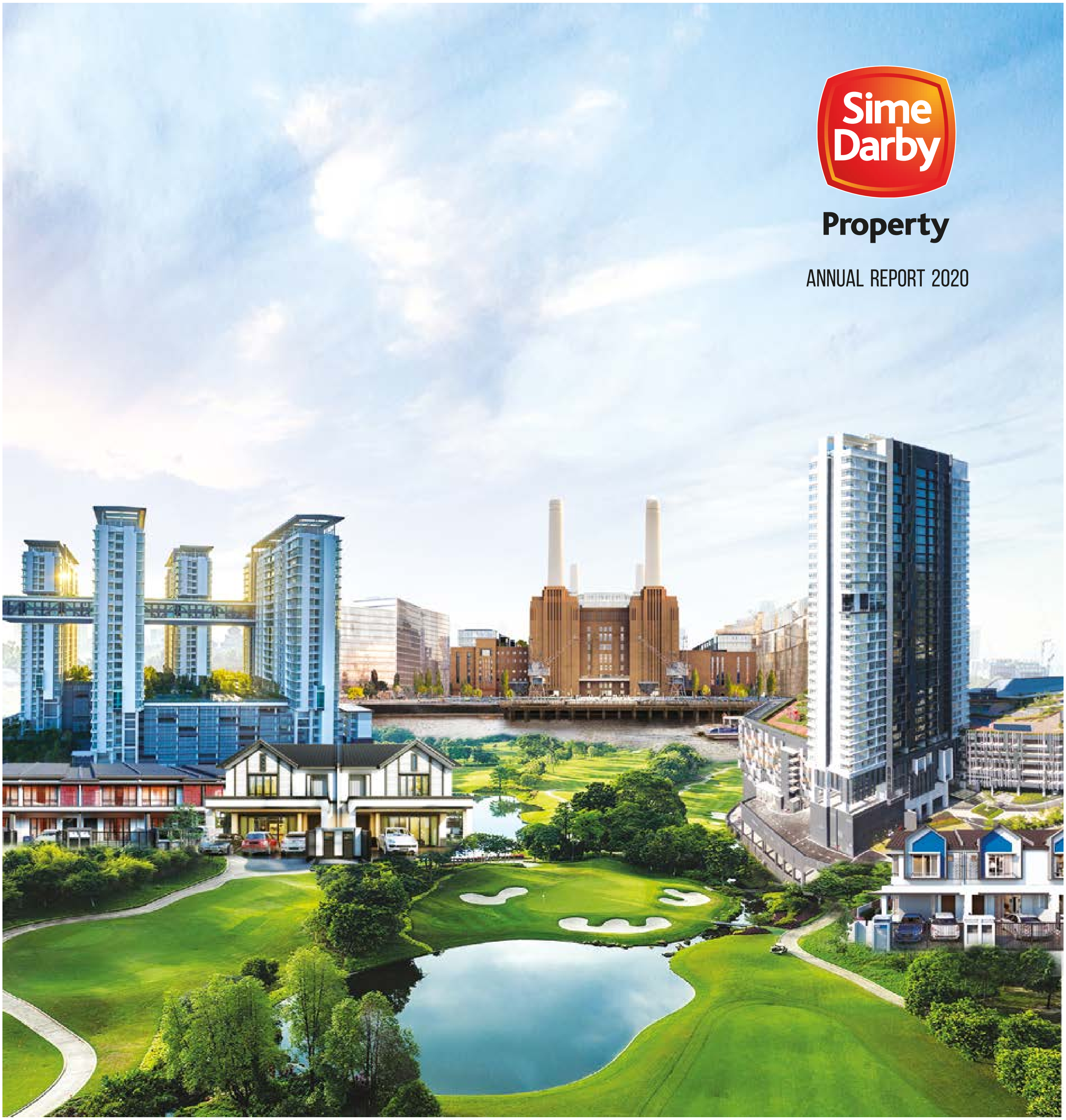
Sime Darby Property

ANNUAL REPORT 2020



REINVENT
for the new norm

Sime Darby Property

HOW TO NAVIGATE OUR REPORT

STRATEGIC FOCUS AREA

- Expand Income Portfolio
- Achieve Cost & Operational Efficiencies
- Launch New Growth Areas
- Embark On Digital Transformation
- Improve Organisational Effectiveness

MATERIAL MATTERS

- Product Delivery Timeliness
- Financial Performance
- Occupational Health & Safety
- Community Development
- Environmental Stewardship
- Innovation
- Sustainable Development Pipeline
- Strategic Partnerships
- Product Quality
- People Management
- Change Management and Communication Plan

STAKEHOLDERS

- Investors/Lenders
- Media
- Debt Providers
- Customers
- Suppliers/Business Partners
- Employees
- Regulators & Industry Affiliations
- Authorities

ANNUAL REPORT 2020

About Our Report

In keeping with Integrated Reporting principles, the report includes information on our financial and non-financial performances, with a clear articulation of various risks and opportunities, our mitigation strategies and approaches to value creation. The report was prepared in compliance with Bursa Malaysia Main Market Listing Requirements, Malaysian Financial Reporting Standards, and Companies Act 2016 in Malaysia.

This is our fourth Annual Report since our listing in 2017. It covers the Financial Year 2020 and is prepared in accordance with the principles prescribed by the International Integrated Reporting Council. The report also includes the main activities, key business areas and discusses our outlook, targets and objectives.

Rationale

Amid the challenging year with uncertainties in the macroeconomic condition and property market, Sime Darby Property is focused on staying agile, resilient and resourceful to remain competitive in this unprecedented environment.

With our strong fundamentals and inherent capabilities anchored on a commitment to sustainability and governance, we will adjust to the new operating environment with cautious optimism and continue to REINVENT to deliver meaningful value to all our stakeholders in the new norm.

Online Version

www.simedarbyproperty.com

Cross References

Tells you where you can find more information within the reports

Tells you where you can find more information online at www.simedarbyproperty.com

You can find this report and additional information about Sime Darby Property on our corporate website.

Look out for these icons:

Read more information in this Report

Visit: www.simedarbyproperty.com for more details

48th ANNUAL GENERAL MEETING OF SIME DARBY PROPERTY

LOCATION

Banquet Hall, 1st Floor, Main Lobby
TPC Kuala Lumpur
No. 10, Jalan 1/70D
Off Jalan Bukit Kiara
60000 Kuala Lumpur, Malaysia

In line with the Government's initiative and the SC Guidance Note, the Group will conduct the 48th AGM on **a fully virtual basis through live streaming and online remote voting**. We strongly encourage you to participate in the 48th AGM via the Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd's ("Tricor") TIIH Online website at https://tiih.online.

DATE	TIME
Thursday, 6 May 2021	10.00 am

BOARD OF DIRECTORS

CHAIRMAN

Tan Sri Dr. Zeti Akhtar Aziz

BOARD MEMBERS

- Dato' Azmir Merican Azmi Merican
- Dato' Jaganath Derek Steven Sabapathy
- Tengku Datuk Seri Ahmad Shah Alhaj Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj
- Dato' Seri Ahmad Johan Mohammad Raslan
- Datin Norazah Mohamed Razali
- Rizal Rickman Ramli
- Dato' Soam Heng Choon
- Mohamed Ridza bin Mohamed Abdulla

MANUFACTURED CAPITAL

Our land bank, physical assets and technology, as well as our other business infrastructure, including flagship products allow us to conduct business in a profitable yet sustainable manner

FINANCIAL CAPITAL

Income from core businesses, recurring businesses and monetisation of low-yielding assets ensures a sustainable flow of financial capital for the continuous expansion of existing and future business segments

HUMAN CAPITAL

Human capital development initiatives that include attracting and retaining talent, knowledge and skill base to improve our competitive strength

SOCIAL CAPITAL

Relationships and partnerships with our wide network of stakeholders, including customers, employees, regulators and policy makers, community members, media, and supply chain, etc.

NATURAL CAPITAL

Approximately 20,000 acres of land bank strategically located in growth corridors, with high connectivity that continues to support our current and future growth plans, in terms of expanding our footprint and strengthening our presence in all our focus markets, while optimising environmental performance

INTELLECTUAL CAPITAL

A strong brand, market experience, domain knowledge, formidable network and intellectual property can enhance our capacity to innovate and strengthen our brand equity and reputation

INSIDE THIS REPORT

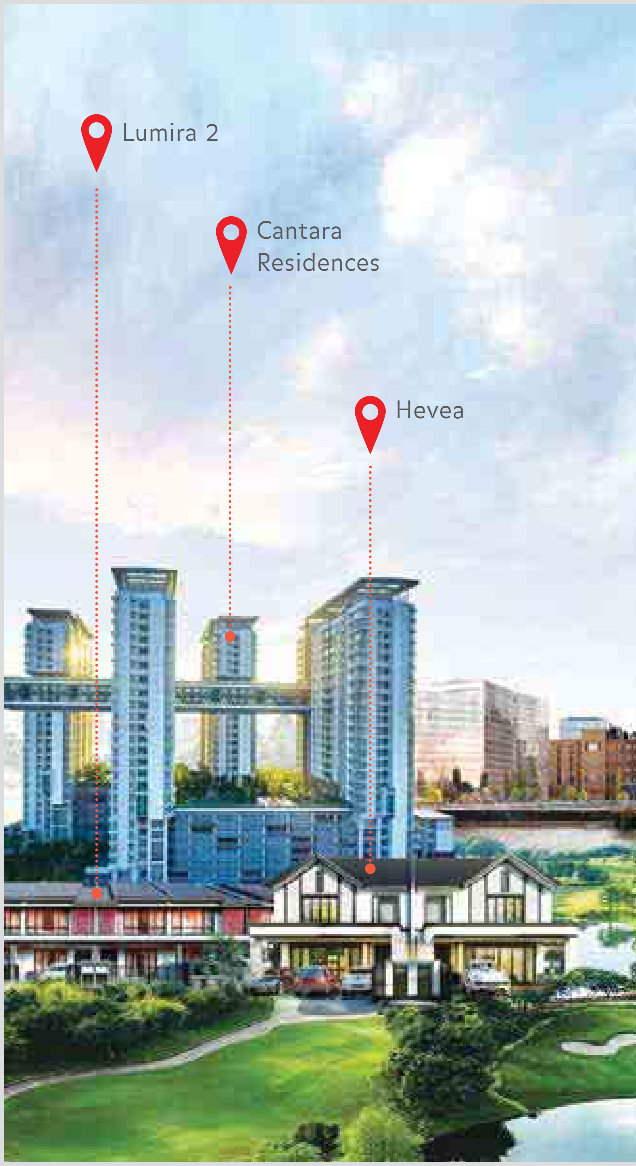
1 OVERVIEW OF SIME DARBY PROPERTY BERHAD

2 KEY MESSAGES

3 VALUE CREATION

Go online to our website at:
www.simedarbyproperty.com

PDF Version
These reports are available on our website



4 MANAGEMENT DISCUSSION & ANALYSIS

(A) STRATEGIC REVIEW

(B) PERFORMANCE REVIEW

(C) OPERATIONS REVIEW

5 LEADERSHIP

6 GOVERNANCE

7 SUSTAINABILITY REPORT

8 REPORTS AND FINANCIAL STATEMENTS

9 SHAREHOLDERS' INFORMATION

10 APPENDIX

Overview
of Sime Darby Property Berhad

Vision

Leader in Building Sustainable Communities

Mission

To Create a Place that Inspires, Connects and Lasts for Generations to Come

Core Values

P	Passion
R	Respect & Teamwork
I	Integrity & Accountability
M	Make It Happen
E	Entrepreneurial Spirit

Who We Are

Sime Darby Property (the Group) is a leading property developer with a solid track record in developing sustainable communities for over 48 years. With 24 active townships and developments, we have a wide reach that encompasses assets and operations across the country. We mark our presence in the United Kingdom as part of a Malaysian consortium to develop the iconic Battersea Power Station Project in central London.


Elmina Valley in the City of Elmina

As a responsible corporate player, Sime Darby Property and its philanthropic arm Yayasan Sime Darby (YSD) actively roll out various initiatives to assist the underprivileged communities living within and nearby its townships nationwide. An established property group with numerous international and local accolades, we are the only Malaysian property developer to be rated by the Carbon Disclosure Project for carbon management and stakeholder engagement.

We take pride as a developer of sustainable communities and of our achievement as the first Malaysian property developer to be awarded the International FIABCI Prix d'Excellence Awards twice for our Subang Jaya and UEP Subang Jaya townships. We received the Platinum Award at the Putra Brand Awards 2020 after 10 consecutive Gold Awards from 2010 to 2019; and our 9th Top 10 Developers Awards at the BCI Asia 2020. The Group has also been recognised as among the top developers in Malaysia in the annual The Edge Top Property Developers Awards, a recognition which the Group consistently receives since 2009.

Presence In

MALAYSIA

SINGAPORE

VIETNAM

UNITED KINGDOM

MARKET CAPITALISATION:
RM4.5 BILLION
as at 31 December 2020

TOTAL ASSETS:
RM14.9 BILLION
as at 31 December 2020

Total Employees:
1,503
as at 31 December 2020

2020 Key Highlights

FINANCIAL HIGHLIGHTS

REVENUE
RM2,062.8 MILLION
(2019: RM3,180.0 million)

PROFIT BEFORE INTEREST AND TAX EXCLUDING ONE-OFFS
RM110.4 MILLION
(2019: RM351.0 million)

NET EARNINGS EXCLUDING ONE-OFFS
RM77.4 MILLION
(2019: RM312.0 million)

TOTAL EQUITY
RM9,289.5 MILLION
(2019: RM9,950.0 million)

NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY
RM1.34
(2019: RM1.43)

GROSS GEARING RATIO
36.7%
(2019: 33.1%)

NET GEARING RATIO
28.1%
(2019: 25.7%)

CASH POSITION
RM801.8 MILLION
(2019: RM743.3 million)

OTHER HIGHLIGHTS

A constituent of the **FTSE4GOOD BURSA INDEX**, **FTSE4GOOD ASEAN 5 INDEX** and **FTSE4GOOD EMERGING INDEX**

A constituent of **MSCI ACWI SMALL CAP INDEX** and received **MSCI ESG RATING** of BBB

Only property developer in Malaysia with **CDP CARBON** management and stakeholder engagement rating

Sukuk Musharakah Programme is **RATED AA+$_{IS}$** and a stable outlook by Malaysian Rating Corporation Berhad ("MARC")

BUSINESS HIGHLIGHTS

SALES ACHIEVED:

RM2.0 BILLION

exceeded revised sales target of RM1.4 billion

NUMBER OF UNITS SOLD:

2,258 UNITS

LAUNCHES IN FY2020:

1,668 UNITS

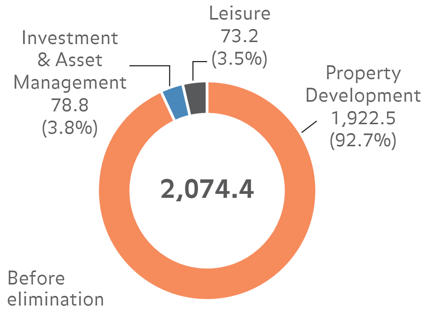
with RM1,506.4 million GDV and garnered an average take-up rate of 88.0 percent as at 14 February 2021

DELIVERY OF COMPLETED UNITS

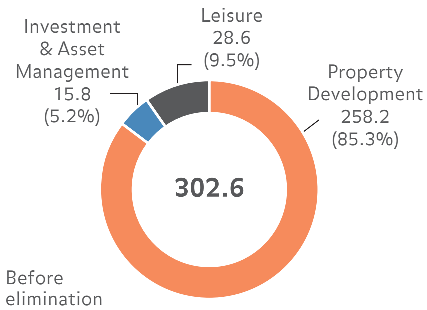
3,725 UNITS

SEGMENTAL HIGHLIGHTS

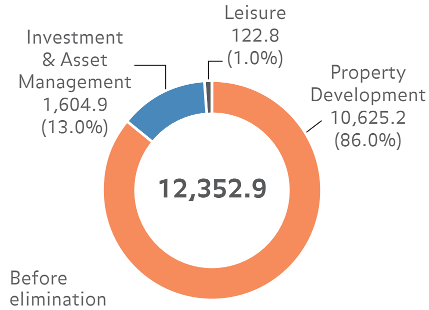
Revenue
(RM million)



Gross Profit
(RM million)



Segment Net Assets
(RM million)



Property Development recorded Gross Profit of

RM258.2 MILLION

Investment & Asset Management recorded Gross Profit of

RM15.8 MILLION

Leisure recorded Gross Profit of

RM28.6 MILLION

Awards and Recognition

2020

The Edge Property Excellence Awards
The Edge Top Property Developers Awards – Ranked 2nd Place

FIABCI World Prix d'Excellence Awards
Gold Winner in Retail Category – Melawati Mall

Putra Brand Awards
Platinum in Property Development Category

BCI Asia Top 10 Awards
BCI Asia Top 10 Developers (Malaysia)

The StarProperty Awards
- Best Overall Champion
- All-Star Award – Most Transparent Developer Category
- Excellence in The Neighbourhood Award – Best Comprehensive Township Category (500 – 2,000 acres) – Serenia City

Malaysia Landscape Architecture Awards (MLAA)
- Excellence Award in Landscape Analysis & Study Awards (Professional Category – Malaysian) – Elmina Sports Park
- Honour Award in Landscape Master Plan Awards (Developer Category) – City of Elmina Master Plan
- Honour Award in Landscape Master Plan Awards (Developer Category) – The Leaf at Serenia City Landscape Master Plan
- Young Landscape Architect Awards (Professional Category – Malaysian) – LAr. Anith Ahmad Rosli

Construction Quality Excellence Awards
- High QLASSIC Achievement in Landed Residential Category for:
  1. Liana, Elmina East
  2. Ferrea, Denai Alam
  3. Azira, BBR
  4. Harmoni Vista 2, Bandar Universiti Pagoh

International Annual Report Competition (ARC) Awards

- Gold in Printing & Production – Property Development (Various & Multi-Use) Category – 2019 Integrated Annual Report
- Honours in Interior Design – Property Development (Various & Multi-Use) Category – 2019 Integrated Annual Report

National Annual Corporate Reports Awards (NACRA)

- Silver Award for Companies with RM2 Billion to RM10 Billion in Market Captalisation Category – 2019 Integrated Annual Report

ASEAN Corporate Governance Scorecard Award

- ASEAN Asset Class (The ASEAN ASSET CLASS Recognises Companies that have Achieved Above 75% in the 2019 Assessment)

The Legal 500 GC Powerlist

Southeast Asia In-house Legal Team 2020

What We Do:
Core Business Segments

Property Development

Sime Darby Property prides itself as a leading developer of sustainable communities with over 48 years of established experience and a track record of developing landed to strata properties covering residential, offices, retail and industrial developments.

Its track record includes notable and well-known townships such as Taman Melawati, Subang Jaya, UEP Subang Jaya and Bukit Jelutong, newer ongoing townships along the Guthrie Corridor Expressway and other areas in Klang Valley, Negeri Sembilan and Johor. These include the City of Elmina, Putra Heights, Serenia City, Bandar Bukit Raja, Bandar Ainsdale, Nilai Impian and Bandar Universiti Pagoh, with the latest being the Industrial & Logistics-themed developments named Elmina Business Park and Malaysia Vision Valley 2.0.

Chemara Hills

The properties developed by the Group are extensive, consisting mainly of residential freehold units which range from the affordable to high-end segments, landed and high-rise units, as well as retail, commercial, industrial & logistics and niche developments. The Group has identified Industrial & Logistics developments as its new growth engine with expansion plans put in place covering Elmina Business Park, Bandar Bukit Raja, Nilai Impian and Serenia City.

92.7%
Contribution to the Group Revenue

RM2.0 billion
Sales Achieved in FY2020

RM1.6 billion
Unbilled Sales

Investment & Asset Management

Our Investment & Asset Management segment comprises retail, office and industrial assets located within Klang Valley and Singapore. This segment also includes the Concession Arrangement business that provides asset management services, including facilities and infrastructure management for campuses in the Pagoh Education Hub in Bandar Universiti Pagoh.

Potential Build for Multi-storey Warehouses at Bandar Bukit Raja (artist impression)

RM1.64 billion* Total Value of Assets	**4** Institutions of Higher Learning
1.68 million sq ft Total Net Lettable Area	Approximately **8,200** Students as at February 2021
88% Average Occupancy Rate	

Note:

* Total asset value, total net lettable area and average occupancy rate include assets held under joint ventures

Leisure

The Leisure arm of our business manages assets which include three golf courses, a cricket club and lawn bowl facilities in Malaysia, and a serviced residence located in Vietnam.

TPC Kuala Lumpur received **6** international and local awards in 2020, including recognition as Top 100 Platinum Golf and Country Club 2020-2021

Achieved average of **89.3%** Customer Satisfaction Index for 3 Key Malaysian Assets, namely TPC Kuala Lumpur, Sime Darby Convention Centre and Impian Golf & Country Club

TPC Kuala Lumpur

Group Corporate Structure – Operating Entities

Sime Darby Property

MALAYSIA: WHOLLY-OWNED SUBSIDIARIES

- Harvard Golf Resort (Jerai) Berhad
- Harvard Hotel (Jerai) Sdn Bhd
- Impian Golf Resort Berhad
- Kuala Lumpur Golf & Country Club Berhad
- MVV Holdings Sdn Bhd
- Sime Darby Property (Ainsdale) Sdn Bhd
- Sime Darby Property (Ampar Tenang) Sdn Bhd
- Sime Darby Property (Ara Damansara) Sdn Bhd
- Sime Darby Property (Asset I) Sdn Bhd *(formerly known as Sime Wood Industries Sdn Bhd)*
- Sime Darby Property (BBR Industrial I) Sdn Bhd
- Sime Darby Property (Bukit Jelutong) Sdn Bhd
- Sime Darby Property (Bukit Raja) Sdn Bhd
- Sime Darby Property (Bukit Subang) Sdn Bhd
- Sime Darby Property (Chemara) Sdn Bhd
- Sime Darby Property (City of Elmina) Sdn Bhd
- Sime Darby Property (Convention Centre) Sdn Bhd
- Sime Darby Property (Golfhome) Sdn Bhd
- Sime Darby Property (Golftek) Sdn Bhd
- Sime Darby Property (Ironwood) Sdn Bhd
- Sime Darby Property (KL East) Sdn Bhd
- Sime Darby Property (Klang) Sdn Bhd
- Sime Darby Property (KLGCC Resort) Sdn Bhd
- Sime Darby Property (Lagong) Sdn Bhd
- Sime Darby Property (Lembah Acob) Sdn Bhd
- Sime Darby Property (Lukut) Sdn Bhd
- Sime Darby Property (Nilai Realty) Sdn Bhd
- Sime Darby Property (Nilai) Sdn Bhd
- Sime Darby Property (Pagoh) Sdn Bhd
- Sime Darby Property (Sabah) Sdn Bhd
- Sime Darby Property (Saujana Impian) Sdn Bhd
- Sime Darby Property (Selangor) Sdn Bhd
- Sime Darby Property (Serenia City) Sdn Bhd
- Sime Darby Property (SJ7) Sdn Bhd
- Sime Darby Property (Subang) Sdn Bhd
- Sime Darby Property (Sungai Kapar) Sdn Bhd
- Sime Darby Property (USJ) Sdn Bhd
- Sime Darby Property (Utara) Sdn Bhd
- Sime Darby Property Holdings Sdn Bhd
- Sime Darby Property Management Sdn Bhd
- Sime Darby Property Selatan (Holding) Sdn Bhd
- Sime Darby Property Urus Harta Sdn Bhd

MALAYSIA: NON-WHOLLY-OWNED SUBSIDIARIES

- Sime Darby Brunsfield Holding Sdn Bhd Group
- Sime Darby Nilai Utama Sdn Bhd
- Sime Darby Property Selatan Sdn Bhd Group

MALAYSIA: JOINT VENTURES

- PJ Midtown Development Sdn Bhd
- Sime Darby Property CapitaLand (Melawati Mall) Sdn Bhd
- Sime Darby Property MIT Development Sdn Bhd Group
- Sime Darby Property Sunrise Development Sdn Bhd *(formerly known as Sime Darby Sunrise Development Sdn Bhd)*

FOREIGN: WHOLLY-OWNED SUBSIDIARIES

- Darby Park (Management) Pte Ltd
- Sime Darby Property (London) Limited
- Sime Darby Property (Hong Kong) Limited
- Sime Darby Property (Vietnam) Pte Ltd
- Sime Darby Property Singapore Limited Group

FOREIGN: 40% ASSOCIATES

- Battersea Project Holding Company Limited Group
- Battersea Power Station Development Company Limited Group
- Battersea Power Station Estates Limited

Note:
For the full list of entities, please refer pages 391 to 398, Note 43 List of Subsidiaries, Joint Ventures and Associates

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dr. Zeti Akhtar Aziz
(Non-Independent Non-Executive Chairman)

Dato' Azmir Merican Azmi Merican
(Group Managing Director)

Dato' Jaganath Derek Steven Sabapathy
(Senior Independent Non-Executive Director)

Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj
(Independent Non-Executive Director)

Dato' Seri Ahmad Johan Mohammad Raslan
(Independent Non-Executive Director)

Datin Norazah Mohamed Razali
(Independent Non-Executive Director)

Rizal Rickman Ramli
(Non-Independent Non-Executive Director)

Dato' Soam Heng Choon
(Independent Non-Executive Director)

Mohamed Ridza Mohamed Abdulla
(Independent Non-Executive Director)

GROUP MANAGING DIRECTOR

Dato' Azmir Merican Azmi Merican

SECRETARY

Moriami Mohd
(SSM PC No. 202008002204)
(MAICSA 7031470)

REGISTERED OFFICE

Level 10, Block G
No. 2, Jalan PJU 1A/7A, Ara Damansara, PJU 1A
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Tel. no. : +603 7849 5000
Fax no. : +603 7849 5688
E-mail address :
property.communications@simedarbyproperty.com
Website : www.simedarbyproperty.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Registration No. 197101000970 (11324-H)

Office:

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

Tel. no. : +603 2783 9299
Fax no. : +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
Wilayah Persekutuan, Malaysia

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)

Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur, Wilayah Persekutuan, Malaysia

Tel no. : +603 2173 1188
Fax no. : +603 2173 1288

FORM OF LEGAL ENTITY

Incorporated on 15 September 1973 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 2 October 2003.

