment launched in China and Australia has successfully enhanced customer experience and contributed to increased market share.**

   a. **What is the current market share of the Company in China and Australia?**

   As at FY2018, our market share in Australia for equipment sales in mining stood at 44% and construction at 32%, retaining our market leadership in Australia. The market share for parts sales stood at 89%.

   Whereas in China as of FY2018, our market share for construction equipment sales was at 16%, ending the year at number three in the market. The market share for parts sales stood at 26%.

b. **Is the market share expected to increase, moving forward?**

Despite the intense competition, the Group is continuously working to increase its market share. Nevertheless, we believe that our customers will continue to see the value in and quality of the CAT products.

5. **As stated on page 48 of the Annual Report, one of the key risks of the Company's Motor Business is the competition from other dealers and grey importers selling vehicles at highly discounted prices.**

a. **The operating profit margin for the Motor Segment of the Company is low at around 3%. What are the advantages that other competitors have over SDB that allows them to sell vehicles at highly discounted prices?**

Grey importers have lower operating expenditure as they do not need to be compliant with the Principal's requirements in terms of showroom specifications and systems. Furthermore, they operate in a more flexible environment with regards to pricing as they import their cars at second hand value which is much lower than the car cost from manufacturers. However, grey importers do not have the capabilities to provide reliable after sales service and manufacturer's warranty; all of which are central aspects to Sime Darby Motors' business.

Sime Darby Motors on the other hand also allocate resources for purpose of governance and compliance as well as sustainability practices to fully meet regulatory and manufacturer's requirements. In addition, as an authorised dealer, Sime Darby Motors strives to operate with a sustainable business model and we adopt a long term view with regards to our principals, suppliers and customers.

b. **What is the price control mechanism put in place by the Principals?**

Distributors will always provide a Recommended Retail Selling Price (RRSP) for the vehicles. However, the final selling price to customers would depend on the respective dealers' promotions and offers.

c. **Is there any customer retention programme employed by the Company to retain loyal customers?**

There are events organized by distributors from time to time to engage the customers. Additionally, brands carry out loyalty programmes such as follows:

(i) BMW White Card that provides privileges to customers such as access to airport lounges, BMW driving school training, and road trips.

(ii) Porsche Loyalty Program that provides access to the Porsche Sport Driving School and racing track events at Sepang.

(iii) Hyundai Leader Program, that provides premium lounge access at service centres and airports.

In addition, we are conscious that the best way to retain loyal customers is to continuously provide a broad range of products at competitive pricing and deliver best quality after sales and customer service; which are key tenets of our business.

6. **As shown in Note 13 to the Financial Statements on page 179 of the Annual Report, the Group's share of loss of the associate, Eastern & Oriental Berhad ("E & O"), for FY2018 amounted to RM87 million and the Group recognized an impairment loss of RM103 million on the investment in E & O.**

   Would E & O be part of the Group's strategy to dispose non-core businesses?

   The impairment loss in E&O is in line with the accounting standards adopted. The Group is constantly evaluating our portfolio of businesses as to whether to maintain, expand or monetise.

<u>Corporate Governance</u>

1. **The Company has under Resolution 1 tabled the Director's fees for the Non-Executive Directors for the financial year ended 30 June 2018. From the remuneration structure disclosed in Explanatory Note 2 on page 328 of the Annual Report, we note the following increases in the Director's fees: -**

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- Member	30,000	50,000	20,000 (67%)
Other Committee			
- Chairman	40,000	60,000	20,000 (50%)
- Member	30,000	35,000	5,000 (17%)

   Given that the Company has been "downsized" after the Pure-play exercise, what is the rationale and the justification for the increase in the above Directors' fees?

   The objective of the Company's policy on Directors' remuneration is to ensure that remuneration of Directors is reflective of the Group's demands, complexities and performance as a whole, as well being able to attract and retain Directors of the right calibre and talent to drive the Company's long-term objectives. The Directors' remuneration policy is reviewed regularly to ensure that the compensation of the Chairman and Directors are aligned to at least around the 75th percentile of appropriate peer groups respectively.

   The remuneration structure of the Non-Executive Directors ("NEDs") post pure-play was determined based on a benchmarking study carried out by an Independent External Consultant appointed by the Company. A comparison of the remuneration of the NEDs was made with selected companies that are comparable with Sime Darby in terms of size and businesses of similar nature from the region.

2. **The Company in its Corporate Governance Report states that it has adopted Step Up Practice 4.3 of the MCCG which requires the Board to have a 9-year tenure limit policy for its independent directors.**

   However, in Paragraph 3.2 of the Company's Board Charter, it is stated that "If the Board intends to retain an Independent Non-Executive Director beyond nine (9) years, it shall justify and seek annual shareholders' approval".

   Paragraph 3.2 contradicts the Step Up Practice 4.3 as the latter does not provide for any extension of tenure beyond the 9-year tenure of Independent Directors.

   Please take note.

   Noted. The Company is reviewing its Board Charter.