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia Securities Berhad since 30 November 2017

Stock Code : 5288
Stock Name : SIMEPROP

PLACE OF INCORPORATION AND DOMICILE

Malaysia

Our Competitive Strengths

Established experience and track record in property development

Financial resilience enables the Group to undertake **large-scale development projects**

Qualified and experienced Board and Management team

Sizeable developable land bank and **development pipeline** with healthy product-mix located at strategic locations

Capability for **broad product offerings** from residential high-end to affordable units, landed and high-rise units, as well as retail, commercial and industrial & logistics properties

Well-positioned to benefit from opportunities in major new strategic development regions such as **Malaysia Vision Valley 2.0 and Pagoh Special Economic Zone**

Indices Representation & Credit Ratings

BURSA MALAYSIA

FTSE4Good

MARC

MSCI ESG RATINGS BBB

CCC	B	BB	BBB	A	AA	AAA

CDP DISCLOSURE INSIGHT ACTION

Our Distinctive Developments

TOWNSHIP DEVELOPMENT

- City of Elmina, Shah Alam (Denai Alam, Elmina East, Elmina West, Bukit Subang, Elmina Business Park) (6,515 acres)
- Bukit Jelutong (2,205 acres)
- Bandar Bukit Raja, Klang (4,333 acres)
- Serenia City, Sepang (2,370 acres)
- Nilai Impian, Nilai (1,809 acres)
- Planters' Haven, Nilai (250 acres)
- Putra Heights, Subang Jaya (1,796 acres)
- Saujana Impian, Kajang (600 acres)
- Bandar Ainsdale, Seremban (562 acres)
- Bandar Universiti Pagoh, Muar (4,099 acres)
- Taman Pasir Putih, Pasir Gudang (356 acres)

Elmina Central Park in the City of Elmina

Cantara Residences

INTEGRATED DEVELOPMENT

- KL East, Kuala Lumpur (160 acres)
  - The Ridge
  - The Veo
  - KL East Mall
- SJCC, Subang Jaya (30 acres)
  - Lot 15
  - Aurora
- SJ7, Subang Jaya (35 acres)
- Ara Damansara, Petaling Jaya (693 acres)
  - Oasis Corporate Park
  - Cantara Residences
- Melawati, Ulu Klang (880 acres)
  - Serini
  - Melawati Corporate Centre

SIGNATURE/NICHE DEVELOPMENT

- KLGCC Resort, Kuala Lumpur (62 acres)
  - Senada Residences
  - East Residence
- USJ Heights, Subang Jaya (375 acres)
- Chemara Hills, Seremban (44 acres)

JOINT VENTURE DEVELOPMENT

- PJ Midtown (5.54 acres)
- Radia, Bukit Jelutong (20.95 acres)
- Melawati Mall

Twin Factories in Elmina Business Park (artist impression)

Core Business

Property Development	Investment & Asset Management	Leisure

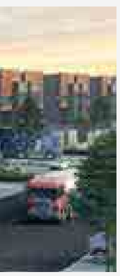
Township, Integrated and Niche Developments	➔	24
Land Bank to be Developed	➔	19,811 acres
Total Estimated Gross Development Value (GDV)	➔	RM84.0 billion

GDV of Units Launched:
RM1,506.4 million
as at 31 December 2020

Sales Achieved:
RM2.0 billion
as at 31 December 2020

Number of Units Launched:
1,668
as at 31 December 2020

Number of Units Sold:
2,258
as at 31 December 2020



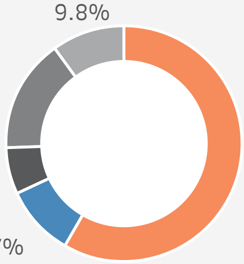
Sales Performance by Region

for the financial year ended 31 December 2020:

Sales by Region (%)	
Guthrie Corridor Expressway	42.0%
Other Areas in Klang Valley	31.6%
Klang	10.6%
Negeri Sembilan	9.1%
Others	6.7%

Shareholding Structure

as at 31 December 2020:



Key Milestones

Sime Darby Property is built on the solid foundation set by our predecessor institutions that were market leaders in their respective industries in the past 200 years. Leveraging on their strength as contributors to the nation's growth, we will do our part to continue this rich legacy by building a sustainable future for communities and creating value for our multiple stakeholders.

1972

Negara Properties, subsidiary of Golden Hope Plantations, launches Taman Melawati.

1974

The launch of Subang Jaya township.

1984

Sime UEP is established through the acquisition of a large stake in United Estates Projects Bhd.

1990

Guthrie Property Development Holding Bhd is established and the Bukit Jelutong development commences.

1995

Subang Jaya receives the International FIABCI Prix d'Excellence Award.

1997

Bukit Jelutong wins Best Planned Township Award from the Institute of Town Planners in Malaysia.

2000

Sime UEP becomes the first Malaysian developer to receive the MS ISO 14000 Environmental Management System.

2002

The launch of Bandar Bukit Raja township, covering 4,333 acres.

2003

Guthrie Property launches Denai Alam and wins the Institute of Planners' Planning Innovation Award for Township.

2005

Completion of the Guthrie Corridor Expressway which connects Shah Alam and Rawang.

2007

The merger of Sime Darby Bhd, Kumpulan Guthrie Bhd and Golden Hope Plantations Bhd.

2010

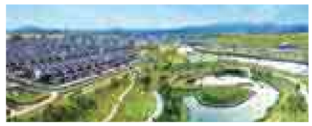
Sime Darby Property forms a 50:50 joint venture with UEM Sunrise to develop Radia, a commercial development in Bukit Jelutong.

2011

Sime Darby Property launches its first affordable housing project in Bandar Ainsdale, in collaboration with PR1MA.

2012

- Sime Darby Property, SP Setia and EPF acquire the iconic Battersea Power Station site in London for £400 million.



- Sime Darby Property launches the 5,000-acre freehold City of Elmina township.
- Sime Darby Property signs concession agreements with the Government of Malaysia and four higher learning institutions to build the country's first multi-varsity education hub in Pagoh, Johor.
- Sime Darby Property enters a joint venture with CapitaMalls Asia to develop Melawati Mall in Taman Melawati.

2014

Sime Darby Property launches Rumah Mampu Milik Johor at Taman Pasir Putih in Pasir Gudang.

2016

Launch of Sime Darby Property Mobile Application.

2017

- Pagoh Education Hub completion in May 2017.
- Sime Darby Property opens Melawati Mall, a new iconic lifestyle mall in Taman Melawati.
- Sime Darby Property makes its debut on the Main Market of Bursa Malaysia Securities Berhad on 30 November 2017.

2018

- Sime Darby Property partners with Japan's Mitsui and Mitsubishi Estate for Logistic and Industrial development at Bandar Bukit Raja.
- Tan Sri Dr. Zeti Akhtar Aziz is appointed as the first woman chairman of the Board.
- Sime Darby Property and UNICEF sign an MoU to develop Malaysia's first Inclusive Playground in the City of Elmina.
- Official launch of Malaysia Vision Valley 2.0.

2019

- Sime Darby Property becomes the only local property developer to be rated by the Carbon Disclosure Project (CDP), an international carbon and environmental performance rating non-government organisation.
- Launch of dto, Malaysia's first property co-creation digital platform.
- Sime Darby Property is reselected as an Index Constituent in the Dow Jones Sustainability Index.
- Sime Darby Property makes more than RM1 billion sales with Primetime 8 campaign.
- Sime Darby Property partners with Tropical Rainforest Conservation & Research Centre (TRCRC) to set up the Elmina Rainforest Knowledge Centre in the City of Elmina.

- Sime Darby Property collaborates with TNBX Sdn Bhd to provide smarter and greener homes in the City of Elmina.
- Spotlight 8 campaign hits RM1.1 billion sales.
- Groundbreaking ceremony of Bandar Bukit Raja Industrial Gateway.

SPOTLIGHT 8 Year 2020

2020

- Groundbreaking ceremony of Sime Darby Property XME Business Park Nilai Impian.
- Launch of online sales campaigns – Online Guided Sales Experience, Super Deals, and Your Instalments On Us – in response to the Movement Control Order.
- Spotlight 8 Year 2020 outperforms previous year's sales, garnering RM1.5 billion in bookings.
- Sime Darby Property was included as a constituent in the FTSE4Good Index Series (FTSE4Good BURSA, FTSE4Good Emerging Market and FTSE4Good Asean 5) by FTSE Russell for the third consecutive year.

- Completed construction of the Elmina Rainforest Knowledge Centre and Endangered, Rare and Threatened Native Tree Nursery in the City of Elmina.
- Sime Darby Property amends its RM4.5 billion Sukuk Musharakah Programme to incorporate terms for the potential issuance of ASEAN Sustainable and Responsible Investment (SRI) Sukuk with a credit rating of $AA+_{IS}$ and was accorded a stable outlook by the Malaysian Rating Corporation Berhad (MARC).
- Sime Darby Property's first wholly-owned mall, KL East Mall opens to the public.
- Sime Darby Property signs a Memorandum of Collaboration with Negeri Sembilan Corporation for the development of Malaysia Vision Valley 2.0.
- Sime Darby Property records RM2.0 billion in sales, exceeding its revised sales target of RM1.4 billion.

Chairman's Statement

Dear Stakeholders,

The unprecedented developments in 2020 have challenged businesses in every part of the world. The global outbreak of the health pandemic brought the world economy to a grinding halt in the first half of the year. All of us were confronted by a common threat that had a major impact on the economy and on society. In this environment, the Group's journey reflected a similar trajectory as with others. It is the organisational resilience during such a tumultuous crisis that will determine our ability to ride out this difficult period and the potential to capitalise the opportunities that emerge with the recovery. Against these extreme conditions, I am pleased to share that our people and businesses were able to adapt and evolve to build a durable recovery for all our stakeholders.

TAN SRI DR. ZETI AKHTAR AZIZ

OVERVIEW OF THE MACRO ENVIRONMENT

In the early part of 2020, the world accorded priority to containing the spread of the COVID-19 pandemic. Shutdowns and movement restrictions were implemented around the world. It brought travel and people movement to an abrupt stop. With the exception of essential services, economic activity ceased to take place. This resulted in the year-on-year global GDP growth to contract massively in the first half of 2020. In Malaysia, Q2 2020 saw the GDP contract by -17.1 percent. In the months that followed, uncertainty was significantly elevated. Despite an upturn in economic activity in Q3, a surge in COVID-19 cases in the final months of the year moderated the recovery. The world responded with unprecedented policy measures. In Malaysia, the fiscal stimulus amounted to about 20 percent of GDP, while interest rates were lowered to historical lows. An important part of the stimulus was the several economic relief packages which included two rounds of the PRIHATIN Rakyat Economic Stimulus Package (PRIHATIN), the National Economic Recovery Plan (PENJANA) and the PRIHATIN Supplementary Initiative Package (Kita PRIHATIN).

The real estate and construction sector was directly impacted by the consequences of the pandemic. Office buildings were emptied and hotels saw an abrupt decline in their occupancy rates. Retail stores also saw their traffic slow even after the movement restrictions were lifted as consumers increasingly elected to purchase their goods online. Property values for office and residential real estate also began to soften. The property sector, being largely dependent on sales and construction progress faced significant operational setbacks from the suspension of activities and site closures. Many of our development sites, sales galleries, retail outlets and leisure operations had to close as a temporary precautionary measure.

REVENUE

RM2.1 billion

NET EARNINGS EXCLUDING ONE-OFFS

RM77.4 million

As part of the fiscal stimulus package, several measures were directly focused on the property and real estate sector. This provided important support for the sector. The property sector especially welcomed the reintroduction of the Home Ownership Campaign, stamp duty exemption, and the enactment of the COVID-19 Bill which allowed property developers to exclude the MCO period in the calculation of the time for delivery of vacant possession and for liquidated damages for late delivery of vacant possession. These and other measures, including the low Overnight Policy Rate (OPR) that was reduced to 1.75 percent and the real property gains tax exemption unveiled in PENJANA have helped to not only cushion the impact of the pandemic but have also stimulated the market.

NAVIGATING WITH RESILIENCE

The construct of the Group's resilience is backed by a formidable legacy of more than 200 years. We are one of few organisations privileged to have a rich history of predecessor institutions in the Sime Darby brand. These include well-known heritage firms such as Guthrie & Co, Harrisons & Crosfield, Sime Darby & Co, Golden Hope Plantations Berhad, Negara Properties Berhad, Sime UEP Berhad and Guthrie Property Development Holding. The evolution of the Group, from a trading and agriculture business in the early 19th century, to a now diversified conglomerate, and subsequently in 2017

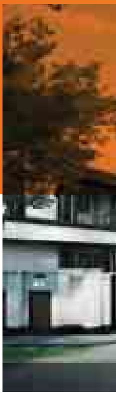
Chairman's Statement

following the demerger, to exclusively focus on property development is in tandem with the nation's changing socioeconomic and demographic landscape.

Upholding this legacy, the Group continues to revamp our capabilities to build the potential to tap into the new opportunities that have emerged. Our focus has been on the changes that have altered the long-term drivers of our industry rather than reacting to the short-term developments that have occurred due to the pandemic. Tactical strategies have also been deployed to meet the fundamental change in consumer behaviour following the greater digitalisation in the economy. During this period, the Group ramped up the digitalisation of its sales and marketing efforts to reach potential customers amidst sales gallery closures. The utilisation of digital touchpoints and the design of a thoughtful online customer experience have been an important part of our efforts to engage with the market during this period.

In terms of performance during this period of heightened uncertainty, the Group declared an interim single tier dividend of 1.0 sen per share for the financial year ended 31 December 2020, totalling RM68.0 million in dividend pay-out to shareholders. This was despite a loss of RM478.8 million recorded in FY2020. Excluding the one-off write-offs, write-downs, impairment and provisions, this translated to a commendable payout ratio of 87.9 percent. Moving forward, we believe the initiatives taken in proactively assessing the value of our assets to ensure prudent measures are in place to reflect the evolving market conditions, will enable the Group to be on a stronger footing when the overall economic environment gradually recovers. The Group also provides for continuous monitoring of its cost structure and funding pipeline to ensure its resilience.

Sime Darby Property Berhad Headquarters



EFFECTIVE LEADERSHIP AND OVERSIGHT

During this unprecedented period, greater attention was given to strengthening the governance arrangements. This is pivotal for the efficient and effective functioning of the corporation and to ensure we successfully meet our intended goals and objectives. In early 2020, a temporary Special Committee of the Board was established to oversee and monitor the implementation of Board decisions and also following the appointment of new leadership to the corporation. The Group Managing Director, Dato' Azmir Merican, joined the corporation on 22 April 2020. The Special Committee provided strategic guidance to the Group as delegated by the Board in the Terms of Reference of the Special Committee. In the midst of the external headwinds, it facilitated a robust engagement between the Board and the Management. This was also facilitated by pre-meeting sessions conducted by the respective Board Committee Chairs. The tenure of the Special Committee was concluded on 31 December 2020 upon the fulfilment of its role and mandate.

The Group declared an interim single tier dividend of

1.0 sen

per share for the financial year ended 31 December 2020

Hevea in the City of Elmina (artist impression)

The opportunity was also taken to recognise the structural changes that was transforming our environment and to also take into consideration the lessons from the pandemic. In relation to this, the Group has established a strategic refocus on strengthening envisioned areas to bolster our performance in today's challenging environment. This move will see Sime Darby Property reinvent itself into becoming a property player with expanded reach in the Industrial & Logistics Development and in the Investment & Asset Management segments. Notwithstanding this strategic refocus, the Group will continue its role as a master developer and community builder alongside its aspiration to become an investment and asset manager. Integral to this will be our focus on greening the environment and overall environmental sustainability as well as on the well-being of the community.

During the year, Sime Darby Property has received a number of awards. This includes the recognition in the 2019 ASEAN Corporate Governance Scorecard Award under the ASEAN Asset Class category which acknowledges companies with a score of more than 75 percent. This award which was presented in December 2020, is a testament to our resolute drive for integrity and ethics in our business. The Group was also recognised at the National Annual Corporate Report Awards (NACRA) and the Annual Reports Competition (ARC) International Awards, signifying our continued commitment for transparency and comprehensive reporting.

In 2020, the Board welcomed two new members – Dato' Soam Heng Choon, who brings with him a wealth of extensive experience and expertise in property development and construction, and Encik Mohamed Ridza Mohamed Abdulla, an established legal practitioner with an illustrious career serving a diverse set of local and international clients.

In August 2020, we lost a key Board member, Datuk Poh Pai Kong, who served on the Board as an Independent Director prior to his demise. The Group is most grateful to him for his many contributions during his tenure and is deeply saddened by his passing.

BUILDING SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

Our business horizon has a long-term orientation that takes into consideration the impact of our activities on the community and on the environment. Sime Darby Property's journey to become a leader in the sustainability agenda encompasses a holistic ecosystem that is built with a focus on three spheres that includes the value chain of People, Planet and Prosperity.

Chairman's Statement

As a developer of townships and industrial developments, our projects have a substantive economic, social and environmental impact. As we build communities, we are cognisant that our greater responsibility is to integrate the sustainability agenda so that our actions will not in any way compromise the well-being of not only the current but also of future generations. As part of the imperative of our corporation on environmental sustainability, consideration is taken into account that our business decisions will not in any way damage the environment.

One notable development in 2020 was the launch of the Sime Darby Property 2030 Sustainability Goals, a set of 18 Environmental, Social and Governance-related (ESG) goals that support the United Nations Sustainable Development Goals (SDGs), that are integrated into our business operations. These goals pave the way for bold and ambitious targets that will reduce our carbon footprint and the impact on climate change while also making increasingly impactful contributions to local communities and our overall society.

The Group is also strengthening governance to integrate sustainability by making it part of the performance metric for Senior Management. In recognition of the role of leaders in driving sustainability forward, sustainability key performance indicators have been put in place in 2020 for the Group Managing Director and the Senior Management. This is the start of increasing accountability for sustainability-linked performance in our business which will continue into 2021. ESG performance is therefore on the front burner for our corporation. The importance of ESG has also been elevated in managing the various human-faceted risks arising from the pandemic. In addition, our contributions in 2020 included a significant amount to COVID-19 relief efforts to safeguard vulnerable communities.

Integrating sustainability is thus at the centre of our business model and our vision. As part of these efforts, the Company has in 2020 developed the Sime Darby Property Sustainability Sukuk Framework, to advance the Group's strategy and vision of building sustainable communities with the development of an ecosystem towards sustainable and responsible investing. I am pleased to share that the Group made its first issuance of Sukuk Musharakah under the RM4.5 billion Sukuk Musharakah Programme with a total issue size of RM800 million on 3 December 2020. The proceeds from the issuance will be utilised for purposes as set out in the Group's Sustainability Sukuk Framework.

SUPPORTING CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) and employee volunteerism is also an important focus at Sime Darby Property, especially in the face of COVID-19 and the numerous consequential issues caused by the pandemic. Working with our philanthropic arm – Yayasan Sime Darby – during the early stage of the pandemic, funds and essential items were distributed to communities living within and around our townships through the Yayasan Sime Darby Disaster Relief Fund Aid. Separately, the Sime Darby Property Relief Fund was set up to channel more than RM800,000 to those most vulnerable to COVID-19. Further financial assistance of RM500,000 was provided to the Government-Linked and Government-Linked Investment Companies Disaster Response Network and another RM250,000 to Agensi Pengurusan Bencana Negara (NADMA).

Apart from COVID-19-related contributions, Sime Darby Property's volunteer programmes which included a focus on wildlife and biodiversity conservation in collaboration with Zoo Negara Malaysia and Taman Tugu were implemented. The Group also participated in a face mask making income generation project with SURI Inspirasi. All in all, 43 CSR programmes were undertaken in 2020 with the help of 264 volunteers from Sime Darby Property who clocked 700.5 volunteer hours. At the iProperty Development Excellence Awards 2020, we received the Community CSR Award of the year for our CSR dedication.

Lumira 2 in Bandar Bukit Raja (artist impression)

Ilham Residence in the City of Elmina (artist impression)

43 CSR programmes undertaken in 2020

264 Sime Darby Property **volunteers**

700.5 volunteer hours clocked in

CLOSING REMARKS

In closing, I would like to thank our shareholders for their unwavering trust and continuous support, especially during this challenging time. My appreciation goes to Dato' Azmir and the Senior Management team for demonstrating excellent crisis management at the Group. I am confident that the Senior Management team will be able to lead the Group to achieve greater milestones.

I am also grateful to my fellow Board members for their strong commitment, and for their sound advisory and guidance offered during this difficult year. To our employees who have remained focused and connected, it has paid off in allowing the corporation to continue to deliver its mandate during these challenging times. Although forecasts are decidedly more positive going into 2021, with the news of successful vaccine development, we expect to continue to face challenging economic conditions. The foundations for a recovery are in place. The containment of the pandemic and the speed and success of the vaccine distribution will reinforce the strength of the recovery. I assure our stakeholders that Sime Darby Property will continue to build upon our strong foundations to support our future growth and to reinvent the ways in which we serve you.

Tan Sri Dr. Zeti Akhtar Aziz
Non-Independent, Non-Executive Chairman

Group Managing Director's Review

DATO' AZMIR MERICAN

Dear Shareholders,

Sime Darby Property surpassed expectations with a commendable finish to the year under review. Despite the uncertainties brought on by the COVID-19 pandemic, the Group achieved total sales of RM2.0 billion in 2020, 43 percent higher than the revised sales target of RM1.4 billion. Excluding one-offs on write-downs, write-offs, impairment and provisions, the Group recorded Profit Before Interest and Tax (PBIT) and net earnings during the year under review of RM110.4 million and RM77.4 million respectively.

Going into 2020, the Group had anticipated a soft property market due to the prevailing property overhang as well as weak consumer demand and persevered throughout the challenges to emerge resilient.

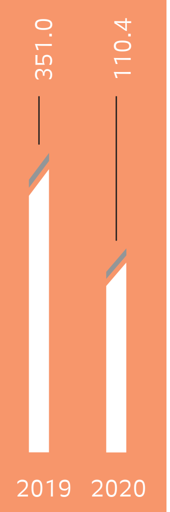
Economic uncertainties as a result of the pandemic were felt globally, and not just confined to our local operations. The three full lockdowns in the United Kingdom and subsequent closure of the construction sites also affected our overseas development in Battersea, London. However, our Battersea Power Station project continued to see positive demand for its residential offering, with over £145 million (RM821 million) of sales achieved in the last 12 months.

Proactively, Sime Darby Property undertook a comprehensive review of the operating environment and the Group's exposure to risks, revising our short-term strategies and formulating business plans that would allow us to react quickly to the changing market environment.

By leveraging on our existing strengths to tap into opportunities arising from the pandemic, we were also able to create value for our stakeholders. Our strategic reprioritisation included focused launch plans, financial discipline through cashflow & inventory management and cost optimisation, as well as the acceleration of our digital transformation journey which we had initiated before the pandemic.

Revenue
(RM'million)

Profit before Interest and Tax excluding one-offs
(RM'million)



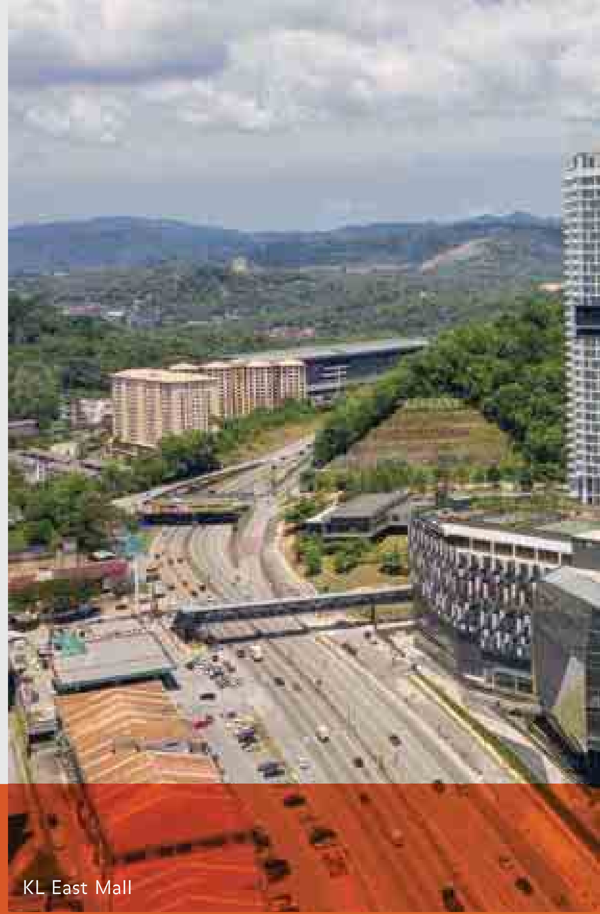
One such immediate measure was to leverage on our digital sales channels ranging from emails and news portals to social media platforms, enriched by website campaigns that utilise online guided sales experiences. Our Spotlight 8 Year 2020 campaign, launched on 16 July 2020 garnered RM1.5 billion in bookings, outperforming the previous year's record of RM1.1 billion.

To ensure the sufficiency of funding lines, we reactivated our RM4.5 billion Sukuk Musharakah programme in November 2020, which was accorded a credit rating of $AA+_{IS}$ and a stable outlook by Malaysian Rating Corporation Berhad. We are pleased to report that our balance sheet position remains healthy, with gross and net gearing ratios of 36.7 percent and 28.1 percent respectively. Total cash and cash equivalents of the Group increased by 7.9 percent to RM801.8 million as at 31 December 2020.

SALES ACHIEVED

RM2.0 BILLION
(2019: RM3.1 billion)

Group Managing Director's Review


KL East Mall

KEY PERFORMANCE HIGHLIGHTS

Sime Darby Property recorded a revenue of RM2.1 billion and a Loss Before Interest and Tax (LBIT) of RM509.9 million for the financial year ended 31 December 2020. The results reflected the challenges in the business environment amid the COVID-19 pandemic as well as asset impairment charge including the impairment loss from the Battersea Power Station project as well as write-down/write-off of investories, impairment and provisions totalling RM620.3 million. Excluding these one-offs, the Group recorded a commendable PBIT of RM110.4 million for the financial year.

The Property Development segment remains the key contributor to the Group's revenue, generating RM1.9 billion for the full financial year, on the back of an aggressive marketing and sales campaign, particularly via digital sales channels, as well as on-site development activities in township such as City of Elmina, Bandar Bukit Raja, Serenia City and Putra Heights, as well as integrated developments such as Lot 15, Cantara Residences and Senada Residences. In FY2020, the Group successfully completed 18 projects with a total delivery of 3,725 units of properties.

Total sales for the Group stood at RM2.0 billion, which surpassed its revised sales target of RM1.4 billion by 43 percent. Revenue visibility remains steady for Sime Darby Property, with RM1.6 billion of unbilled sales as at 31 December 2020 and new bookings of RM0.8 billion as at 14 February 2021.

Revenue from the Investment & Asset Management segment stood at RM78.8 million in the current financial year. In the financial year, the Group recorded the maiden contribution from its new KL East Mall which was opened to the public in November 2020. Excluding one-offs, the Investment & Asset Management segment registered a loss of RM39.0 million, on the back of pre-opening expenditure for the mall.

The Leisure segment generated a revenue of RM73.2 million for FY2020, on the back of reduced contribution from events and functions following the COVID-19 outbreak. There were no one-offs from this segment during the year and the segment's generated a LBIT of RM27.8 million for the full financial year.

Our Property Development segment achieved an average take-up rate of 88.0 percent as at 14 February 2021.

STRATEGIC PRIORITIES AND ACHIEVEMENTS

In 2020, the Group prioritised a few key areas namely Marketing & Sales in the area of inventory management, particularly for completed and incoming completed stocks, cost and cashflow management, reallocation of resources to areas with immediate accretive value and prioritisation of key projects that deliver value to customers.

In its Property Development segment, the Group emphasised on capacity building for digital marketing, employing agile launch plans with the right products at the right price points in well-located townships to match the shift in customer priorities.

Tighter financial management controls were also put in place to mitigate the profit and loss impact of COVID-19, including reviewing our capital spending and operational expenditure with a view to recalibrate our direct and overhead cost base. In the year under review, our Property Development segment launched 1,668 units of property with a Gross Development Value (GDV) of RM1.5 billion, achieving an average take-up rate of 88.0 percent as at 14 February 2021.

Among notable projects included Ilham Residence, our first foray into stratified landed development in the City of Elmina and a key component of our vision to develop sustainable lifestyle concept of multi-generational living.

A number of the Group's projects, namely Serenia City's Serenia Ariya and Elmina Green Three Phase 1 in the City of Elmina recorded 100 percent take-up rates at launch. In the City of Elmina, the first phase of Elmina Business Park launched in September 2020 was also fully taken-up as at year-end, signalling a receptive market for our products in the Industrial & Logistics Development segment.

LAUNCHES IN FY2020:

1,668 UNITS
with RM1.5 billion GDV

KL East Mall received more than 200,000 visitors in the opening week. Currently holding a 72.0 percent physical occupancy rate, the mall has welcomed over 1.5 million visitors to date.

Group Managing Director's Review

Serenia Ariya in Serenia City (artist impression)

WORKFORCE EMPOWERMENT

As strict stay-at-home orders were instituted and digitalisation intensified, our people adapted to the new challenges of working from home. Sime Darby Property employees were equipped with digital solutions, including the HR Management System via cloud technology and were encouraged to conduct meetings and training sessions through virtual platforms.

As proponents of mental health advocacy, our Human Resources Team introduced the Employee Solidarity Programme 2020, providing wellness assistance to employees via financial and other means. We also launched Jalinan Nurani, a digital platform that allows employees and their families to care for their mental, physical and financial well-being.

The Work-from-Home practice has proven to be a boon for the staff as more than 75 percent of employee development plans were implemented and average learning hours increased by 20 percent. Of these, over 60 percent were delivered online.

We continue to empower our staff and have put in motion a continuous learning culture and a succession pipeline to ensure that our people remain agile in the ever-changing business environment.

FUTURE DIRECTION

Our corporate direction under our SHIFT 2.0 Strategy continues to drive Sime Darby Property forward amid the challenging economic outlook. In this environment, we are focused on executing our strategies via our four corporate priorities which are broadening income streams, deepening our competencies, initiating digital transformation and developing new capabilities. Our organisation transformation will evolve the Group from a pure play property developer to be a real estate development company with multiple sources of income. Our aim will be to deliver shared value to our stakeholders, a balanced of social, environmental and economic outcomes.

Moving forward, the Group will embark on an active landbank management and monitisation strategy to ensure a sustainable development pipeline for our lands, review lands not within the development of our townships as well as harness our landbank assets as currency for growth and ultimately strengthen our balance sheet.

Sime Darby Property will bank on its agile launch plan to meet a higher sales target of RM2.4 billion in 2021. Projects with a GDV of approximately RM2.5 billion are lined up for launches this year, including a diversified product mix of landed and high-rise residentials as well as industrial and commercial offerings.

Going into 2021, we are focused on digital transformation as a key enabler for our business operations, innovation in lifestyle concepts emerging from stay-home needs, building sustainable communities, and accelerating the speed of income diversification to strengthen our business model.

RM68.0 million
in dividend pay-out to shareholders

The Group will focus on the Industrial & Logistics Development segment as its new sector growth with key launches in 2021 including further launches in Elmina Business Park comprising 303 industrial units and 78 commercial units with a GDV of RM1.3 billion. Our product offering has expanded to include our first multi-tenant, ready-built warehouse with a total GDV of RM530 million in the Bandar Bukit Raja Industrial Gateway.

In 2021, the Group will launch the luxury high-rise Jendela Residences located in the flagship of KLGCC Resort township, further diversifying Sime Darby Property's residential product mix. With a GDV of approximately RM900 million, Jendela Residences is the first of the Group's high-rise projects to be launched for the year.

We will also strengthen our retail and commercial portfolio as placemaking and catalytic components to add value to township projects. TPC Kuala Lumpur has been identified as a focal point for the repositioning of the KLGCC brand as a lifestyle destination.

The Group will remain vigilant in monitoring the economic recovery. We have realigned our strategic priorities to meet current challenges and capitalise on opportunities when they emerge in the year ahead.

OUTLOOK AND PROSPECTS

The Group anticipates the uncertainties of 2020 to continue into 2021 amidst the ongoing pandemic. Our Government's measures to contain the outbreak and the success of the vaccination programmes will be major determinants of the country's economic growth. Sime Darby Property stands resilient against the upcoming risks and challenges but is also well-positioned to harness opportunities for a strong rebound.

Going into 2021, we are focused on digital transformation as a key enabler for our business operations, innovation in lifestyle concepts emerging from stay-home needs, building sustainable communities, and accelerating the speed of income diversification to strengthen our business model. We view 2021 as the year of consolidation to strategise, invest and digitise to further strengthen our foothold in the property market and build stronger foundations for the years ahead.

We will also continue to leverage and support the Government's multi-pronged strategies and initiatives such as the Home Ownership Campaign extension under the PENJANA stimulus package (which runs from 1 June 2020 to 31 May 2021), stamp duty exemptions under the Budget 2021 announcement, and the low-interest rate environment.

APPRECIATION

We are grateful for the support from the Government, various regulatory bodies, business partners, our shareholders, Permodalan Nasional Berhad, and especially our customers for their unyielding trust in Sime Darby Property. Every support extended during these challenging times have contributed to the Group's greater achievements.

In August 2020, we lost a distinguished Board member, the late Datuk Poh Pai Kong. His invaluable insight and guidance throughout his years of service will always be remembered. Our sincerest gratitude also goes to Dato' Johan Ariffin and Datuk Dr. Mohd Daud Bakar following their retirement from the Board after almost 10 and three years of service respectively. The Management benefited greatly from their tenure and is honoured to have been under their leadership.

On behalf of the Group, I would like to thank YBhg. Tan Sri Dr. Zeti Akhtar Aziz for her leadership, guidance and support provided to the Board and myself throughout her tenure as Chairman of the Group. We have benefited from her breadth of vision and deep insight which have been invaluable in steering the Group during difficult times in the past year.

Thank you as well to all Sime Darby Property employees for their continuous dedication to our purpose.

Dato' Azmir Merican
Group Managing Director

Our Approach to Value Creation
– How We Create Value

Our emphasis on value creation is expressed in our purpose to become a Leader in Building Sustainable Communities, pointing not just to one or a few stakeholders but all those involved in our businesses. Sime Darby Property adopts an integrated approach to value creation by taking stock of the external environment including market risks and opportunities and our relationship with stakeholders, assessing our material matters and formulating strategies that will lead us on a path to create sustainable value for stakeholders. We regard the value creation process as a continuous navigation of these factors, where every stakeholder in our ecosystem benefits from our business in one way or another.

Our Stakeholders

The end goal of the value creation process is to deliver benefits to ourselves and our stakeholders. Their expectations inform our assessment of material matters and strategies.

Our Operating Context

The external environment determines our growth prospects in an interconnected economy, influenced by global megatrends, market outlook, risks and opportunities, regulatory changes and trade flows.

Our Material Matters

Our material matters are those topics that influence our business and which we respond to through appropriate management approaches. They carry both risks and opportunities.

Six Capitals

The six capitals are the various types of resources we use to create value, and our performance by capitals is a measure of our value creation efforts.

Our Strategy

Our SHIFT 2.0 Strategy outlines strategic priorities that will position us in the operating environment, manage our material matters through the six capitals, and ultimately create value for stakeholders.

Our Ability to Create and Protect

The strength of governance is a key factor in our value creation ability. Value creation is therefore central to our corporate vision and mission as well as integrated into our performance and remuneration frameworks throughout all levels of the organisation.

Performance linked to value creation

Our Group performance is measured by the value we create for stakeholders, and this is continually incorporated into our individual performance metrics. Both financial and non-financial performance combine to provide a holistic value creation model. In addition to business performance targets, the Green Sustainability KPI at the senior leadership level recognises value creation that goes beyond financial performance.

Remuneration that drives value over time

Our Board remuneration framework is designed to ensure fair remuneration based on a diverse set of skills required for value creation at Sime Darby Property. Additionally, the remuneration policy (which is reviewed periodically by an independent consultant) applies to Non-Executive Directors to align remuneration with the Group's long-term strategy. A similar Group Remuneration Policy that applies to employees also carries the same goal to ensure rewards are based on performance.

Material Issues Impacting the Group	Strategic Value Drivers
• Financial Performance • Strategic Partnerships • Innovation	Expand Income Portfolio
• Financial Performance • Product Delivery Timeliness • Product Quality • Occupational Health and Safety	Achieve Cost & Operational Efficiencies
• Financial Performance • Strategic Partnerships • Innovation	Launch New Growth Areas
• Product Delivery Timeliness • Product Quality • Occupational Health and Safety • People Management • Change Management and Communication Plan	Embark on Digital Transformation
• People Management • Change Management and Communication Plan • Sustainable Development Pipeline • Community Development	Improve Organisational Effectiveness

Allocating Our Resources

We leverage on the resources at our disposal to deliver value, which are distributed among our six capitals. The allocation of resources are subject to trade-offs between each of the capitals. Any decision, investment or opportunity is ventured with consideration for these trade-offs, with the goal to balance and enhance our capitals for the actualisation of value creation that benefits all.

MANUFACTURED CAPITAL

Our land bank and built infrastructure that we build and manage provide a sustained source of revenue generation for decades to come.

FINANCIAL CAPITAL

Income from our core and recurring business segments, monetisation planning and fundraising exercise ensure a healthy cashflow to continue our operations and expand growth.

HUMAN CAPITAL

Our people – the expertise and capabilities that they possess to achieve business outcomes, deliver strategic priorities and drive our vision and mission.

SOCIAL CAPITAL

The relationships and goodwill we have with our stakeholders build trust and credibility in our brand as well as create an ecosystem where every stakeholder benefits.

NATURAL CAPITAL

The natural resources used for our business activities and our store of undeveloped landbank unlock the potential for future revenue.

INTELLECTUAL CAPITAL

The knowledge, processes, technologies and systems embedded in our operations nurture the capacity for innovation which is key to maintaining our competitive edge.

Our Value Creating Business Model

Our business model is designed to respond to the most critical and material aspects of our business and stakeholders, to reinforce the Group's vision to be the Leader in Building Sustainable Communities. It marks a new chapter for long-term value creation since our listing as we leverage the experiences and skills of our people to deliver quality homes and properties for our customers.

KEY INPUTS

OUR CRITICAL CAPITALS

MANUFACTURED CAPITAL

Owns **approximately 20,000 acres** of land bank and additional approximately **20,000 acres** of call option lands in strategic locations and with good connectivity

- **24 active townships**, integrated and niche developments
- **1.68 million sq ft.** of total net lettable area
- **6** Leisure assets

Please refer to pages 102 to 129 for Operations review

FINANCIAL CAPITAL

Prudent in protecting the Group's financial position through optimal liquidity management and efficient capital structure.

- Cash balance of **RM801.8 million**
- Total equity: **RM9.3 billion**
- Gross Gearing Ratio: **36.7 percent**
- Net Gearing Ratio: **28.1 percent**

Please refer to pages 82 to 101 for Performance review

HUMAN CAPITAL

1,503 total employees across our operations in **Property Development, Investment & Asset Management, and Leisure** (*as at December 2020)

Please refer to pages 140 to 147 for Executive Leadership and pages 222 to 277 for Sustainability Report

SOCIAL CAPITAL

Maintains **strong and effective** relationships with key stakeholders, namely shareholders, customers, local authorities, communities and suppliers

Please refer to pages 41 to 48 for Stakeholders Engagement

NATURAL CAPITAL

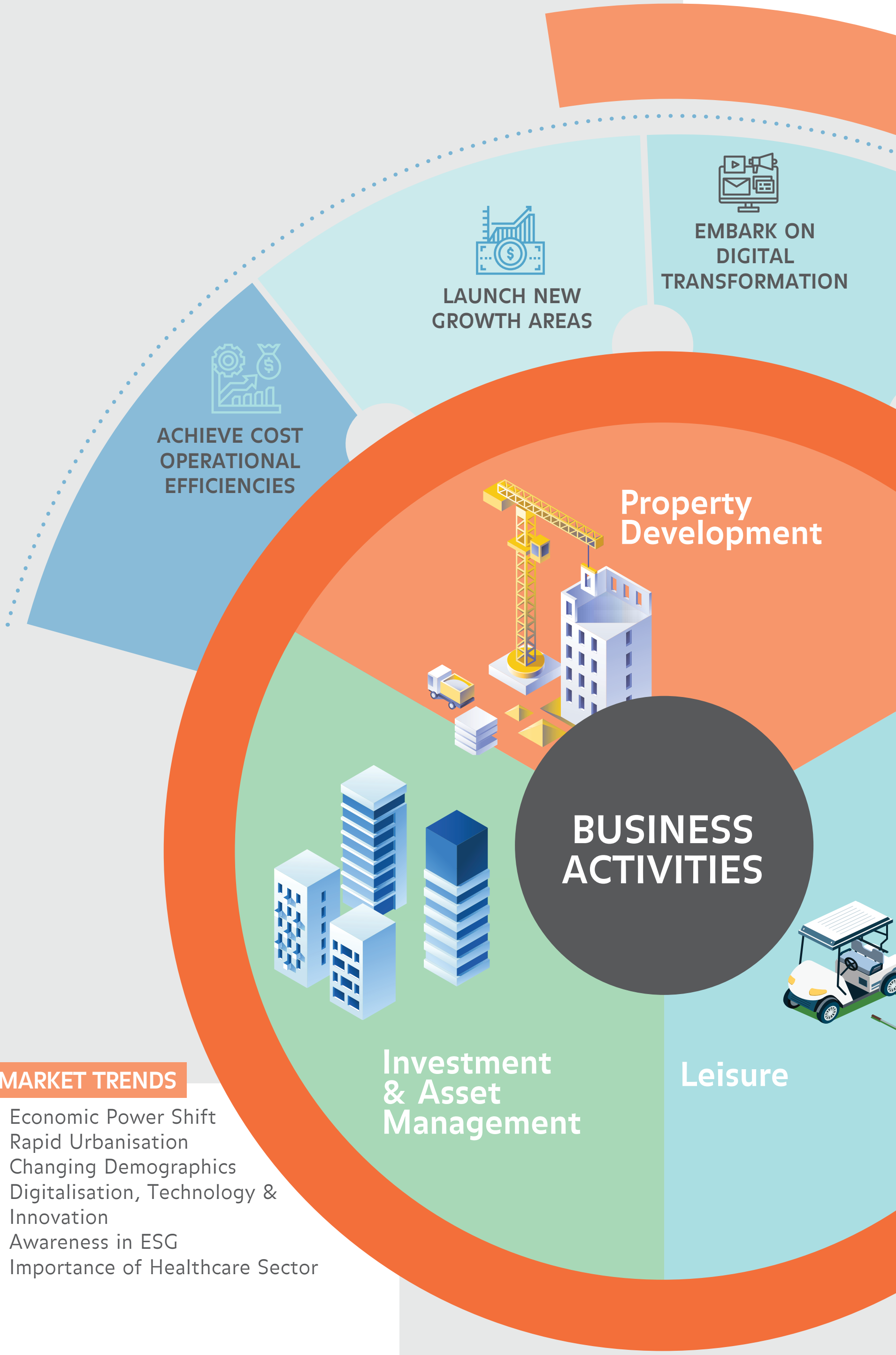
Optimise environmental performance by embedding **Sustainability** in our value chain to manage natural resources, i.e. land, water and energy

Please refer to pages 222 to 277 for Sustainability Report

INTELLECTUAL CAPITAL

48 years of track record with strong brand name, market experience and formidable network with partners

Please refer to pages 49 to 129 for Management Discussions & Analysis



MARKET TRENDS

- Economic Power Shift
- Rapid Urbanisation
- Changing Demographics
- Digitalisation, Technology & Innovation
- Awareness in ESG
- Importance of Healthcare Sector

Supported by strong governance and effective Board leadership

Underpinned by
Our Values: PRIME

P — Passion
R — Respect and Teamwork
I — Integrity and Accountability
M — Make it Happen
E — Entrepreneurial Spirit

KEY DRIVERS OR COMPETITIVE ADVANTAGE

OUR MAIN ACTIVITIES

SHIFT 2.0 STRATEGY

IMPROVE ORGANISATIONAL EFFECTIVENESS

EXPAND INCOME PORTFOLIO

ACTIVE LANDBANK MANAGEMENT
A rigorous approach to expand our role as a master developer, enhance the value of existing townships and execute strategic land monetisation and acquisitions

TOWNSHIP & INTEGRATED DEVELOPMENT
Effectively conceptualise and design property development projects that meet buyers' demands and standards

ROBUST CAPITAL MANAGEMENT
To deliver sustainable net earnings, rewarding distribution to shareholders while maintaining efficient cash and capital management

STRONG FINANCIAL DISCIPLINE
Improve the effectiveness to deliver profitable performance through constant review of product feasibility, sales performance, inventory management and cost management

SUSTAINABLE TALENT & PERFORMANCE MANAGEMENT
Focus on effective people management to groom talent and optimise efficiency across all operations

EFFECTIVE GOVERNANCE & STAKEHOLDER MANAGEMENT
Periodic enhancement on our Policies & Operating Procedures to meet compliance requirements and expectations of stakeholders, particularly strategic partners, shareholders and regulatory bodies

Enhancement of existing Procurement Policies & Operating Procedures to suit current industry practices

CORPORATE SUSTAINABILITY MODEL
Strengthen efforts on the governance of the sustainability practices across the value chain through implementation of Sustainability Index and sustainability strategies

SUSTAINABLE PROCUREMENT
Key products and materials that possess green certifications from across the region

PRODUCT & DIGITAL INNOVATION
Use of digitalisation and technology as well as innovation through the ingenuity of its people to broaden customer channels, improve customer experience and project collaboration

MATERIAL RISKS

- Market
- Competition
- Talent & Resource Management
- Environmental, Safety & Health
- Cybersecurity
- Development & Product Strategy
- Joint Ventures, Collaborations & Strategic Partnerships
- Project Development & Execution
- Legal/Regulatory & Contractual Compliance
- Utilities Supply

Please refer to pages 72 to 77 for Key Risks and Mitigation

OUR OUTCOMES

OUR VALUE CREATION

MANUFACTURED CAPITAL

- **18 projects** successfully completed with a total delivery of **3,725** completed units in Financial Year 2020
- **36 ongoing projects**, total **7,004 units** with GDV of **RM3.8 billion**

Please refer to pages 102 to 129 for Operations review

FINANCIAL CAPITAL

- **RM9.1 billion** shareholders' fund
- **87.9 percent** dividend payout ratio excluding one-offs

Please refer to pages 82 to 101 for Performance review

HUMAN CAPITAL

- **42 percent** of our workforce and **22 percent** of the Board are represented by women
- Enhanced talent management via **200 learning** and development programmes for employees

Please refer to pages 222 to 277 for Sustainability Report

SOCIAL CAPITAL

- **264 volunteers** took part in **21 projects** and contributed 700.5 volunteer hours

Please refer to pages 222 to 277 for Sustainability Report

NATURAL CAPITAL

- **108,225** trees planted since 2011, of which 21,623 are IUCN Red List Trees
- Restated carbon emissions baseline and set total operational carbon emissions reduction targets (replacing intensity reduction) toward being carbon negative by 2030

INTELLECTUAL CAPITAL

- Listed on **FTSE4Good** Indices (2018-2020) and Dow Jones Sustainability Index for 2018/2019
- **Rated C** in Carbon Disclosure Project and BBB in MSCI ESG Ratings

Please refer pages 49 to 129 for Management Discussions & Analysis

Please refer to pages 222 to 277 for Sustainability Report

Robust Corporate Governance Framework

We are committed to the highest standards of governance and constantly review our framework to align with stakeholders' best interests

Please refer to pages 150 to 191 for Corporate Governance Overview

Performance by Capitals

These six capitals through which we derive value for our organisation and stakeholders constitute the resources and relationships of our businesses. The inputs are integral to our operations and the outputs that deliver value. The capitals are interrelated, often with trade-offs, and balancing these capitals is an essential part of the Group's decision making process. We take strategic actions to enhance each capital towards the desired outcomes while balancing trade-offs, and the performance of our capitals in 2020 is as below.

MANUFACTURED CAPITAL

Our land bank and property products that we continue to manage provide a sustained source of revenue generation for decades to come

Key Inputs:

- **Approximately 20,000 acres** of land bank
- **24 active** completed townships and developments
- **1.68 million sq ft.** of total net lettable area
- **6** leisure assets

Outcomes:

- **3,725** units constituting **18** projects completed
- **81.5 percent** QLASSIC score

Action to Enhance Outcomes:

- Conducted a total assessment and re-strategised new launch plans amidst challenging market conditions
- Reviewed landbank management and monetisation strategy to unlock value in remaining developable landbank
- Transformed complementary businesses to add value to core property development business
- Completed the first phase of homes that accommodate multi-generational living with senior-friendly, age-in-place features
- Built Malaysia's first inclusive playground and published a Best Business Practices Circular and Guidance Toolkit for other developers to follow suit

Trade-Offs:

Land acquisition for future developments and the transformation of complementary business requires financial capital in the short-term. In the long term, it will catalyse overall organisational growth for financial stability. The development of our land bank can also negatively impact natural capital. However, the latter can be mitigated by leveraging on human capital and intellectual capital

FINANCIAL CAPITAL

Income from our core and recurring business segments, monetisation planning and fundraising exercise ensure a healthy cashflow to continue our operations and expand growth

Key Inputs:

- **RM14.9 billion** total assets
- **RM2.1 billion** total revenue
- **RM800.0 million** in nominal value raised from Sukuk issuance
- **28.1 percent** net gearing ratio

Outcomes:

- **RM9.1 billion** shareholders' fund
- **87.9 percent** dividend payout ratio excluding one-offs
- **RM81.0 million** tax paid to the Government and contribution to the society

Action to Enhance Outcomes:

- Maintained a healthy product mix by launching products at the right price points to cater to fluctuating market preferences
- Developed more aggressive digital marketing campaigns to sustain the momentum from previous online sales
- Intensified efforts to diversify income stream via the new growth engine in the ILD business
- Focused on complementary businesses to support our recurring income strategy
- Maintained a healthy balance sheet through effective capital, cashflow and cost management
- Accelerated monetisation plans for land sales, low-yielding assets and unsold inventories
- Ensured sufficiency in funding lines, including the activation of SRI Sustainability Sukuk Musharakah to raise funds for projects that support Sime Darby Property's 2030 Sustainability Goals

Trade-Offs:

The need to strengthen financial capital through such measures as cost rationalisation can compromise human capital and natural capital. Some other actions to enhance financial capital require additional borrowings, which would increase the gearing level. However, these actions are necessary to achieve sustainable returns in the medium to long term

HUMAN CAPITAL

Our people's expertise and capabilities drive our vision and mission, deliver strategic priorities and achieve business outcomes

Key Inputs:

- **1,503** employees
- **200** learning and development programmes
- **RM1.2 million** invested in learning and development programmes

Outcomes:

- **18.95** average training hours per employee and total training hours of 28,824

Action to Enhance Outcomes:

- Organised digital trainings instead of physical sessions
- Increased the number of training programmes and learning hours
- Implemented pandemic precautionary measures to reduce exposure to the virus

Trade-Offs:

Efforts to develop and nurture human capital may come at the cost of financial capital, but this is balanced in the long term by enhanced talent capabilities that bolster financial capital

Performance by Capitals

SOCIAL AND RELATIONSHIP CAPITAL


C.L.A.S.S Programme

Our relationship with stakeholders, formed through goodwill, build trust and credibility in our brand and create an ecosystem where every stakeholder is a beneficiary of our community enrichment initiatives

Key Inputs:

- **42** organisations supported through donations
- **43** community programmes implemented

Outcomes:

- **RM2.5 million** worth of charitable contributions
- Approximately **RM1.0 million** channelled to COVID-19 relief efforts by the Group
- **700.5 hours** spent volunteering for the community

Action to Enhance Outcomes:

- Adjusted the speed of payments processing to our suppliers from one month to 14 days to ease the financial burden resulting from the pandemic
- Continued to donate, plan, and support various community development programmes that aid the underprivileged
- Developed a new Vendor Code of Business Conduct with increased focus on human rights

Trade-Offs:

Building bridges with all our stakeholders takes a toll on financial capital and human capital. However, management of social and relationship capital via stakeholder engagement can strengthen our social license to operate and enable us to build manufactured capital for more inclusive results

NATURAL CAPITAL


Aman North Park in Serenia City

The natural resources used for our business activities and undeveloped land bank unlock future revenue potential

Key Inputs:

- **21,623 IUCN** Red List Trees with a total of **108,225 trees** planted since 2011
- **3,948** homes installed with water-saving fittings
- **2,760** energy-efficient homes
- **3** community recycling programmes conducted

Outcomes:

- **38,452* tCO_2-e** carbon emissions
- **8,959.88 tCO_2-e** carbon sequestered
- **612,830* m^3** water used
- **3,980 tonnes*** of solid waste (non-hazardous) generated
- Restated carbon emissions baseline
- Restated waste intensity baseline
- **39.4 tonnes** of community recyclables
- Restated water intensity baseline

Action to Enhance Outcomes:

- Established the Sime Darby Property 2030 Goals that are aligned with the UN SDGs
- Strengthened governance of sustainability matters by finalising an Integrated Sustainability Policy and implementing the Green Sustainability KPI
- Developed and launched SRI Sustainability Sukuk Musharakah programme
- Continued to advance reduction targets by implementing eco-efficiency practices in our operations
- Conducted a sustainability communication programme to raise awareness among employees
- Identified sustainability risks in our enterprise risk framework
- Enhanced the sustainability features of our units by installing solar panels and water-saving fittings
- Developed a Wetlands Construction and Maintenance Guideline in consultation with a wetland expert
- Maintained the Elmina Rainforest Knowledge Centre and Living Nursery Collection as biodiversity inventories
- Commenced the vendor engagement programme on eco-efficiency and climate change

* This data has been externally assured. Please refer to Independent Assurance report from pages 429 to 431.

Trade-Offs:

Protection and conservation of natural capital affect financial capital. However, in the long term, preserving natural capital ensures we can continue to grow manufactured and financial capital. Effective protection of natural capital improves social and relationship capital, especially with those stakeholders that are concerned about our environmental footprint

Performance by Capitals

INTELLECTUAL CAPITAL

The knowledge, processes, technologies and systems embedded in our operations nurture the capacity for innovation, which is key to maintaining our competitive edge

Key Inputs:

- **PRIME** core values

Outcomes:

- Maintained our position on **FTSE4Good Indexes**
- The only property developer to be rated by CDP for carbon management and stakeholder engagement
- **Rated C** in Carbon Disclosure Project and BBB in MSCI ESG Ratings

Action to Enhance Outcomes:

- Conducted research on existing products to understand customer behaviour and enhanced digital marketing channels through application of new technologies
- Introduced minimum sustainability standards in our products to incorporate sustainability considerations into our township planning
- Conducted vendor eco-efficiency programmes to raise awareness and compliance with environmental standards and practices

Trade-Offs:

Building up intellectual capital can reduce financial capital in the short term as investments are channelled into innovation and process improvements. However, enhanced productivity or product quality resulting from investments in intellectual capital can be positive for manufactured capital and financial capital

Stakeholder Engagement

Stakeholder relations are central to value creation. To develop a holistic understanding of our value proposition, we seek to assess our stakeholders' interests and expectations, their importance to our business, and the risks and opportunities surrounding these relationships. We hope to deliver our vision and mission through a thorough understanding of value creation.

Quality of Engagement

1 diamond	No existing relationship
2 diamonds	Relationship established, but much work to be done to improve quality of relationship
3 diamonds	Relationship established, value-generating connection, but with some room for improvement
4 diamonds	Good-quality, mutually beneficial relationship, with some room for improvement
5 diamonds	Strong relationship of mutual benefit

Frequency

D	W	M	Q	Y
Daily	Weekly	Monthly	Quarterly	Yearly

Stakeholder Engagement

INVESTORS AND ANALYSTS

Quality of Engagement

Frequency of Engagement

D M Q Y

Related SDGs

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Value for Them

Attractive short- and long-term yield on investment driven by sound governance and risk management, a robust growth strategy, and transparent disclosures on financial and non-financial performance

Value for Sime Darby Property

A reliable financial rating and capital to finance our business activities

Engagement Purpose

- To keep the investors and analysts informed on the following:
  a. The latest financial and operational performance
  b. Updated business developments, strategies, and directions
  c. Responses to the key issues that took place or were announced in the market or macro environment that may impact the Group's operations. Such responses include anticipated impact in the short and longer term as well as the Group's reaction or strategies to manage these issues
- Quality of engagement is strong as we respond to investors and analysts within a short period of time to keep them updated of any developments

Value Proposition

- Enable stakeholders to make informed investment decisions based on information and updates provided
- Timely information provided allows stakeholders to continue to see the positive intrinsic value of the Group for long-term investment
- Equal opportunity is provided to minority shareholders to seek for the same responses and clarification from the Group

Engagement Platforms and Frequency

- Strategic and effective engagement with the investment community via face-to-face and/or virtual communication
- The Group participates in investor roadshows/conferences and conducts quarterly investor briefings, which allow the investors to have direct access to the Executive Leadership team for the latest development updates of the Group

Other communication channels include the following:
a. Annual General Meetings
b. IR corporate website
c. Quarterly results and corporate exercise announcements via Bursa Malaysia
d. One-on-one meetings
e. Site visits
f. Email/phone communications

Key Concerns Raised

- Transparent disclosure of financial and operational information for better understanding of the Group's developments
- Consistent and concise financial and operational performance on a quarterly basis
- Disciplined growth strategy with clear emphasis on long-term, sustainable shareholders' returns
- Good governance and risk management framework

Responses

- Organise quarterly briefings for results announcement and updates on key developments
- Communicate clear strategic direction, goals and outcomes, broad risk exposures as well as performance targets of the Group via:
  a. One-on-one/group meetings and conference calls
  b. Conferences
  c. Non-deal roadshows
  d. Informative, accurate, timely and transparent quarterly results announcements and annual reports
- Allow direct access to the Board members and Executive Leadership at Annual General Meetings
- Site visits per key investor requests

Engagement Platforms and Frequency	Risks and Opportunities	Our Response
• Investor conferences (yearly) • Annual General Meeting and annual report (yearly) • Investor briefings (quarterly) • Site visits on request basis • One-on-one meetings (monthly) • Email communication on request basis • Investor Relations webpage (daily)	Inaccurate financial analysis reported by analysts causing less favourable rating to our stock and share price performance. Transparent and timely disclosures provide investors with opportunities to make sound investment judgements	• Conducted meetings and engagement sessions to reach local and foreign-based investors • Maintained relationship with investors and analysts through various channels

MEDIA

Quality of Engagement

Frequency of Engagement

M Q Y

Related SDGs

Value for Them

Timely information and insights on our business and the industry

Value for Sime Darby Property

Accurate news coverage and communication to other stakeholders on a variety of topics related to our business and developments

Engagement Purpose

- To build rapport and ensure the Group's key messages and endeavours are shared accurately in a timely manner with the public through the media
- To create a symbiotic relationship between the Group and Media
- To manage and strengthen the Group's reputation and credibility

Value Proposition

- Group-wide projects/campaigns or crisis concerns are addressed accurately to the public via the media
- Transparency in our financial and non-financial reporting
- Becoming a key voice in matters pertaining to the property industry
- Build brand name and image to become a trust-worthy lifestyle and master developer in Malaysia

Engagement Platforms and Frequency

- Frequent media engagements via the following channels, but not limited to
  - Press releases
  - Media statements
  - Networking sessions
  - Press conferences
  - Media tours to townships/project sites
  - Participation in feature/news articles on industry affairs
- Campaign tie-ups and advertising

Key Concerns Raised

- Timely, fair, balanced, accurate and transparent update on performance, developments and financials
- Insights on the market and industry
- Updates on business strategies
- Timely responses to issues highlighted in the media

Responses

- Engage Senior Management for financial and non-financial updates for the media
- Share regular Group updates which include launches, sales campaigns, key appointments
- Share business strategies, market insights and outlook
- Transparent and prompt in our information sharing through fact sheets, press releases, FAQ, statements, press conference, and media briefings

Engagement Platforms and Frequency	Risks and Opportunities	Our Response
• Annual General Meeting and annual report (yearly) • Media briefings (quarterly) • Networking sessions (quarterly) • Township/project visits (quarterly) • Press conferences and press releases (monthly) • Interviews (monthly)	Our progress and achievements could be erased by negative, inaccurate or insufficient media coverage. By building a healthy relationship with the media, brand value may be strengthened	• Released timely information to media as and when relevant • Provided members of media access to key Senior Management for interviews

Stakeholder Engagement

DEBT PROVIDERS

Quality of Engagement

Frequency of Engagement

D M Q Y

Related SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS · 17 PARTNERSHIPS FOR THE GOALS

Value for Them

Steady returns anchored by reliable debt and interest payments, sound governance and risk management, and compliance with the terms of borrowing

Value for Sime Darby Property

Source of credit to finance our operations and business activities

Engagement Purpose

- To communicate on the progress of eligible projects under Sustainability Sukuk

Value Proposition

- Access to Sukuk funding to projects that have positive impacts to the environment and community we operate in
- Assurance that sustainability projects are aligned to the framework

Engagement Platforms and Frequency

- Active engagement with bankers, end financiers, valuers
- Networking sessions
- Site visits
- Quarterly impact report
- Email communications

Key Concerns Raised

- Ability to service debt and interest payments
- Adherence to covenants
- Good governance and risk management framework

Responses

- Transparent disclosure of operational updates on sustainability projects

Engagement Platforms and Frequency	Risks and Opportunities	Our Response
• Annual report and Annual General Meeting (yearly) • Meetings (quarterly) • Site visits (quarterly) • Events hosted by lenders (quarterly) • Email communication (monthly) • Website updates (daily)	The commitment and trust of debt providers impact deliverables of eligible projects and the Sime Darby Property 2030 Sustainability Goals. By embracing current technology and alternative solutions in sustainability and climate change, we can provide assurance that our projects are aligned with our sustainability framework and are therefore ESG-friendly	• Issued updates and timely disclosures in corporate reports and other communication materials • Maintained regular engagement with debt providers to keep them informed of the latest developments • Launched Sukuk Musharakah programme

EXISTING AND POTENTIAL CUSTOMERS

Quality of Engagement

Frequency of Engagement

D M Q

Related SDGs

3 GOOD HEALTH AND WELL-BEING, 11 SUSTAINABLE CITIES AND COMMUNITIES, 14 LIFE BELOW WATER, 15 LIFE ON LAND

Value for Them

Safe and sustainable products that meet the changing needs of the market, accessible via an enjoyable customer journey and service experience

Value for Sime Darby Property

Continuous demand and support for our projects and recognition as a reliable developer, as well as cooperation to create sustainable communities

Engagement Purpose

- Understanding the community needs and communicating the Group's sustainability focus

Value Proposition

- Provide a sustainable and safe environment for the community to live and thrive within

Engagement Platforms and Frequency

- Engagement via sales personnel
- PRIME members events
- Newsletter (piloting)
- Engagement across multiple platfroms including all centre, Electronic Direct Mail (EDM), and social media
- Organise community events that promote sustainability such as tree planting, urban farming and community recycling efforts

Key Concerns Raised

- A trusted and responsible property developer that provides regular engagement opportunities for both individuals and communities
- Improved healthy lifestyles
- Ongoing community programmes such as recycling efforts and urban farming
- Eco-efficient homes and safe amenities

Responses

- Appoint dedicated personnel for each active township and development for community engagement and township up-keeping
- Organise long-term sustainable lifestyle programmes for the community such as community recycling efforts and urban farming

Engagement Platforms and Frequency	Risks and Opportunities	Our Response
• Project launches and sales and marketing drives (quarterly) • Meetings with joint management bodies (monthly) • Organised community activities in respective townships (monthly) • Website and social media channels (daily)	Failure to keep up with the changing expectations of the market and evolving demographics put businesses at risk of becoming irrelevant. Catering to current and future trends helps to maintain market share and leadership, and the design of townships and facilities can influence communities to adopt a sustainable lifestyle. Digital engagement presents an opportunity to reach customers especially in the new normal	• Implemented various online sales campaigns and explored the use of virtual technology to enable ease of property viewings • Engaged communities in recycling programmes, urban farming initiatives and biodiversity programmes • Launched multi-generational homes and smart green homes to cater to the next generation of customer demands

Stakeholder Engagement

SUPPLIERS/ CONTRACTORS/ STRATEGIC PARTNERS

Quality of Engagement

Frequency of Engagement

M Q Y

Related SDGs

Value for Them

Business continuity and competitive terms of contract supported by safe work standards and a fair and transparent procurement process

Value for Sime Darby Property

Fulfilment of contractual obligations and delivery of project targets while meeting safe and sustainable criteria

Engagement Purpose

- To keep up with rapid changes in new technology in construction industry
- Strong engagement with stakeholders as it involves exchange of information on industry
- To communicate the Group's strategy in addressing sustainable development (eco-efficiency programmes) throughout the value chain

Value Proposition

- Business continuity and healthy competition among stakeholders
- Disruption in supply chain ecosystem
- Provide clear strategy down the value chain in ways to address sustainable development and the impacts

Engagement Platforms and Frequency

- Engagement sessions, building rapport
- Factory, site visits, virtual meetings
- Regular networking sessions
- Eco-efficiency briefings, data collection process, tracking, auditing and meetings

Key Concerns Raised

- More two-way communication and transparent processes
- Faster decision making to enhance efficiencies
- Fulfil the Group's requirements during the length of projects/contracts and future reference
- Recognition of contribution to sustainability targets e.g.: eco-efficiency reduction such as waste, water and carbon emissions

Responses

- Townhall, workshops with industry experts, knowledge sharing session and on-site learning activities
- Performance assessment to keep competitiveness in the future
- Adopt best practices in tackling sustainable development

Engagement Platforms and Frequency

- Eco-efficiency briefings (yearly)
- Procurement and appointment process (yearly)
- Auditing process (yearly)
- Relationship-building and networking sessions (quarterly)
- Data collection process (monthly)
- Meetings (monthly)

Risks and Opportunities

Dependency on preferred vendors may lead to supply disruptions in unexpected events. ESG issues in the supply chain could result in non-compliance and affect our progress on Sime Darby Property 2030 Sustainability Goals. Synergistic partnerships are an opportunity to facilitate innovation and the adoption of advanced construction methods or technology. Cooperation on pricing promotes cost optimisation

Our Response

- Organised design workshops to optimise cost and efficiency
- Engaged vendors on eco-efficiency programmes and improved data collection
- Updated the Vendor Code of Business Conduct to outline human rights standards in the supply chain

EMPLOYEES

Quality of Engagement

Frequency of Engagement

D W M Q Y

Related SDGs

3 GOOD HEALTH AND WELL-BEING · 11 SUSTAINABLE CITIES AND COMMUNITIES · 14 LIFE BELOW WATER · 15 LIFE ON LAND

Value for Them

Competitive remuneration and professional development opportunities in an inclusive work environment that offers work-life balance and equal opportunities

Value for Sime Darby Property

Pipeline of talents to drive a high-performance and engaged work culture that can deliver our aspirations

Engagement Purpose

- To update on business strategies and operational performance
- To provide clear communication through various channels
- To establish clear career opportunities and development within the Group
- To give meaningful HR service delivery
- To raise awareness on the Group's sustainability targets and efforts through daily operations

Value Proposition

- Safe and conducive working environment
- Knowledge and skills enhancement
- Effective talent and welfare management
- Opportunity to make valuable contribution in addressing climate change via operational eco-efficiency programmes and adoption of positive habits

Engagement Platforms and Frequency

- Continuous employee engagement via these initiatives:
  a) Internal team meetings
  b) Annual individual performance review
  c) Personal and professional development programmes
  d) Focus group discussions
  e) Townhalls
  f) Employee engagement surveys
  g) Volunteering opportunities
  h) Internal digital platform and corporate collaterals
  i) Inter-departmental collaboration on specific projects and initiatives
  j) HR Business Partner engagements
  k) Site assessments and collaborative township programmes
  l) Jalinan Nurani
  m) COVID-19 relief funds
  n) Periodic blasts of e-newsletters, briefings, seminars, SUSDEX, Carbon Footprint and Water and Waste reduction programmes

Key Concerns Raised

- Creating work-life balance
- Fair and competitive remuneration practices
- Understanding how sustainability relates to their functions and how they can apply sustainability to add value
- To be recognised for their continuous contributions and sustainability target achievements

Responses

- Update employees regularly using internal channels
- Continuously provide training programmes and project assignments that align with business goals to allow skills enhancement
- Promote work-life balance via Staggered Working Hours, 90-days Maternity Leave, expectant mothers may leave 1.5 hours earlier, 1 week Paternity Leave, Volunteer initiatives
- Provide HR On-Cloud, a user-friendly digital platform for HR solutions and services
- Jalinan Nurani digital platform helped improve employees' mental health
- Affected employees financially assisted during the COVID-19 pandemic
- Provide bite-sized information about sustainability with employees using internal channels
- Provide knowledge sharing session to topics related to sustainability
- Conduct eco-efficiency audit
- Bi-annual seminars and achievement recognition through SUSDEX

Engagement Platforms and Frequency

- Townhalls (yearly)
- Employee engagement surveys (yearly)
- Individual performance reviews (yearly)
- Learning and development programmes (monthly)
- Focus group discussions (monthly)
- Lunch talk sessions (weekly)
- Intra- and interdepartmental meetings (weekly)
- Workplace communication platforms (daily)

Risks and Opportunities

Work culture and talent development affect our internal capabilities and the drive for excellence. Employees can drive our corporate and sustainability agenda forward given the right enabling tools and skillsets, on top of delivering superior performance in their daily responsibilities

Our Response

- Maintained engagement level with employees via digital channels during the work-from-home period
- Conducted online training and knowledge sharing sessions for employees
- Launched a digital well-being platform to assist employees and their family members with their mental and physical health concerns

Stakeholder Engagement

REGULATORS AND INDUSTRY AFFILIATIONS

Quality of Engagement

Frequency of Engagement

Q

Related SDGs

11 Sustainable Cities and Communities; 14 Life Below Water; 15 Life on Land; 16 Peace, Justice and Strong Institutions; 17 Partnerships for the Goals

Value for Them

Compliance with rules and regulations and contributions to industry developments

Value for Sime Darby Property

Guidance on rules and regulations and support from industry peers as well as the authorities

Engagement Purpose

- Active engagement with relevant regulators and authorities
- Proactive participation in industry forums, advisory group, standard-setting bodies and Government consultation initiatives
- To ensure latest regulatory clause and compliance are up-to-date

Value Proposition

- Constant assurance on the compliance of the latest regulatory and best practices updates while deepening existing relationships for strategic collaborations

Engagement Platforms and Frequency

- Meetings, email communications and seminars

Key Concerns Raised

- Compliance to rules and regulations, with the Group kept abreast of various requirements
- Share, contribute and co-create industry best practices or new policies and regulations

Responses

- Ensure full compliance to the applicable rules and requirements
- Engage with all stakeholders with transparency, honesty and integrity

Engagement Platforms and Frequency	Risks and Opportunities	Our Response
• Industry forums (quarterly) • Government consultation (quarterly) • Advisory groups (quarterly)	Changing regulations or non-compliance impact our deliverables and project timelines, but there is opportunity to deepen existing relationships for strategic collaborations	• Participated in industry- or national-level forums • Supported and contributed to national development through products and initiatives such as affordable housing products, biodiversity inventories and wetland construction and maintenance guidelines

Market Review and Outlook

THE MALAYSIAN ECONOMY AND GENERAL OPERATING LANDSCAPE

The Malaysian economy was impacted by the COVID-19 pandemic in 2020, and recorded a decline of 5.6 percent Gross Domestic Product (GDP) growth for the full year. In Q4/2020, the country's GDP recorded negative growth of 3.4 percent, which was the third consecutive quarterly contraction after having registered contractions of 17.1 percent in Q2/2020 and 2.6 percent in Q3/2020. The sharp contraction of GDP in Q2/2020 was the result of the implementation of the Movement Control Order (MCO) from 18th March 2020. Following that, the country's unemployment rate hit an all-time high of 5.3 percent in May 2020.

Since 10 June 2020, the country entered the Recovery MCO (RMCO) which allowed most business activities to resume, guided by the Standard Operating Procedures (SOPs) mandated by the government. Economic conditions improved somewhat then, albeit still registering a small contraction of 2.7 percent in Q3/2020. Economic conditions weakened in Q4/2020 as some states were placed under Conditional MCO (CMCO) in mid-October 2020, with travel restrictions imposed on inter-district and inter-state travel. Unemployment improved somewhat to 4.8 percent in December 2020, according to the Department of Statistics Malaysia (DOSM).

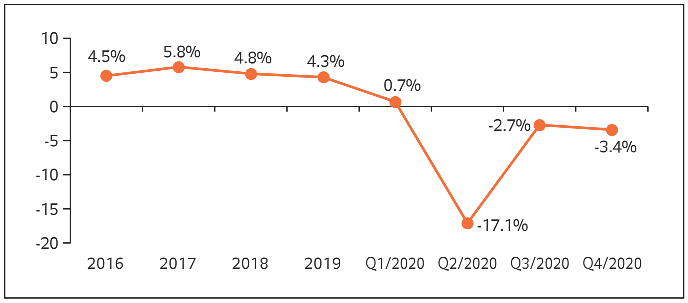
Malaysia's Consumer Price Index (CPI) recorded 120.6 points in December 2020, declining by 1.4 percent year-on-year (Y-o-Y). This was also the ninth (9^{th}) consecutive month of negative inflation rate since March 2020, reflecting weaker consumer demand. Transport, housing, water electricity, gas and other fuels, clothing and footwear are amongst the key contributors towards the negative growth of inflation rate.

The Consumer Sentiment Index (CSI) remained stable at 85 points in Q4/2020 after recovering from 51 points in Q1/2020, mainly due to improvement in income and job outlook given that most of the economic activities had resumed. A similar trend was observed for the Business Conditions Index (BCI), which recorded an improvement to 115 points in Q4/2020 from 61 points in Q2/2020. The boost in business confidence was attributed to an increase in new domestic orders as well as new export orders.

The Overnight Policy Rate (OPR) was adjusted four (4) times in 2020 to a record low of 1.75 percent in July 2020 and maintained at the same rate as at January 2021. Bank Negara Malaysia (BNM) stated that the reduction in OPR was to provide additional stimulus to accelerate the pace of economic recovery. Corresponding to the OPR, both averages of base lending rate and base rate were on a declining trend since early 2020. The average BLR declined to 5.49 percent in December 2020 (December 2019: 6.71 percent) whilst the average base rate settled at 2.43 percent in December 2020 (December 2019: 3.68 percent). The low interest rate environment is expected to induce more spending and facilitate economic recovery.

In February 2021, BNM stated that the country's economic condition is expected to recover underpinned by overall improvement in global demand, coupled with the rollout of vaccines through the National Vaccination Plan that will drive the recovery of both business and consumer sentiments. It was reported that the central bank is re-assessing the country's economic condition, on the initial projection of 6.5 percent to 7.5 percent growth for year 2021 in November 2020, in response to several new developments, including the implementation and extension of MCO to contain rising COVID-19 cases as well as the development of vaccination plans. The World Bank forecasted the GDP growth of Malaysia for 2021 to range between 5.6 percent and 6.7 percent, along with other economies globally, with the progressive deployment of vaccine in most countries, that will subsequently improve consumption worldwide.

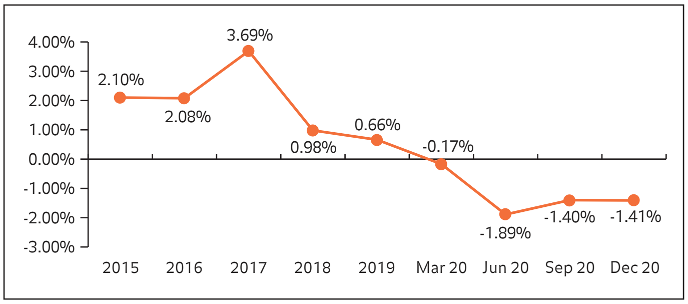
Gross Domestic Product (GDP) Growth



Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia (BNM)

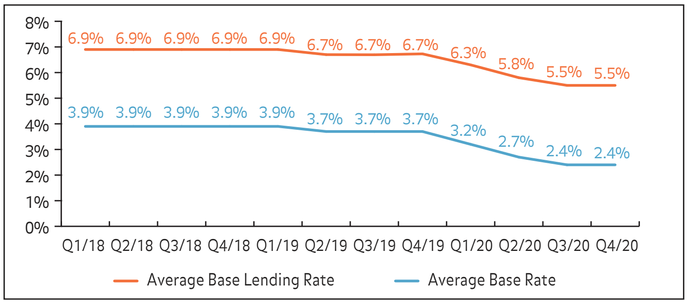
Market Review and Outlook

Consumer Price Index (Y-o-Y Changes)



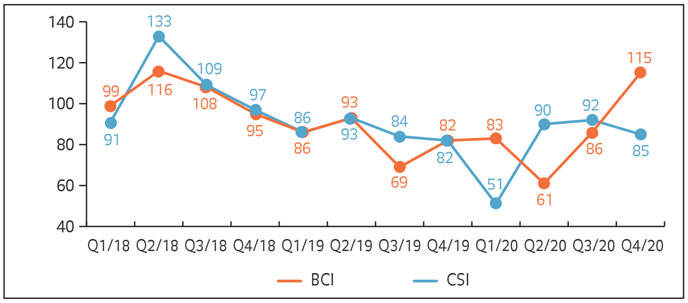
Source: DOSM, BNM

Average Base Lending Rate (BLR) & Average Base Rate (BR)



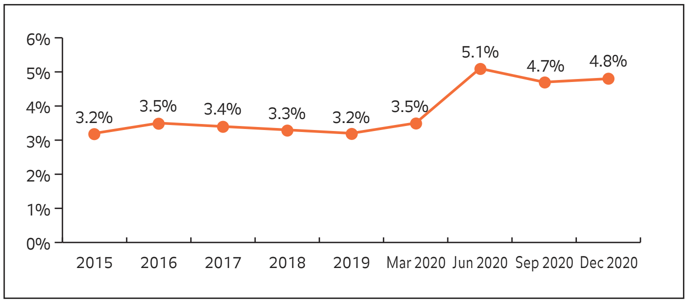
Source: BNM

Business Conditions Index (BCI) & Consumer Sentiment Index (CSI)



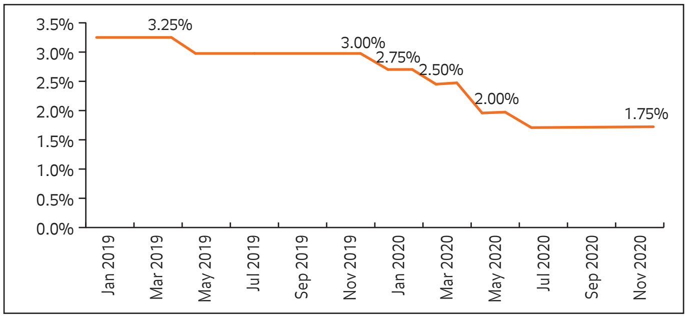
Source: Malaysian Institute of Economic Research (MIER), Savills Research

Unemployment Rate



Source: DOSM

Overnight Policy Rate (OPR)



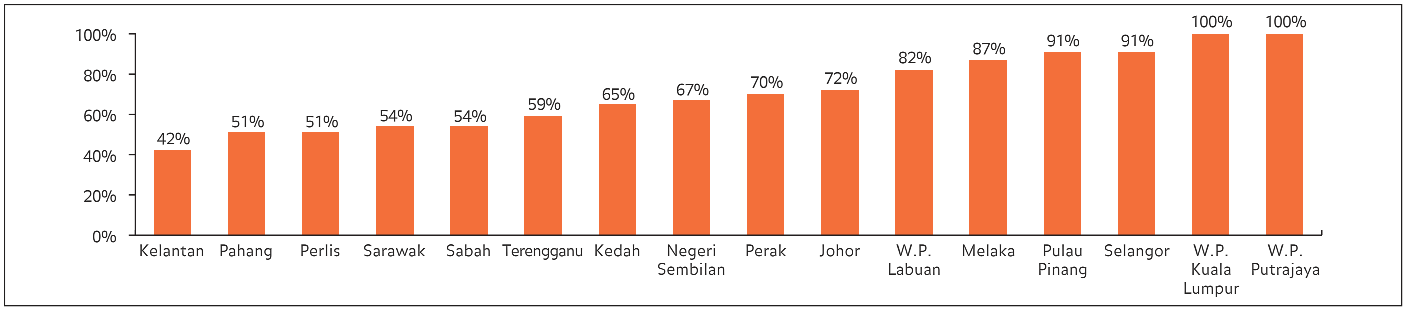
Source: BNM

RESIDENTIAL PROPERTY SECTOR

MARKET OVERVIEW

Malaysia: Urbanisation Rate

The number of urban populations in Malaysia has grown from 26.8 percent in 1970 to 71.0 percent in 2010. It is forecasted that the urbanisation rates will increase to 76.6 percent in 2020 and 88.0 percent in 2050. Based on the latest available data from population distribution and basic demographic characteristics report 2010 by DOSM, which is a report produced every 10 years, the country's urbanisation rate was 71 percent as at 2010. Both Kuala Lumpur and Putrajaya achieved 100 percent level in urbanisation, while 91 percent of population in Penang and Selangor reside in urban areas. Negeri Sembilan ranked ninth, with 67 percent urbanisation rate.



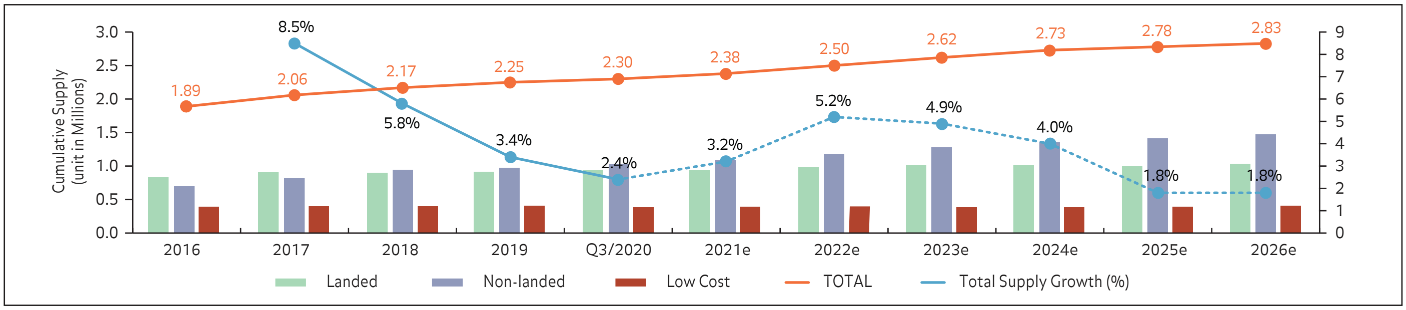
Source: DOSM, Savills Research

EXISTING & FUTURE SUPPLY

Greater Kuala Lumpur (Greater KL)

The statistics from National Property Information Centre (NAPIC) showed that the cumulative supply of residential properties (including SOHO and Serviced Apartment) in Greater KL was about 2.30 million units in Q3/2020. The ratio of landed residential units, non-landed residential units and low-cost housing units in the Greater KL was about 39.5 percent, 43.8 percent and 16.7 percent, respectively. The landed residential units consist of terraces, semi-detached, detached, and cluster homes. The non-landed residential units include townhouses, flats, condominiums, apartments, SOHO and serviced apartments while low-cost houses and low-cost flats are categorised as low-cost housing units.

Greater KL: Cumulative Residential Supply (including SOHO & Serviced Apartment)



Source: NAPIC, Savills Research

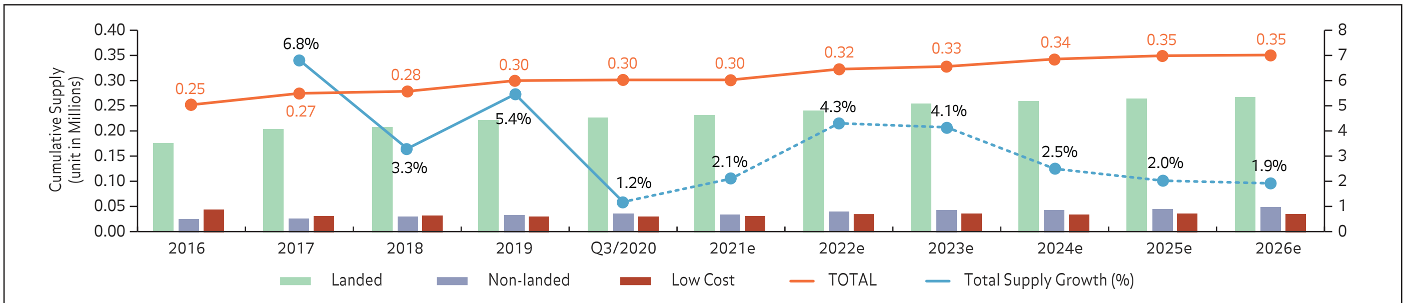
As at Q3/2020, the future residential supply (a combination of incoming and planned supply) stood at approximately 530,000 units in the Greater KL. The incoming and planned supply were 280,000 units and 250,000 units, respectively. Assuming that the incoming supply will be ready within 4 years and the planned supply within 6 years, the cumulative residential supply in the Greater KL will reach 2.83 million units by 2026. The chart indicates that the non-landed residential category will be leading up future supply, in line with changing trends and high levels of urbanisation in Greater KL.

Market Review and Outlook

Negeri Sembilan

The cumulative supply of residential properties (including SOHO and Serviced Apartment) in Negeri Sembilan was about 300,000 units in Q3/2020. However, the ratio of landed residential units, non-landed residential units and low-cost housing units in Negeri Sembilan is very different when compared to Greater KL i.e. 74.9 percent, 12.9 percent and 12.1 percent, respectively.

Negeri Sembilan: Cumulative Residential Supply (including SOHO & Serviced Apartment)



Source: NAPIC, Savills Research

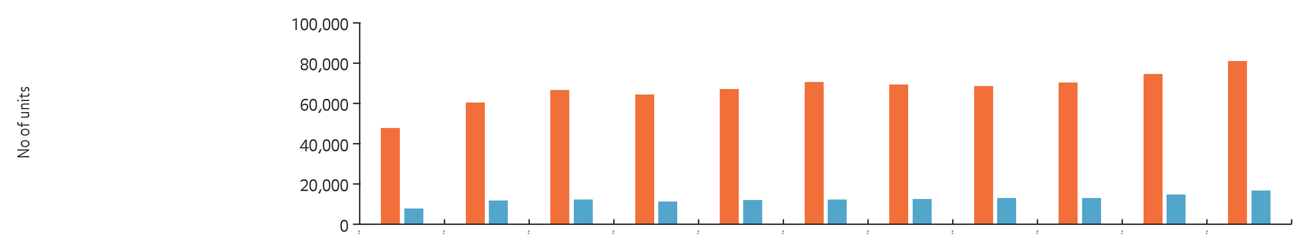
As of Q3/2020, the future residential supply in Negeri Sembilan is estimated at about 54,500 units. These incoming and planned supply stood at 20,800 units and 33,700 units, respectively. Assuming that the incoming supply will be ready within 4 years and the planned supply within 6 years, the cumulative residential supply in Negeri Sembilan will be about 350,000 units by 2026. The landed residential units will remain dominant in the future, making up about 75.1 percent of the total future supply.

RESIDENTIAL PROPERTY OVERHANG

Greater Kuala Lumpur (Greater KL)

In Greater KL, overhang residential units continued to increase to 16,768 units as at Q3/2020, which accounted for 21 percent of 81,088 launched units. This is an increase of 14 percent compared to the preceding quarter, and 35 percent compared to a year ago. The increase of overhang units was attributable to the mismatch of supply and demand, coupled with subdued market activity from the implementation of the MCO by the Government as efforts to contain the pandemic, which saw the closure of sales galleries and restriction in viewing activities.

Greater KL: Residential Properties Overhang



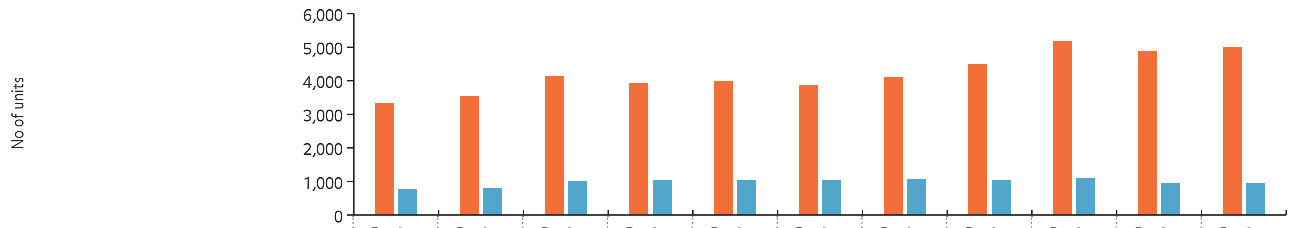
	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
Greater KL – Launched Units	47,911	60,553	66,638	64,430	67,139	70,732	69,358	68,710	70,416	74,727	81,088
Greater KL – Overhang Units	7,732	11,700	12,347	11,271	12,032	12,388	12,430	13,022	13,145	14,761	16,768

Source: NAPIC, Savills Research

Negeri Sembilan

In Negeri Sembilan, property overhang situation eased in Q3/2020, and recorded 965 unsold residential units (19 percent of 4,996 launched units). This represented a marginal increase of 1 percent quarter-to-quarter and decrease of 9 percent year-on-year, due to limited new residential schemes completion recorded in the first nine months of 2020.

Negeri Sembilan: Residential Properties Overhang



	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20
Negeri Sembilan – Launched Units	3,336	3,541	4,140	3,934	3,981	3,885	4,122	4,514	5,181	4,879	4,996
Negeri Sembilan – Overhang Units	780	819	999	1,046	1,040	1,037	1,062	1,048	1,108	959	965

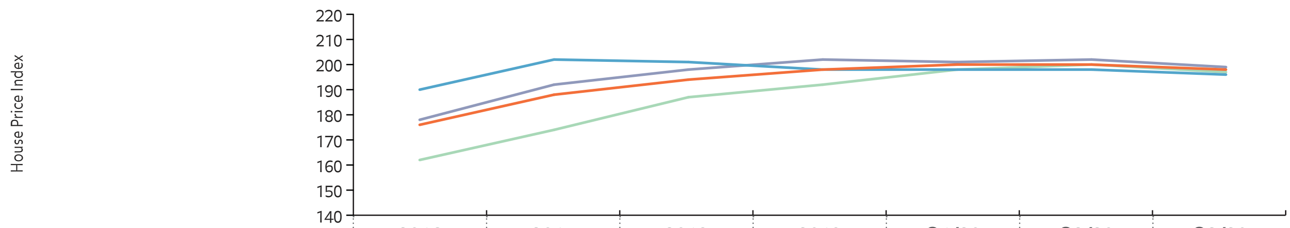
Source: NAPIC, Savills Research

MALAYSIA HOUSE PRICE INDEX

The Malaysian House Price Index for all type of houses recorded 197.8 points in Q3/2020, slightly lower than Q3/2019 which was 199.5 points. The growth of house prices reached its peak with double digits growth between 2012 to 2014 and since then moderated to around 6 percent to 7 percent until 2017 where only marginal movements were recorded.

A downward year-on-year trend was observed for Kuala Lumpur and Selangor. In Kuala Lumpur, All House Price Index for Q3/2020 was 195.6 points, down by 1.5 percent compared to 198.5 points a year ago. All House Price Index in Selangor was 204.3 points back in Q3/2019, depicting a contraction of 2.6 percent to 199.0 points in Q3/2020. On the contrary, Negeri Sembilan recorded slight positive movement for the state All House Price Index, which increased from 192.2 points in Q3/2019 to 196.5 points in Q3/2020, representing an increase of 2.2 percent year-on-year.

House Price Index



	2016	2017	2018	2019	Q1/20	Q2/20	Q3/20
Malaysia	176	188	194	198	200	200	198
Kuala Lumpur	190	202	201	198	198	198	196
Selangor	178	192	198	202	201	202	199
Negeri Sembilan	162	174	187	192	198	200	197

Source: NAPIC, Savills Research

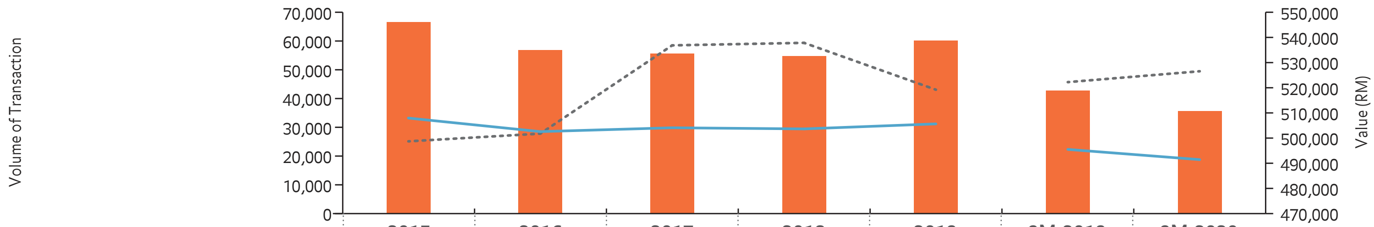
Market Review and Outlook

TRANSACTION VOLUME & VALUE

Greater Kuala Lumpur (Greater KL)

Residential market activities in Greater KL regained some momentum in 2019, with transaction volume improving by 9.0 percent and transaction value increasing by 4.2 percent, on the back of the Government's efforts in granting a year-long Home Ownership Campaign (HOC). As at Q3/2020, Greater KL recorded 35,640 residential transactions worth a total value of RM18.8 billion. The overall residential property market activity was lackluster in 9M/2020, with both transaction volume and value falling by 16.6 percent and 15.9 percent respectively, as compared to 9M/2019. However, the average value per transaction remains resilient at about RM527,000 per transaction, marginally increasing by 0.8 percent year-on-year.

Greater KL: Residential Transaction Volume & Value



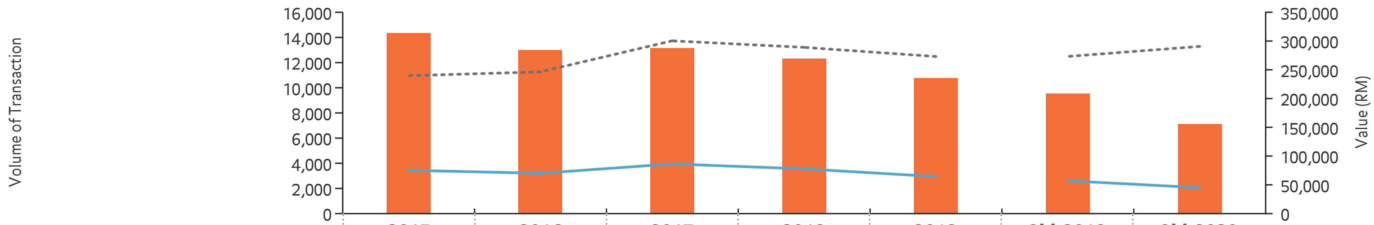
	2015	2016	2017	2018	2019	9M 2019	9M 2020
Transaction Volume (units)	66,593	56,793	55,575	54,742	60,061	42,725	35,640
Transaction Value (RM million)	33,210	28,497	29,835	29,443	31,185	22,313	18,766
----- Average Value Per Transaction	498,706	501,772	536,842	537,845	519,222	522,235	526,552

Source: NAPIC, Savills Research

Negeri Sembilan

Residential transaction volume in Negeri Sembilan for 9M/2020 contracted by 25.6 percent while the transaction value declined by 20.8 percent compared to the previous year. The average value per transaction in Negeri Sembilan recorded a better performance of 6.4 percent to about RM291,000 per transaction compared to about RM273,000 per transaction in 2019.

Negeri Sembilan: Residential Transaction Volume & Value



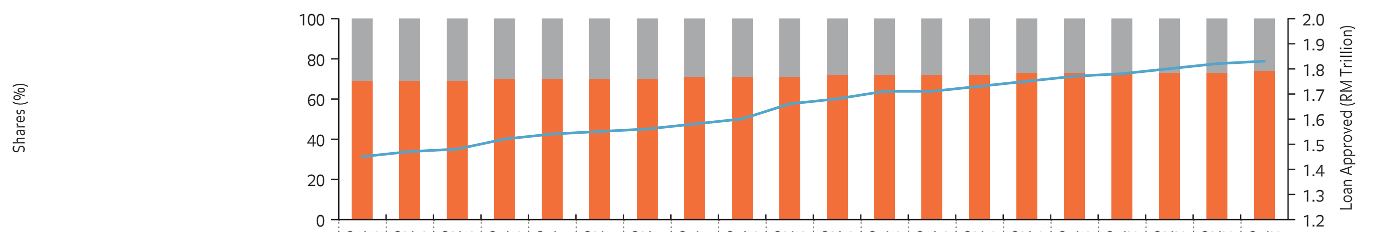
	2015	2016	2017	2018	2019	9M 2019	9M 2020
Transaction Volume (units)	14,351	13,007	13,140	12,299	10,783	9,539	7,099
Transaction Value (RM million)	3,441	3,205	3,947	3,555	2,945	2,606	2,063
----- Average Value Per Transaction	239,746	246,397	300,346	289,015	273,112	273,209	290,647

Source: NAPIC, Savills Research

MALAYSIA: LOAN APPROVAL RATE

In Q4/2020, the total loans approved stood at RM1.83 trillion (including personal loans, car loans, etc.), of which approximately 47.8 percent are loans approved for purchases of properties, amounting to RM875 billion. This represented an increase from 44.7 percent in Q1/2016 to 47.8 percent as at Q4/2020. Out of the approved property loans, approximately 73.9 percent was for residential properties, valued at RM646 billion whilst 26.1 percent was non-residential properties, valued at RM229 billion.

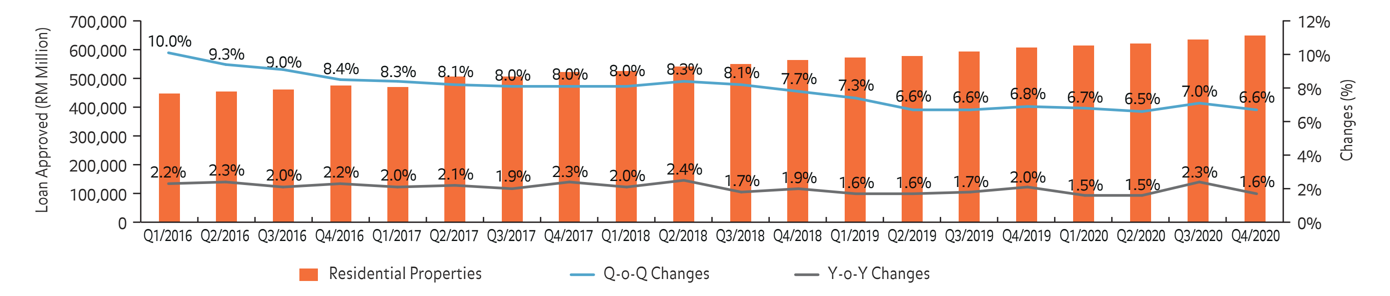
Total Property Loans Approved



	Q1/16	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20
Non-residential property (% Share)	31%	31%	31%	30%	30%	30%	30%	29%	29%	29%	28%	28%	28%	28%	27%	27%	27%	27%	27%	26%
Residential Properties (% Share)	69%	69%	69%	70%	70%	70%	70%	71%	71%	71%	72%	72%	72%	72%	73%	73%	73%	73%	73%	74%
Total Loans	1.45	1.47	1.48	1.52	1.54	1.55	1.56	1.58	1.60	1.66	1.68	1.71	1.71	1.73	1.75	1.77	1.78	1.80	1.82	1.83

Source: BNM, Savills Research

Residential Loans Approved



Source: BNM, Savills Research

MARKET OUTLOOK

As the fear of economic recession mounted, sales activities in both primary and secondary markets are expected to slack further in the next 6 months upon the cessation of the loan repayment moratorium, which has since been extended for borrowers in need. Homeowners may have found servicing home loans increasingly challenging, with a dwindling job market outlook ahead, and potentially leading to rising forced sales properties. Henceforth, property prices will still be under pressure moving into 2021, however well-cushioned by the low interest rate environment.

On the development front, developers are expected to adopt pragmatic approaches by taking on a more conservative stance on new launches as the economy braces for a challenging time ahead. Lower entry costs will be an integral part of the sales package in boosting sales, given that households are becoming more vigilant with their spending with a slow job market outlook.

Market Review and Outlook

On the flip side, inadequacies experienced by people during lockdown have prompted homeowners towards more emphasis on living space quality as well as convenient access to facilities and amenities. Furthermore, as infrastructure developments such as MRT 2 and LRT 3 are targeted to be in place in the short term, this opens up alternative access for people to commute from the suburbs to the city. Demand towards landed housing is expected to spike up when the domestic economy regains its momentum in 2021/2022, including the master-planned townships located in the growing suburban region such as Sepang, Semenyih, Puncak Alam, Sungai Buloh, Shah Alam, Rawang, and Nilai.

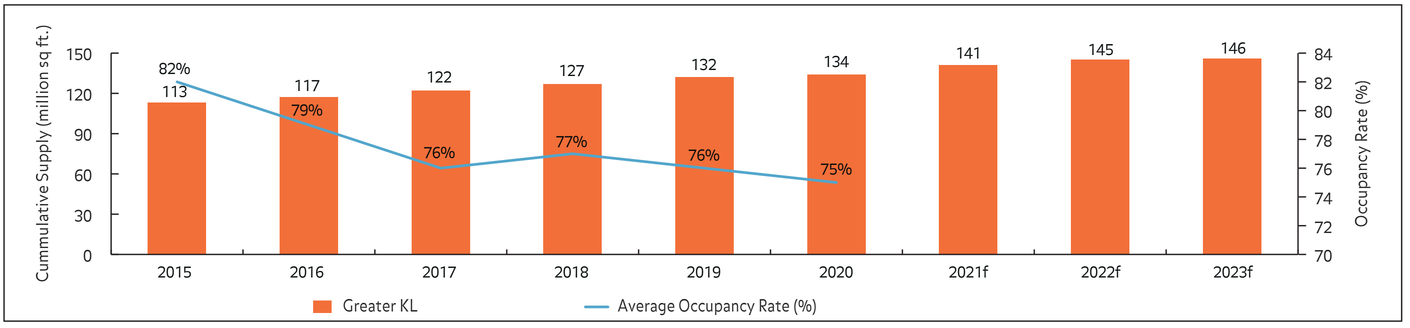
OFFICE PROPERTY SECTOR

MARKET OVERVIEW

Office supply in Greater KL continued to increase albeit at a slower pace of 1.3 percent year-on-year, with 1.77 million sq ft. office space entering the market, thus recording a total of 134 million sq ft. of office space as at Q4/2020. Completion of several office developments were delayed, mainly due to MCO implemented throughout the country since March 2020 and construction restrictions. Moving forward, the market is expecting approximately 12 million sq ft. of new supply coming on stream in the next 3 years, with an average of 4 million sq ft. space per annum entering the market, slightly less than the 5 million sq ft. per annum seen over the past decade.

The average occupancy rate in Greater KL has been on a downward trend since 2014, to 75 percent as at Q4/2020. The falling occupancy was attributable to a high supply growth and lower-than-average office demand.

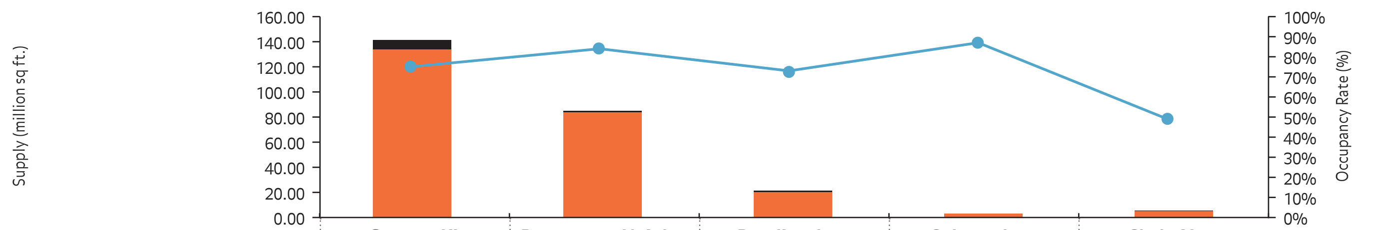
Cumulative Supply of Office Space in Greater KL



Source: Savills Malaysia

As at Q4/2020, average occupancy rates for office buildings in Damansara Heights recorded above average performance of 83.70 percent. Competition in this locality is expected to intensify with another 1.38 million sq ft. office spaces due to enter the market by 2021. In Selangor, office spaces in Subang Jaya recorded an average 87 percent occupancy rate, followed by Petaling Jaya at 73.4 percent and Shah Alam at around 49.2 percent. Average gross asking rents remained resilient since 2019 with no movements.

Office Supply and Average Occupancy Rate in Greater KL and Suburbs



	Greater KL	Damansara Heights	Petaling Jaya	Subang Jaya	Shah Alam
Future Supply in 2021	7.48	1.38	1.28	–	0.48
Existing Supply	133.89	83.57	20.15	3.15	4.84
Average Occupancy Rate	75%	84%	73%	87%	49%

Source: Savills Research

There were 5 major office transactions in 2020. Three of them were related party transactions between sponsors to the Real Estate Investment Trusts (REITs) which included Menara Guoco in Damansara City, The Pinnacle Sunway in Sunway City, and UOA Corporate Tower in Bangsar South. The other two office buildings were acquired by non-REITs, which included Menara MIDF in KL City, and Menara VSQ 1 in PJ City. All these office buildings registered high occupancy rate of at least 90 percent. The transacted prices for these office buildings ranged from RM780 psf to RM1,043 psf.

MARKET OUTLOOK

The Greater KL office market has been weak, even before the global outbreak of COVID-19. Supply continued to outpace demand, resulting in the decline in average occupancy rate to 75 percent in Q4/2020 from the highest point of 87 percent in 2014. The average rental rate has remained flat in the last decade, in a clear tenant's market. This situation is expected to persist for the next 3 to 4 years, as the incoming supply is anticipated to remain higher than historical absorption.

The obvious impact derived from the pandemic is perhaps the acceleration of remote working trends and fast-tracked digital adoption in workspaces. As most companies have been forced to adapt to remote working and physical distancing rules, it is anticipated that the office footprint is unlikely to change in the short to medium term.

Further, the office decentralisation trend is expected to sustain, as some large corporations begin to adopt the "hub and spoke" approach at non-core office locations. The presence of more localised multi-offices will allow employees to work with the right tools and equipment closer to their homes, hence reducing commuting times. There also appears to be medium-term opportunities for "Third Space" options, such as flex space or serviced offices, with the flexibility of employees to work from anywhere.

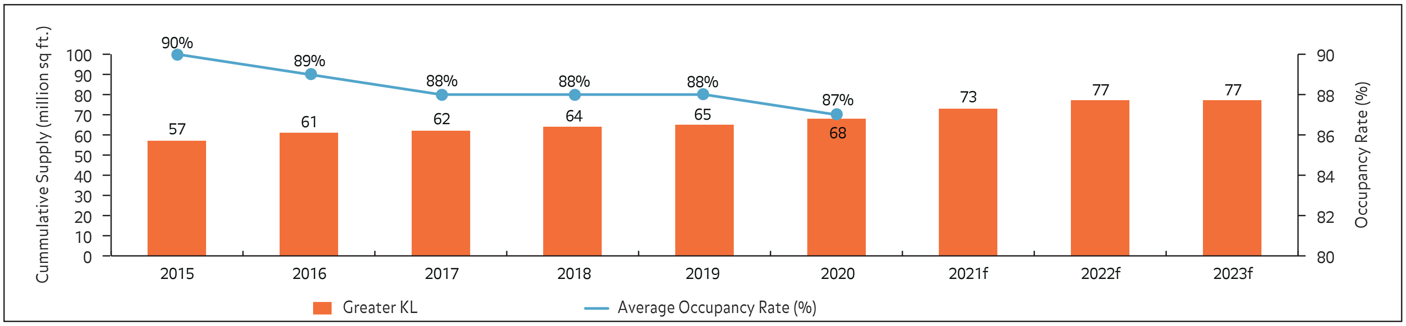
As Greater KL entered MCO 2.0 along with other states in January 2021, we expect leasing activity to continue to remain subdued not just due to uncertainty in economic conditions, as well as what the future of the office may look like post-COVID. These factors have led to many companies putting their near-term expansion plans on hold. Companies are preserving cash flow, with the bulk of ongoing leasing activity being driven by absolute necessity or downsizing, i.e. the potential for savings. Henceforth, the office market is likely to remain soft in the short term amidst weakening demand.

RETAIL PROPERTY SECTOR

MARKET OVERVIEW

Completion of five (5) retail malls in 2020 brings the total retail supply in Greater KL to about 67.6 million sq ft. of NLA as at Q4/2020. The average occupancy rate dropped marginally to 86.7 percent, with retail malls in prime location continuing to remain popular and altogether exhibiting more resilience under the market uncertainties, with multiple new stores opening during Q4/2020. Non-prime retail malls faced greater difficulties and saw noticeable decreases in occupancy rates due to business closures. In the next three years, Greater KL is expected to see another 9.47 million sq ft. of retail space coming on stream, with the bulk of it (57 percent) scheduled for completion in 2021.

Cumulative Supply of Retail Space in Greater KL

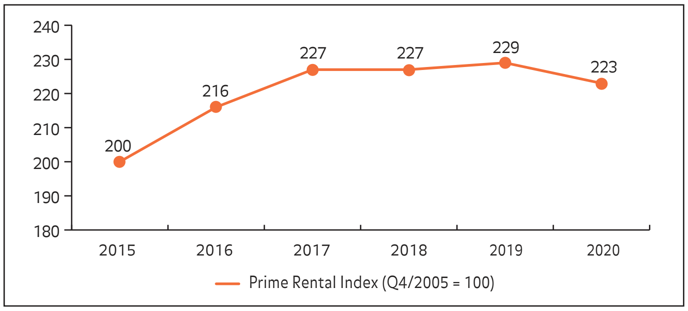


Source: Savills Research

The prime retail rental index remained resilient at 223 points in 2020 (2019: 229). This prime base rent is purely based on new leases being signed, since there have been several retailers that have either closed business or did not renew certain leases due to the impact of the COVID-19 pandemic. The prime base rent has seen a slight drop between 5 percent and 10 percent in the offer rate for new leases in some prime malls, especially for larger format retailers and some new-to-market international brands.

Prime rents for malls in KL City such as Suria KLCC and Pavilion KL peaked at RM220 per sq ft. per month and RM110 per sq ft. per month, respectively. In the suburbs, 1Utama and Sunway Pyramid recorded peaks at RM55 per sq ft. per month, whereas Mid Valley Megamall reached RM90 per sq ft. per month.

Prime Rental Index



Note: The malls that are included in the sample are the top performing malls i.e., Suria KLCC, Pavilion KL, Mid Valley Megamall, The Gardens Mall, 1Utama, Sunway Pyramid

Average rental rate of a few selected retail lots located on the ground or concourse floor i.e., whichever floor receives the highest level of traffic within a mall

Source: Savills Research

MARKET OUTLOOK

The retail market is still recovering from the fallout of COVID-19. However, the continued rise in the COVID-19 cases, especially in retail malls, may hinder the recovery process. Sectors with a stronger online presence such as fashion may see a slower return considering the shift in consumer behaviour to online sales. Pent-up demand is expected in 2021, be it for dining or retail if the situation is under control. Retail offers a social experience that online cannot; hence there is bound to be recovery and some amount of revenge shopping and dining.

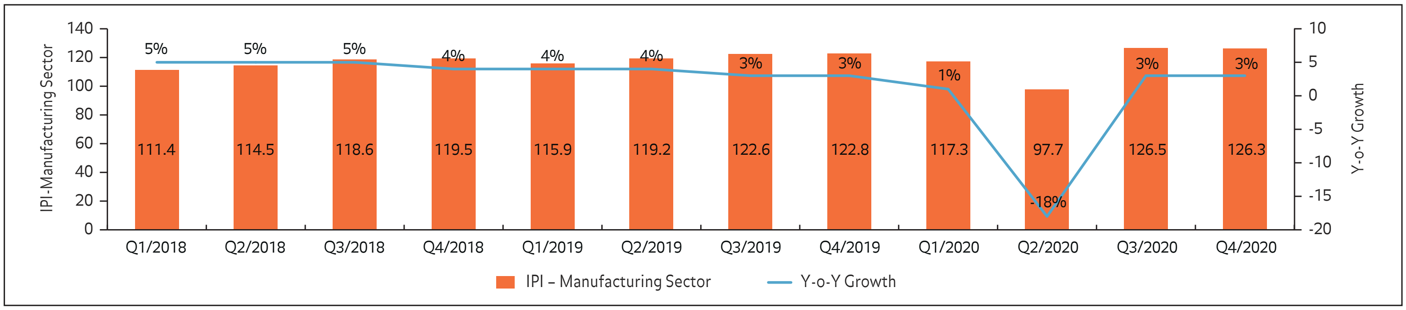
Before the pandemic, retail market competition was intense, with as much as 9.47 million sq ft. of incoming supply in the next three years. There is a dilution of tenant mix and duplication of brands as mall developers are vying for the same set of retailers, resulting in a market with many malls that are too similar. New malls will need a sustainable format to thrive in this challenging market environment.

It is worth noting that well-managed retail malls with the right positioning and tenant mixes are expected to fare well. Localities such as Setapak and Taman Melawati with a ready and mature population catchment alongside with limited future supply will have minimal downside risks.

INDUSTRIAL PROPERTY SECTOR

MARKET OVERVIEW

As at Q4/2020, the manufacturing sector's industrial production index has generally improved, registering at 126.3 points, which is 3 percent year-on-year increase after a sharp fall in Q2/2020. The index fell below the 100 threshold in Q2/2020, settling at 97.7 point, a decrease of 18 percent year-on-year, which is largely attributed to the enforcement of MCO which restricted the operation of most manufacturing industries until May 2020.

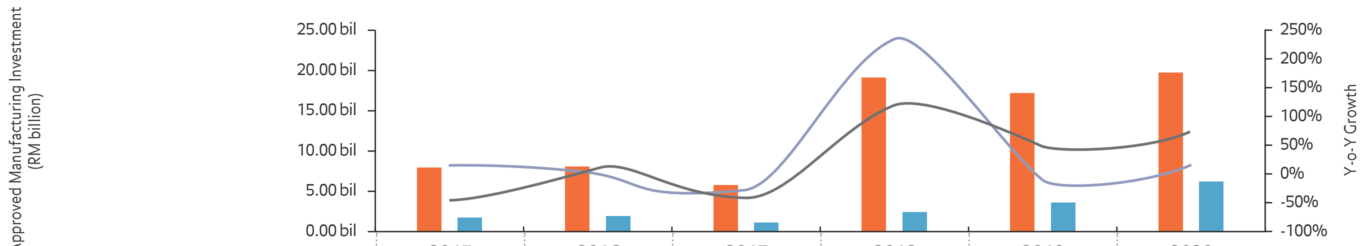


Source: DOSM, Savills Research

APPROVED MANUFACTURING INVESTMENT

Approved manufacturing investments in Greater KL and Negeri Sembilan recorded an increase for the year 2020 amidst the challenging global economies arising from the pandemic. In 2020, total investment in Greater KL stood at RM19.73 billion while Negeri Sembilan secured RM6.18 billion of approved manufacturing investments, which represented approximately 21 percent and 7 percent of the total investments in the country.

Market Review and Outlook



	2015	2016	2017	2018	2019	2020
Greater KL	7.97 billion	8.07 billion	5.75 billion	19.11 billion	17.21 billion	19.73 billion
Negeri Sembilan (NS)	1.71 billion	1.92 billion	1.11 billion	2.43 billion	3.57 billion	6.18 billion
Y-o-Y Growth (Greater KL)	12%	1%	-29%	232%	-10%	15%
Y-o-Y Growth (NS)	-45%	12%	-42%	120%	47%	73%

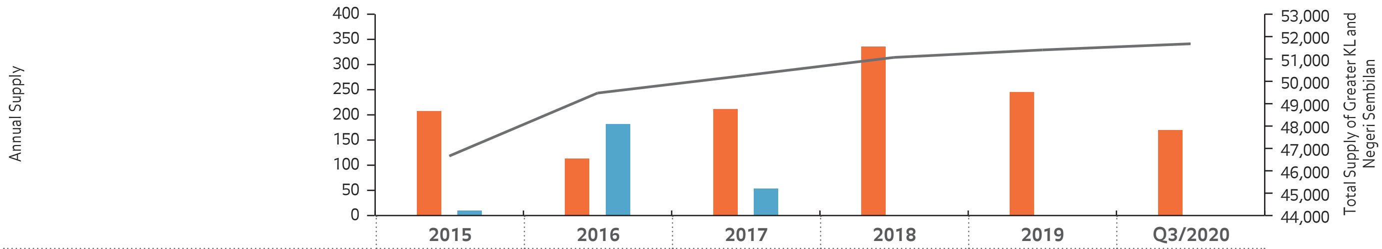
Source: MIDA, Savills Research

CUMULATIVE SUPPLY OF INDUSTRIAL UNITS IN GREATER KL & NEGERI SEMBILAN

Cumulative supply of industrial in Greater KL and Negeri Sembilan was 51,678 units as at Q3/2020, with the bulk of the supply located in Selangor (79 percent, 40,968 units), followed by Negeri Sembilan (11 percent, 5,524 units) and Kuala Lumpur (10 percent, 5,138 units). Supply growth of industrial units was driven by new completions in Selangor only, with an average of 250 units completed since 2018.

Moving forwards, supply growth will be driven by industrial developments in Selangor and Negeri Sembilan. In Selangor, future supply (incoming & planned supply) recorded at 2,982 units, with 44 percent in Klang, and 2 percent in Sepang. In Negeri Sembilan, a total of 89 units of ready-built factories are in the pipeline and 621 units under planning, with the bulk of these units in Seremban.

Cumulative Supply of Ready-Built Factory in Greater KL & Negeri Sembilan



	2015	2016	2017	2018	2019	Q3/2020
Annual Supply (Greater KL)	207	113	211	335	245	170
Annual Supply (NS)	10	181	53	0	0	0
Total Supply	46,661	49,476	50,265	51,069	51,403	51,678

Source: NAPIC, Savills Research

BUILT-TO-SUIT (BTS) DEVELOPMENT

A Built-to-Suit (BTS) development refers to a specific arrangement between the landlord and tenants, of which the landlord will develop the facility to tenant's specifications. Upon completion of the building, the tenant will enter a long-term lease and become the sole occupant of the facility as well as retain full operational control on the said facility.

There are both advantages and disadvantages of BTS developments. On the tenant's front, the BTS arrangement will enable preservation of capital for growth of business operations given that the developer/landlord will secure the capital expenditure for the project. The design and specification of the facility will be tailored to the requirement of the tenant, with due considerations made for existing needs and future growth options. With the involvement of a developer, this will minimise development risks for the tenant.

The downside risks of BTS arrangement include a longer development timeline in view of the customisation of the design and building specifications, hence may involve long-lead-time materials. Being a new construction, with extended time and financial commitments, this may result to comparatively higher rent. In addition, BTS properties typically involve a long-term lease of 10-year or above, which may be a drawback for some tenants if they are uncertain towards their business needs in the long term.

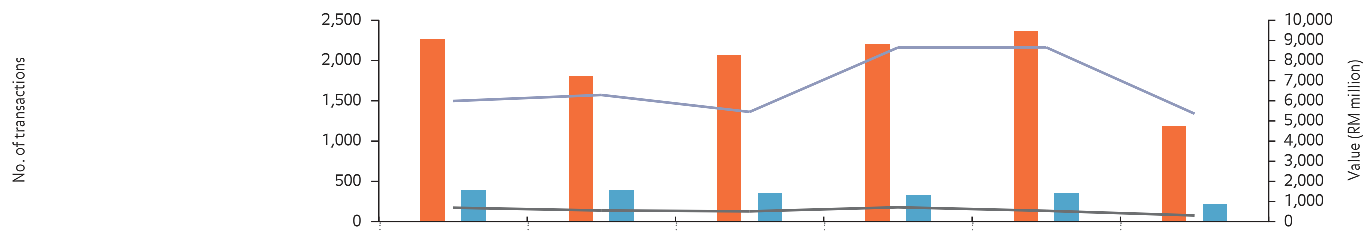
In Greater KL, there are few notable incoming BTS industrials such as Bandar Bukit Raja Industrial Gateway, The COMPASS at Kota Seri Langat and AXIS Mega Distribution Centre Phase 2. As for Negeri Sembilan, there is no notable completed BTS development in Negeri Sembilan as of now.

TRANSACTION VOLUME & VALUE

Market trade activity for 2020 was generally slow, impacted by the COVID-19 pandemic. Transaction volume and value of ready-built industrial units contracted significantly in 9M/2020, for both Greater KL and Negeri Sembilan.

Greater KL recorded 11,898 ready-built factories transactions with a total value of RM41.4 billion during the period of 2015 to Q3/2020. Out of this, Klang accounted for 25 percent (3,005 transactions), averaging at around 523 transactions per annum. Only 4 percent of the industrial transactions came from Sepang (451 transactions), translating to an average of 78 ready-built factories changing hands per annum from 2015 to Q3/2020. During the same period, Negeri Sembilan recorded 2,019 transactions valued at RM3.31 billion, with the bulk of them (79 percent, 1,600 transactions) in Seremban.

Transaction Volume and Value of Ready Built Factory in Greater KL & Negeri Sembilan



	2015	2016	2017	2018	2019	9M 2020
Volume – Greater KL	2,268	1,806	2,073	2,204	2,362	1,185
Volume – Negeri Sembilan	388	386	356	324	350	215
Value – Greater KL	5,990	6,291	6,449	8,646	8,655	5,359
Value – Negeri Sembilan	690	553	511	712	536	306

Source: NAPIC, Savills Research

Market Review and Outlook

LOGISTIC SUBSECTOR

Savills Research notes that there are at least 43.0 million sq ft. of warehousing/logistic space in Greater KL, as at Q4/2020, mainly concentrated in Klang and Shah Alam. These warehouses/ logistics hubs are located in proximity to prominent suburbs such as Puchong, Subang/USJ, Shah Alam, and are mainly owned by Real Estate Investment Trusts (REITs) and Third-Party Logistics (3PL) players.

In Klang, most of the spaces are owned by 3PL players and individual manufacturers. Freight management and transshipment of goods are comparatively convenient here owing to proximity to seaports.

Growth of average asking rents for spaces in Shah Alam and Klang have tapered off since 2018. As at Q4 2020, the gross asking rents in Shah Alam ranged from RM1.80 to RM2.00 psf, while Klang recorded a slightly lower asking of at between RM1.50 to RM1.80 psf.

In Negeri Sembilan, there are less warehousing/logistic space compared to Greater KL. The identifiable warehousing/logistic space as at Q4/2020 is at least 2 million sq. ft., mainly concentrated at Nilai and Seremban. Most of the warehouses/ logistics hubs are owned and operated by the owners.

Nilai is one of the most popular locations in Negeri Sembilan, with convenient access to the airport. This enables 3PL players and individual manufacturers to transport their goods and shipments quickly to the Kuala Lumpur International Airport (KLIA), which is approximately a 25-minute driving distance away.

With prime industrial parks in the central region of Greater KL reaching maturity, the scarcity of land will lead towards a higher price and rent. Thus, it is anticipated that there will be a shift of demand to both Northern and Southern parts of Greater KL that still command comparatively affordable rental. There will be a spillover effect to Nilai, where the location is in proximity to the southern part of Greater KL. As at Q4 2020, average asking rents for warehouses in Nilai is about RM1 psf.

MARKET OUTLOOK

The prospect of the industrial property subsector remains positive, supported by high demand from both occupiers as well as investors. Indeed, many new industrial properties are reportedly enjoying brisk sales upon their launches. The disruptions to the supply chain due to the COVID-19 pandemic have made manufacturers and retailers reconsider their supply chain management to future-proof against any uncertainties. It is expected that local and multinational manufacturers will begin to adopt the geographical diversification strategy to diversify their production and storage bases. This may benefit the industrial property developers. Furthermore, the Government also introduced tax incentives to attract overseas manufacturers, under the Economic Recovery Plan (PENJANA) announced in 2020.

Going forward, the industrial property subsector in the country will be continuously backed by the following:

- The rapid growth of e-commerce businesses which support demand for fulfilment centres, warehousing and logistics facilities. According to the latest information from the DOSM, income through e-commerce transactions recorded an annual growth rate of 6.0 per cent, from RM398.2 billion in 2015 to RM447.8 billion in 2017. Whereas expenditure on e-commerce transactions recorded an annual growth rate of 8.3 per cent with a value of RM228.8 billion in 2017 as compared to RM195.1 billion in 2015. Prior to the onset of pandemic, the Malaysian e-commerce was expected to grow at 11 percent Compound Annual Growth Rate (CAGR) between 2015 and 2020 based on A.T. Kearney projections. Further in September 2020, GlobalDaTa's E-commerce Analytics reported that the country e-commerce market is estimated to register 24.7 percent growth in 2020, with CAGR of 14.3 percent between 2020 and 2024.
- Increasing demand for distribution centres by retailers as well as e-commerce players. There are more distribution centres setting up in Malaysia, especially in Greater Kuala Lumpur, attributing to its centralised location and great connections to key cities of various states. This is evident by the presence of major players such as CaiNiao, Nestle, Zalora and IKEA.
- A strong local manufacturing sector which attracts investments and supports the demand for industrial properties. This is reflected in the approved manufacturing investments, which have been stable over the past few years. In 2019, Greater KL received a total of 327 approved manufacturing investments, amounting to RM17.2 billion.

KEY REGULATORY DEVELOPMENTS IN 2020

The government has introduced several initiatives in 2020 as efforts to stimulate the property market.

Regulation	Description
Reintroduction of Home Ownership Campaign (HOC) 2.0	The government reintroduced HOC 2.0 under the Short-Term Economy Recovery Plan (PENJANA) to stimulate the residential property market. The campaign will last between 1 June 2020 to 31 May 2021. Stamp duty exemption on the instrument of transfer and loan agreement for the purchase of residential properties between RM300,000 to RM2.5 million subject to at least 10 percent discount from developers. The exemption of instrument is limited to the first RM1.0 million
Exemption of Real Property Gain Tax (RPGT) for residential properties	Exemption of RPGT for disposal up to three residential properties per individual, effective from 1 June 2020 to 31 December 2021
Uplift of loan-to-value (LTV) for third housing loan during HOC period	Uplift of 70 percent LTV financing margin for the third housing loan onwards for properties valued at RM600,000 and above
Special incentives for manufacturing sectors under PENJANA	0 percent tax rate for 10 years for new companies in manufacturing sectors with capital investment between RM300 – RM500 million
	0 percent tax rate for 15 years for new companies in manufacturing sectors with capital investment more than RM500 million
	100 percent Investment Tax Allowance for existing companies in Malaysia relocating their facilities into Malaysia
	Special Reinvestment Allowance for selected manufacturing and agricultural activities from year of assessment ("YA") 2020 to YA 2022
	The approval of manufacturing license for non-sensitive industry within 2 working days
Other Property and housing related incentives announced in Budget 2021	First time homebuyers are eligible for full stamp duty exemption on instruments of transfer and loan agreement until 31 December 2025. The limit of stamp duty for the first residential home has increased from RM300,000 to RM500,000. The exemption is effective for sales and purchase agreement executed from 1 January 2021 to 31 December 2025. Stamp duty is exempted for rescuing contractors and original purchasers of abandoned projects certified by Ministry of Housing and Local Government on instruments of transfer and loan agreements. The exemption is effective from 1 January 2021 to 31 December 2025. RM1.2 billion is allocated to provide 14,000 house units under the Program Perumahan Rakyat, 3,000 units of Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad, maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters; and for Malaysia Civil Servants Housing Programme (PPAM). Government will work together with selected financial institutions on Rent-to-Own scheme involving 5,000 PR1MA houses and will be reserved for first-time homebuyers.

Market Review and Outlook

Regulation	Description
COVID-19 Bill	The Bill provides modifications to the Housing Development (Control and Licensing) Act 1966 ("HDA 1966") as follows: a. No late payment charges to be imposed on purchasers who fail to make instalment payments for the period 18 March 2020 to 31 August 2020 due to the measures taken under the Prevention and Control Infectious Diseases Act 1988; b. The period of 18 March 2020 to 31 August 2020 shall be excluded from the calculation of: i. The time for delivery of vacant possession of a housing accommodation; ii. The liquidated damages for the failure of the developer to deliver vacant possession of a housing accommodation; iii. The defect liability period after the date the purchaser takes vacant possession of a housing accommodation; and iv. The time for the developer to carry out works to repair and make good the defect, shrinkages and other faults in a housing accommodation. The Minister retains the discretion to further extend such periods upon application of the purchaser/developer. Besides, where a purchaser is unable to enter into possession of a housing accommodation during the period from 18 March 2020 to 31 August 2020, the purchaser shall not be deemed to have taken vacant possession. There is however, a saving provision in the Bill that provides that such amendments will not affect any legal proceedings commenced, or any judgment or award obtained, or payment made before the publication of the Act. c. If the limitation period for the homebuyer to file a claim with the Tribunal for Homebuyer has expired during the period from 18 March 2020 to 9 June 2020, the homebuyer is entitled to file the claim from 4 May 2020 to 31 December 2020. The Prime Minister may extend the operation of the Act by order published in the Gazette and such power to order for extension may be exercised more than once. d. Under Section 35, protections are being provided to the developer against any claim by the purchaser for Liquidated Ascertained Damages (LAD) between 18 March 2020 and 31 August 2020. This also allows the developer to seek for an extension up to 31 December 2020.

Global Megatrends and Growth Opportunities for the Group

ECONOMIC POWER SHIFT

In favour of lower costs, producers are turning to countries in Southeast Asia as ideal producing nations. The cross-border division of labour is moving manufacturing activities to younger emerging markets, giving birth to a new generation of middle-class consumers.

From 2015-2030, emerging markets are expected to contribute 62 percent to global consumption growth[1], forming the global economy's main driver. Supported by a young and growing workforce, emerging-market consumers are defining future consumption trends. As production, incomes and consumption grow, the balance of power is shifting to emerging economies.

A generally open trade approach in the Asia-Pacific region characterised by free trade zones and multilateral cooperation in the past decades will sustain growth among its countries.

Response and Growth Areas

- Further expand product offerings in the industrial & logistics asset class to complement the existing product suite with long-term Built-To-Lease (BTL) facilities, either ready-built warehouses or Built-to-Suit facilities to cater to logistics hubs and industrial facilities in Klang Valley, Negeri Sembilan and Johor.
- Leverage on the expertise and network of international industrial players via strategic partnerships, e.g., joint venture between Sime Darby Property, Mitsui & Co. Ltd. and Mitsubishi Estate Co. Ltd. in Bandar Bukit Raja to develop a 39-acre industrial site.

RAPID URBANISATION

As the world population creeps towards a tipping point of 8.5 billion by 2030[2], the population growth pattern, especially in emerging economies, is set to engender rapid urbanisation. Malaysia itself is bracing for 90 percent of its population living in cities by 2050[3].

The current trend of migration into cities will be replaced by an opposite trend – a dispersion of the urban population into satellite cities and new townships. The trend is spurred by a shift from centralisation to decentralisation, as digital technologies and innovative forms of the work economy allow access to freedom of movement.

A preference for suburban micro green cities, characterised by integrated and transit-oriented developments, is starting to encourage people-first designs, marked by thoughtful spaces and empowered communities.

Response and Growth Areas

- Address rising demand for property brought about by urbanisation land located in the suburbs or by urban regeneration of brown-field lands and diversifying high-density cores in Klang Valley and Negeri Sembilan.
- Focus on township and integrated developments that embed innovative lifestyle elements and transit-oriented/ adjacent features which blend two or more components of residential, commercial, retail and industrial uses.
- Expand affordable residential collection in support of state and federal initiatives to address existing issues surrounding housing affordability.
- Adopt Divergent Dwelling Design (D3), an innovative building design to develop quality and affordable D3 Sustainable Homes that address communities' need for affordable housing solutions.

1 https://www.mckinsey.com/featured-insights/innovation-and-growth/outperformers-high-growth-emerging-economies-and-the-companies-that-propel-them#
2 https://www.un.org/sustainabledevelopment/blog/2015/07/un-projects-world-population-to-reach-8-5-billion-by-2030-driven-by-growth-in-developing-countries/
3 https://www.theedgemarkets.com/article/90-malaysians-projected-be-living-cities-2050

Global Megatrends and Growth Opportunities for the Group

CHANGING DEMOGRAPHICS

In tandem with the rising populations is an ageing population trend, especially in more advanced economies. In Malaysia too, where the country is transitioning from a middle to high-income nation, the population pyramid is changing to reflect lower birth rates and longer life expectancy.

By 2040, Malaysia's aged population is projected to reach 16.3 percent of the entire population[4]. Boomers are being replaced by millennials and Generation Z (Gen Z) in the workforce are growing into the biggest group of consumers.

Gen Z and millennials are living with their parents longer, giving rise to a demand for multi-generational homes. Millennial homeownership emphasises affordability, preferring compact design and convenience as well as brands with purpose. There is a confluence of rent-to-own business model along with co-living and co-working spaces as work-from-home arrangements become the new normal. Design aspects are yielding more to female consumers who increasingly wield decision-making power.

Response and Growth Areas

- Continue to act beyond a typical "build" and "sell" developer model to become a developer of sustainable communities with products catered for changing demographics.
- Venture into alternative products such as multi-generational homes, assisted-living facilities, and age-in-place to cater to the ageing population.
- Pilot the Elmina Grove project for multi-generational smart green homes, partnering with TNBX Sdn Bhd to fit all units with solar panels, smart meters and home energy management systems.
- Initiate digitalisation of club services and review of tenantable spaces to branded services, increasing membership population and lowering membership age to ensure sustainability in our leisure business.

DIGITALISATION, TECHNOLOGY & INNOVATION

The COVID-19 pandemic is accelerating the inevitable transition to digitalisation, forcing businesses to innovate and adapt. Innovations such as collaborative digital platforms and modular construction in the building sector is instrumental during this time to address concerns about safety and productivity.

In the private sector, smart systems utilising artificial intelligence, machine learning, and blockchain are being integrated into building design. The global smart home market alone is forecasted to reach almost USD176 billion by 2025[5]. Data connectivity and green or emerging technologies offer breakthroughs or opportunities in productivity gains, safety improvements, and cost reduction.

Much of the same technology is defining the public sphere, in areas such as healthcare services, hard infrastructure, transportation and mobility, energy and government systems, and even public health monitoring and management in the case of a pandemic.

Response and Growth Areas

- Harness the opportunity for digital transformation in a time of disruption:
  - Improve processes and systems to be more agile and allow for more efficient project management and collaborative digital platforms.
  - Continue enhancement of digital marketing channels and online customer experiences through application of new technologies.
- Offer innovative product differentiation such as smart home and sustainable features in our developments to create more liveability and enrich the lives of our communities.

4 https://www.lppkn.gov.my/index.php/en/population-services/194-factsheet-malaysia-demographic-trends
5 https://www.statista.com/forecasts/887554/revenue-in-the-smart-home-market-worldwide

INCREASED AWARENESS OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MATTERS

Hampered by issues like climate change, workers' welfare, and resource inadequacy, ESG issues have firmly taken hold as prime concerns among the general public and the investor community. During the pandemic from April-June 2020, sustainable investment funds experienced net inflows of USD71.1 billion globally[6].

Increasingly, investors and regulators (including Bursa Malaysia) are raising the bar on ESG requirements in their decision-making process, favouring high-performing companies that can prove their resilience against adverse ESG-related events such as COVID-19.

More pressure for brands to demonstrate corporate responsibility is prompting companies to realign their businesses with ESG priorities. In real estate, this requires mapping ESGs across the value chain, products and principles services, and applying circular economy and self-sufficiency into the business and communities. As the property and construction sector contributes significantly to global emissions, this presents an opportunity for companies to work towards carbon neutrality by aligning business targets with the Paris Agreement*. Besides improving workplace safety, opportunities manifest in efficient space management, resource-sharing, biophilic design, energy efficiency, and the use of renewable energy within the developers' space.

Response and Growth Areas

- Enhance our capacity to address issues relating to governance, institutional competency and efficiency, while considering the environment and society with a clear commitment to our shareholders and the 17 UN SDGs 2030.
- Support the Paris Agreement in reducing greenhouse gas emissions by gradually decarbonising our operations and products.
- Integrate long-term value creation in the Group's strategic plan to support and include strategies on ESG that underpin sustainability.
- Strengthen management and staff commitment to the Group's PRIME Corporate Core Values.

* Its goal is to limit global warming to well below 2, preferably to 1.5 degree Celcius, compared to pre-industrial levels.

IMPORTANCE OF HEALTHCARE SECTOR

Growth in global healthcare expenditure is estimated at an annual 5 percent from 2019-2023[7], driven by the ageing population, advancements in science and technology, healthcare accessibility and affordability, and changing care structures.

Malaysia's rapidly ageing population is increasing the demand for aged care facilities with a focus on in-home smart security features and assisted care within proximity.

Health and wellness will underlie integrated developments that can support a high quality of life for the entire family unit.

Response and Growth Areas

- Embark on catalytic partnerships with healthcare providers, aged care facilities and pharmaceutical clusters across the Group's townships in Klang Valley, namely City of Elmina, Bandar Bukit Raja and Nilai Impian.
- Explore collaborative partnerships with healthcare providers on digital initiatives to improve healthcare accessibility and connectivity for our communities.

6 Bursa Malaysia: Sustainability agenda a key lesson from the pandemic | The Edge Markets
7 https://www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html

Material Matters

Material matters impact Sime Darby Property's ability to create long-term value and influence how the Board and Management drive the Group forward.

MATERIAL MATTERS IDENTIFICATION PROCESS:

Identification

The Group has identified six relevant capitals that impact our financial and non-financial performance. The selection is based on the internal analysis of our business and feedback from various stakeholder engagement platforms.

Prioritisation

The Group prioritises its SHIFT 2.0 Strategy. Our assessment of each material topic's impact on stakeholders' decisions and our business helped us prioritise and focus on 11 material topics for FY2020.

Validation

The Group conducted a validation process, with close consultation and counsel from the Board and top management, including the various management committees, on the material scope, and impact to the business.

MANUFACTURED CAPITAL

Our land bank, physical assets and technology, as well as our other business infrastructure, including flagship products, allow us to conduct business in a profitable yet sustainable manner

Material Matter(s) and why is it important to Sime Darby Property:
- Product delivery timeliness and quality to ensure customer satisfaction and improve brand credibility

Risks and Opportunities:
- Customers' needs and expectations of the quality of product delivery and timeliness affect our market approaches
- A volatile market that negatively influences cost and margins adds pressure to maintain product quality at lower margins
- COVID-19 outbreak has impacted the entire End-To-End global supply chain
- Relook at contracts and ways to improve/tighten the processes
- Adopt new and sustainable working practices, i.e. harnessing cloud services and collaborative digital platforms
- Strengthening good relationships with strategic partners to remain competitive

Mitigation Strategies:
- Improving end-to-end customer experience by leveraging on technology and innovation to enhance service standards
- Building and delivering defect-free products using quality management tools such as Quality Assessment System in Construction (QLASSIC)
- Improving speed to market and shortening the end-to-end development cycle
- Conducted in depth analysis of supply chain activities to ensure optimum efficiency at every stage

Key strategic priorities in FY2021:
- Achieve cost and operational efficiencies
- Embark on digital transformation

How we create value:
- Appoint the right business partner for the right projects
- Ensure the sustainability of supply and product quality for customers
- Minimise the risk of material supply shortage to avoid delay in construction progress

How do we measure value creation?
- Sellable high-quality products delivered to the market
- Innovative products and solutions
- Service excellence
- Product quality and appreciation
- Socio-economic growth
- Customer satisfaction

Capitals Impacted

Stakeholders Affected

Link to Strategy

FINANCIAL CAPITAL

Income from our core and recurring business segments, monetisation planning and fundraising exercise ensure a healthy cashflow to continue our operations and expand growth

Material Matter(s) and why is it important to Sime Darby Property:

- Financial and operational performance, including that of joint ventures and associates, to report and analyse the ongoing performance of the businesses for future strategic planning
- Financial budget to perform the forecasted Group's financial results in the upcoming financial period
- Successful strategic partnerships add value, improve brand awareness, and benefit the Group's various stakeholders
- Issuance of Sukuk Musharakah Programme to ensure sufficiency of funding lines

Risks and Opportunities:

- Challenging global and local market conditions mainly due to the COVID-19 outbreak, prolonged recessionary phase of property sector, dampened consumer and business sentiment
- Tightening financial requirements, rising operating costs as well as more rebates and discounts given to clear unsold inventories continue to compress our margins and yield thinner profit
- Intensified competition in the absence of a strong push factor to reduce high supply in property thus prolonging overhang issues
- The need to continuously identify the right products at the right locations and price points to bridge the gap between market demand and supply
- The need to expand recurring income business to diversify and rebalance the Group's portfolio
- The continuous exploration for strategic partnerships or joint ventures to leverage on their expertise and resources to maximise returns

Mitigation Strategies:

- Expanding the Group's portfolio, particularly by growing recurring income business, accelerating new growth areas, transforming complementary businesses to value-added core property development business, increasing efforts to monetise low-yielding investment assets and enhancing our cost and operational efficiencies
- Conducted thorough analysis to replan launches and revisit pricing of new product launches and completed unsold units, and reduced misalignment with market needs and preferences amid the challenging environment
- Tapped into the Government's initiatives to accelerate sales performance
- Strategic review of joint ventures and rebalancing of the investment asset portfolio to enhance their value proposition and contribution to the Group
- Strategic review of landbank to unlock value

Key strategic priorities in FY2021:

- Diversification of income streams and launch of new growth areas with Industrial & Logistics Development as the new engine of growth
- Enhance complementary business segments and placemaking of townships, particularly in the Investment & Asset Management and Leisure segments
- Monetisation planning to intensify efforts in monetising low-yielding investment properties/assets, lands and unsold inventories
- Landbank management to unlock strategic value
- Preserve financial discipline through cash flow and inventory management as well as cost efficiency initiatives
- Improve organisational efficiencies and effectiveness

How we create value:

- Timely announcement of the Group's financial performance to keep stakeholders informed
- Financial budgeting & planning, market research as well as industry benchmarking in place to guide the Group in executing upcoming business operations
- Strategic partnerships allow the Group to access new markets and networks, specialised knowledge and expertise, and greater technology resources, thus expediting business processes and developments
- Sufficient funding in place is essential to financial management as it ensures adequate funding of ongoing and future developments

How do we measure value creation?

- Dividends to shareholders
- Taxes to the Government
- Payments to our supply chain partners
- Wages and benefits to employees
- Investments in economic, environmental and social programmes to create sustainable communities

Capitals Impacted

Stakeholders Affected

Link to Strategy

Material Matters

HUMAN CAPITAL

Human capital development initiatives include attracting and retaining talent, knowledge and skill base to improve the Group's competitive strength

Material Matter(s) and why is it important to Sime Darby Property:
- Occupational health and safety for a safe and healthy environment for various stakeholders
- People management to drive forward the Group's objectives

Risks and Opportunities:	Mitigation Strategies:
• The ever-changing marketplace continues to drive the need for employees to acquire new skills and competencies • Technological disruptions influence expectations of quality and service • Hazards at the workplace and compromised labour practices are areas that require close monitoring • Changes to new working conditions and stress factors from work-from-home conditions can affect employees' productivity, as well as physical and mental well-being	• Implementing effective performance management, robust talent management and development framework • Sustain inclusive employee engagement platforms to motivate performance, build competencies and deliver positive employee experiences • Enforced ESH Compliance controls such as GPA A.9, ESH Management Systems, Safety & Health Management Plan etc • Launched Jalinan Nurani, a digital platform that helps employees and their immediate family members maintain mental health through coaching and tools

Key strategic priorities in FY2021:	How we create value:	How do we measure value creation?
• Improve organisational effectiveness • Achieve cost and operational efficiencies	• Implement organisation strategies that effectively develop key people initiatives and programmes that promote people well-being, motivate employees, improve organisational practices as well as retain the new and existing workforce	• Succession pipeline • Talent retention, mobility and growth • Diversity for development • Future-proof talent

Capitals Impacted

Stakeholders Affected

Link to Strategy

SOCIAL CAPITAL

Cultivating and partnerships with our wide network of stakeholders, including customers, employees, regulators and policy makers, community members, media and supply chain

Material Matter(s) and why is it important to Sime Darby Property:
- Community development to support thriving, inclusive and sustainable communities throughout the Group's townships

Risks and Opportunities:	Mitigation Strategies:
• Lack of resources and focus for community-based initiatives such as the delivery of affordable homes compared to more profitable open-market products • Unresponsive and dissatisfied stakeholders due to lack of information or misinformation as well as inconsistent and unclear communication pose a threat to the Group's reputation and business operations • Build rapport with various stakeholders to increase awareness of the Group's brand and key messages, as well as social initiatives	• Enhancing our Policies and Operating Procedures to meet compliance requirements while monitoring regulatory developments in areas where we operate • Launch of healthy mix of products which include affordable homes of both high-rise and landed properties • Ensuring consistent and clear corporate messaging

Key strategic priorities in FY2021:	How we create value:	How do we measure value creation?
• Launch new growth areas • Improve organisational effectiveness	• Organised various community enriching programmes through the Sime Darby Property Volunteer Programme • Introduced the #BERSAMA campaign which included initiatives such as #BERSAMA Let's Say Terima Kasih to thank frontliners, Hari Raya-themed activities, and #BERSAMA 2.0 Spotlight on Heroes which awarded every day heroes nominated by the public • Constant engagements with various stakeholders	• Value partnerships • Positive social impact

Capitals Impacted

Stakeholders Affected

Link to Strategy

NATURAL CAPITAL

Approximately 20,000 acres of land bank strategically located in highly connected growth corridors that continue to support the Group's current and future growth plans of expanding and strengthening our presence in all our focus markets while optimising environmental performance

Material Matter(s) and why is it important to Sime Darby Property:
- Environmental stewardship ensures the conservation and preservation of natural resources through the adoption of sustainable practices to create value for future generations
- Delivering a sustainable development pipeline to create positive impacts for People, Planet and Prosperity

Risks and Opportunities:	Mitigation Strategies:
• Potential negative impact on land bank development, such as water security issues like water scarcity, unpredictable rainfall and/or flood events • Negative effects on the environment and ecosystems due to externalities from the Group's operations and supply chain activities • Opportunities include, amongst others, rainwater harvesting, adoption of wetland spaces and dense planting, which contribute to environmental education, community inclusion and opportunities for urban reforestation research and development	• Constant engagement with stakeholders in the value chain to communicate the Group's climate change strategy and adaptation plan • Monitoring and driving operational eco-efficiency (i.e. water, waste, carbon emissions) while achieving reduction targets • Trees replenishment initiatives and IUCN Red List Tree planting via standard landscaping and strategic collaborations with environmental specialist entities • Implemented an active land bank management approach which includes strategic land sales and acquisition • Applied specific targets and adopted approaches to maximise water security for further resilience in the development of land banks

Key strategic priorities in FY2021:	How we create value:	How do we measure value creation?
• Improve organisational effectiveness • Sustainability awareness and education programmes • Vendor engagement programs • Enhancement of SUSDEX for the Leisure and Industrial & Logistic segments	• Established SDP 2030 Sustainability Goals and Green Sustainability KPI • Strategic collaboration with external parties in addressing climate change and environment/biodiversity conservation	• SDP 2030 Sustainability Goals progress • SUSDEX assessment • Sustainable land bank management • Acquisition of new land for development • Sale of non-strategic land bank and low-yielding assets • Efficient management of natural resources

Capitals Impacted

Stakeholders Affected

Link to Strategy

INTELLECTUAL CAPITAL

Strong brand, market experience, domain knowledge, formidable network and intellectual property can enhance our capacity to innovate and strengthen our brand equity and reputation

Material Matter(s) and why is it important to Sime Darby Property:
- Adopting technology and innovation to improve efficiency of various work processes, enhance competitive edge, and improve product developments and services for customers

Risks and Opportunities:	Mitigation Strategies:
• Change and disruption in the business landscape, technological advances and the rising population of millennials require the Group to respond swiftly and innovatively • With digitalisation lowering the barrier to entry, it is easier for new entrants to disrupt incumbents	• Focused on maintaining a healthy pipeline of innovative projects that can be commercially successful and replicated across multiple platforms • Partnered with external parties and engaged in brainstorming sessions to resolve emerging issues and achieve the desired innovation portfolio mix

Key strategic priorities in FY2021:	How we create value:	How do we measure value creation?
• Embark on digital transformation • Achieve cost & operational efficiencies	• Improve processes and systems for efficient project management via collaborative digital platforms • Introducing online customer experiences through the application of new technologies and improving digital marketing channels • Develop smart, green and multi-generational homes to cater to various consumers' needs	• High brand value • Global presence and footprint • Quality and innovative end-to-end product chain • New business ventures

Capitals Impacted

Stakeholders Affected

Link to Strategy

Key Risks and Mitigation

During the financial year under review, the property development and leisure industry was hard-hit by the COVID-19 pandemic, which further exacerbated the already soft property market and weak economic sentiment. This pushed the Group to continuously adapt, re-evaluate, and re-strategise how business is conducted under such unique circumstances, especially when the Group's profitability and its employees' safety and well-being are at stake.

The ever-evolving regulatory requirements and Standard Operating Procedures ("SOPs") to manage the COVID-19 pandemic during the various stages of Movement Control Order ("MCO") such as temporary shutdown of specific economic sectors, mandatory COVID-19 test for workers returning to construction sites, and compulsory Work-from-Home requirements impacted the Group's supply chain and production. The Group has taken various measures to minimise the impact of these requirements, where possible. The COVID-19 Bill 2020 has provided some relief to the Group, especially for the late delivery of products to customers due to the MCO implemented in Q2/2020.

Operational restrictions, such as Work-from-Home order, social distancing requirements and limiting the number of guests at events, have also caused the Group to reassess and revise its operations to ensure that business can continue with minimal disruptions.

The Group performed a COVID-19 risk assessment at the onset of the pandemic which covered areas such as people, infrastructure, supply chain, business performance, business continuity planning and operational readiness to address changes in accordance to the regulatory requirements. The Group continues to manage these and other material Enterprise and Operational risks with oversight, direction and support from the Board and its various committees.

The Group acknowledges that even with a robust risk management framework and practices, it cannot fully mitigate these additional risks and other Enterprise and Operational risks as they are inherent in our business operations. However, the Group will continue to monitor and minimise the potential impact arising from these risks, levelling it to its risk appetite.

Key features of the Group's Enterprise Risk Management Framework can be found in the Statement on Risk Management and Internal Control on pages 214 to 221.

RISK TREND
INCREASE DECREASE STABLE

The Group's ten (10) broad key risks and their mitigation measures for the financial year under review are outlined below:

MARKET

RISK TREND: STABLE

Macro-economic factors, including continued subdued property market, lower loan approval rates, movement control restrictions hampering key operations such as sales and construction activities, hindered our ability to sustain the business, manage our liquidity requirements and ensure our growth strategy and financial targets are achieved.

Impact on Value	Mitigation Strategies
Diminishing financial capital due to: • Poor Group performance and returns; • Unsold stocks; • Prolonged deferment or delayed launches leading to weak product pipelines; • Insufficient operational cash flow to fund projects; and • Tight capital market to raise funds.	• Continuously assessed and realigned strategy to market conditions and requirements; • Closely monitored performance across core business units, including active cash management and maintaining the funding facilities; • Launched products such as landed properties within the affordable to medium price range in established townships where the underlying demand is still strong; • Market intelligence on product and service offerings for similar/ comparable developments to support product viability prior to launch; • Introduced sales campaigns with innovative packages for new products; • Leveraged on the Home Ownership Campaign to increase sales of new products and reduce unsold stocks; • Leveraged on technology to conduct online sales campaign during the MCO/CMCO/RMCO periods; • Continued to provide affordable housing design and packages; and • Continued tactical price review for unsold stocks, where required.

Capital

Material Matters

Strategy

Stakeholders

DEVELOPMENT AND PRODUCT STRATEGY

RISK TREND: STABLE

Ineffective development portfolio and low demand products delivered to the market (portfolio, product, price, product cost and timing to market).

Impact on Value	Mitigation Strategies
Diminishing financial capital due to: • Poor take-up rate of products resulting in higher holding costs; • Low profit margin or losses incurred on products; • Loss of market share; and • Low return on capital due to low demand.	• Reviewed and revised the 5-year implementation Blueprint where required to address market changes; • Conducted scenario planning to manage the operational business changes due to COVID-19; • Each product developed and proposed for launch is subjected to a rigorous review process, market research and business case; • Monitored the implementation of a 'check and balance' approach when aligning and embedding strategies along the product supply chain; and • Extended strategic sourcing initiative to reduce product cost.

Capital

Material Matters

Strategy

Stakeholders

Key Risks and Mitigation

COMPETITION

Business model disrupted by new and/or current entrant through new innovation (products and services) or technology advancement.

RISK TREND

Impact on Value	Mitigation Strategies
Diminishing financial capital due to: • Loss of market share; and • Lower than expected performance and returns.	• Continuous market research & industry benchmarking to monitor existing and new industry entrants and technology.

Capital

Material Matters

Strategy

Stakeholders

JOINT VENTURES, COLLABORATIONS AND STRATEGIC PARTNERSHIP

Misaligned investment objectives/interest, lower than expected returns, weak Joint Venture (JV) management team and disagreements with JV Partners.

RISK TREND

Impact on Value	Mitigation Strategies
Diminishing financial capital, compromised intellectual capital, and deteriorating human capital due to: • Lower than expected returns; and • Additional capital requirements to sustain JV operations/businesses. • Potential litigation arising from claims/disputes; and • Potential reputational damage.	• Closely monitored the performance of JVs through periodic audits and representation on the board/ development committee/ management of each JV Company; and • Continued engagement with JV Partners and improvements to JV's governance, where required.

Capital

Material Matters

Strategy

Stakeholders

TALENT AND RESOURCE MANAGEMENT

Inability to attract, maintain and retain proficient talents to execute strategies for sustainable growth.

Impact on Value	Mitigation Strategies
Deteriorating human capital due to: • Lack of skills and competencies needed to implement Group strategies and deliver the expected performance; • Misaligned performance measurements and targets; and • Loss of key talents.	• Ensured remuneration packages are comparable to industry norms; • Established a revised Total Rewards Philosophy with better capability to attract and retain competent talents; • Implemented succession planning aimed at strengthening leadership bench strength, fast tracking high-potential talents and creating career pathways for competent performers; • Improved performance management system; • Reviewed competency and training gaps; • Implemented the recruitment of 'young talent' and retention strategies; • Continuous training and support to build key expertise under major growth areas; • Leveraged on technology to improve efficiency in managing HR-related matters through the digital HR platform, HR On Cloud; and • Implemented initiatives to instil a culture of a highly engaged organisation.

RISK TREND

Capital

Material Matters

Strategy

Stakeholders

PROJECT DEVELOPMENT AND EXECUTION

Development projects not delivered on time and do not meet expected returns or product quality.

Impact on Value	Mitigation Strategies
Diminishing financial capital and compromised intellectual capital due to: • Additional cost for rectification/replacement, compensation, settlement, overruns and/or Liquidated Ascertained Damages (LAD); • Poor product quality and late delivery of products; • Potential claims/disputes/ legal action from purchasers; and • Potential reputational damage.	• Strengthened and enlarged the pool of competent and experienced consultants and contractors with good track record to support project requirements, based on a pre-qualified and pre-approved set of criteria for their performance assessment; • Dedicated and experienced project teams to monitor project performance and coordination with key stakeholders; • Close engagements with contractors to ensure appropriate actions are taken to mitigate any delay in the delivery of the projects; • Identified key materials that may be impacted by COVID-19 supply chain restrictions and worked with vendors/contractors on supply chain alternatives, if required, to ensure minimal disruption to supply chain; • Increased frequency and timeliness of quality audits and inspections at various stages of construction; and • Executed steps to improve project management, cost control and procurement processes.

RISK TREND

Capital

Material Matters

Strategy

Stakeholders

Key Risks and Mitigation

ENVIRONMENTAL, SAFETY AND HEALTH

Major safety, health and/or environmental breaches at workplace and project sites.

Impact on Value	Mitigation Strategies
Diminishing financial capital, compromised intellectual capital and loss of human capital due to: • Decline in productivity and performance as a result of potential accidents, injuries and casualties; • Significant penalties/disruptive stop-work orders imposed by authorities; • Potential environmental harm and additional cost arising from possible claims and litigation; and • Potential reputational damage.	• Institutionalised comprehensive environmental, safety & health policies and procedures; • Conducted regular trainings, dialogues and road shows to raise awareness and reduce Environment, Safety and Health (ESH) risks; • Embedded ESH criteria in contractual documents and development project plans; • Planned participation in ESH scheduled and unscheduled audits, including regulator's inspections and related reporting; • Continued engagement and communication with key stakeholders such as customers, legislators, regulators, local communities and NGOs; and • In respect of COVID-19 risk mitigation: – A Crisis Management Team comprising of the Senior Management Team and representatives from various business units and support functions was formed and remained operational to take the lead and prepare prompt responses to COVID-19 related issues. – Established, updated and communicated COVID-19 related SOPs through various communication channels to minimise infection risk at the workplace. The implementation and compliance rate was monitored on a periodic basis. – Provided Personal Protection Equipment such as face mask, face shields, thermal scanners and hand sanitisers to all employees at operational areas. – Regular cleaning and sanitisation of common areas to reduce the risk of infection. – Provided employees with mental health and well-being support through a digital service platform called Jalinan Nurani, where employees are given access to certified health coaches and various resources to better manage their mental, physical, and financial well-being. – Established and distributed funds to support employees in the B40 group. – Provided COVID-19 testing facilities to all employees and their dependants as part of the infection prevention strategy. – Worked with contractors at project sites to ensure SOPs are in place and adhered to.

RISK TREND

Capital

Material Matters

Strategy

Stakeholders

UTILITIES SUPPLY

Inability to secure adequate water and electricity supply and connection for future projects in growing and/or new townships.

Impact on Value	Mitigation Strategies
Compromised manufactured capital and diminishing financial capital due to: • Inability to meet strategic development and growth targets; • Inability to meet financial targets; and • Loss of market share.	• Engaged with relevant authorities and utility providers at various stages of the development; and • Complied with the requirements of utility providers.

RISK TREND

Capital

Material Matters

Strategy

Stakeholders

CYBERSECURITY

Infrastructure and systems failure or breaches arising from cyber-attacks, potentially crippling core systems and controls.

Impact on Value	Mitigation Strategies
Compromised manufactured and intellectual capitals and diminishing financial capital due to: • Business disruptions; • Loss of valuable business data and stakeholders' trust; • Penalties/fines by authorities and/or legal action by third parties; and • Potential reputational damage.	• Deployed various infrastructure security protection solutions and Intrusion Prevention System to manage internet/web security; • Conducted Annual Security Posture Assessment (SPA); • Utilised Patch Management tool to ensure computers security patches are up-to-date; • Implemented Advanced Persistent Threat (APT) solution to detect and prevent advanced targeted attacks; • Utilised multi-layer infrastructure security protection solutions (such as Firewall, Anti-Spam/Virus) to prevent malicious threats to corporate network and data centres as well as user computers; • Continuous monitoring of new and potential threats that emerge in the cybersphere; • Continuous promotion of Cyber Security Awareness in the organisation to prevent employee-related security breaches; and • Conducted a Cybersecurity Maturity Assessment exercise to assess and identify improvement to the Group's cybersecurity environment.

RISK TREND

Capital

Material Matters

Strategy

Stakeholders

LEGAL/REGULATORY AND CONTRACTUAL COMPLIANCE

Non-compliance with local and international laws as well as regulations and contractual obligations due to:

- Complex and voluminous laws/regulations;
- Lack of awareness of existing and new laws/regulations and case law, and the lack of understanding of contractual provisions and impact on transactions/operations; and
- Ambiguity in the interpretation/application of laws/regulations and case law.

Impact on Value	Mitigation Strategies
Compromised financial and intellectual capitals due to: • Non-compliance costs arising from penalties and fines; • Failure to meet legal/contractual obligations and potential claims/litigation; • Additional compliance costs; and • Potential reputational damage.	• Continued to instil a compliance culture within the organisation, with complementing internal processes, external legal support to operational teams when required; • Maintained close collaboration with trade associations/regulatory bodies on emerging legal/regulatory requirements as well as industry trends and standards; • Dedicated project teams to monitor compliance with specific laws/regulations and contractual provisions; • Defined an escalation matrix and a stringent monitoring, resolution and reporting mechanism to manage material breaches; • Enhanced employees' knowledge on regulatory requirements through talks, trainings, and seminars by internal and external speakers; and • In respect of COVID-19 legal risk mitigation: – Constant scanning of regulatory risk arising from the COVID-19 pandemic requirements. Prepared operations to meet new requirements. – Engaged various industry bodies or regulators for clarification of new requirements. Provided practical feedback where required.

RISK TREND

Capital

Material Matters

Strategy

Stakeholders

Our Strategy

Amidst the uncertainties surrounding the operating environment in FY2021, the Group's key strategies will be pivotal towards maintaining resilience while at the same time staying agile to capitalise on growth opportunities.

The SHIFT2.0 Strategy outlines our journey to emerge as a leader in Building Sustainable Communities. Supported by Sime Darby Property's Way of Working and enabled by our people and technology, the SHIFT2.0 Strategy will catalyse our evolution from a pure-play property developer into a sustainable real estate development company, building urban spaces that serve customers and providing quality products and services through technology and innovation.

The SHIFT2.0 Strategy will be executed through the following four (4) corporate priorities and seven (7) focus areas, with further tactical strategies adapted to each business segment as shown below:

The 4 Corporate Priorities will serve as a guide to pivot our business

Broaden Income Streams
- Master Developer Model
- Investment & Asset Management
- Industrial & Logistics Development

Deepening Competencies
- High Safety Culture
- Sustainability as a Hallmark
- Design & Lifestyle Developer Capabilities
- Financial Management & Cost Rationalisation

Develop New Capabilities
- Work with Best-in-Class partners
- Land Bank Management & Monetisation
- Placemaking

Initiate Digital Transformation
- Core IT Process Rationalisation
- Cloud Computing & Enterprise Data Warehouse
- Data Security Framework
- Data Driven Decision Making
- Collaborative Platforms

7 Focus Areas

1. **Operational Excellence** – Establish a firm foundation to transform the Group into a performance-driven organisation through continuous improvement in the way we work
2. **Organisation Excellence** – Raise productivity and enrich talent pool with internal development and strategic external hiring
3. **Safety & Sustainability** – Develop a safe workplace for employees and business partners for the pursuit of sustainability in the three strategic pillars of People, Planet and Prosperity.
4. **Customer First** – Drive improved customer experience via the adoption of new technologies
5. **Tech & Innovation (T&I)** – Develop technological capabilities to expand use of digital channels and data analytics
6. **Branding & Communication** – Enhance stakeholder interest in the Group's innovative offerings and solutions as a lifestyle developer via communication activities that add value to the marketing process and sales outcome
7. **New Revenue Streams** – Establish prominence in other segments of the industry to accelerate the diversification of income and complement property development

EXPAND INCOME PORTFOLIO

Establish our position as a Master Developer by leveraging on strategically located landbank to develop economic corridors, embed robust economic activities and enhance our recurring income portfolio of industrial, retail and office assets

Capitals

Material Matters

PRIORITIES FOR FY2021:

- Development of new revenue streams by accelerating income diversification beyond the Property Development segment, with the Investment & Asset Management and Leisure segments serving as complementary businesses
- Implementation of a landbank management and monetisation strategy to ensure sustainable developments are in the pipeline for our landbank assets and accelerate the monetisation of low-yield assets, thereby strengthening our cashflow and balance sheet position
- Strengthening of our retail and commercial portfolio as placemaking and catalytic components to add value to township projects, particularly the repositioning of TPC KL as a lifestyle destination beyond golfing in the KLGCC township, which will turnaround the Leisure business

ACHIEVE COST & OPERATIONAL EFFICIENCY

Strengthen our overheads and direct cost management with a focus to enhance productivity whilst improving our project management and delivery capabilities

Capitals

Material Matters

PRIORITIES FOR FY2021:

- Continuation of cost and cashflow management efforts with a target to reduce cost by 5 percent every year for the next two (2) years
- Implementation of the Cost Management Programme to closely monitor and manage costs incurred during project management, design-to-cost stage and procurement decisions
- Timely delivery of quality property products
- Aggressive sales conversion through the replication of successful sales campaigns to secure profits

LAUNCH NEW GROWTH AREAS

Continue expanding into complementary new business segments, primarily industrial and logistics developments and niche and affordable multi-generational products to create holistic and integrated ecosystems for our communities

Capitals

Material Matters

PRIORITIES FOR FY2021:

- Activation of strategic lands suitable for industrial development with strategic partners
- Launch of Stage 1 of Elmina Business Park with a GDV of RM1.3 billion (of a total RM6.6 billion) and consists of various industrial products such as industrial lots, semi-detached factories, built-to-lease options and shop offices that make up part of a holistic central hub for logistics and production
- Handover of the other built-to-suit facility in Bandar Bukit Raja Industrial Gateway with a total GDV of RM530 million
- Embarkment of our first multi-tenant ready-built warehouse to meet the demand for warehousing and logistics space
- In preparation for the launch in 2022, the commencement of earthwork for Phase 2 of XME Business Park in Nilai with GDV of RM214 million (of a total RM520 million), consisting of 74 units of cluster and semi-detached and detached units in the first Managed Industrial Park in Negeri Sembilan and gateway to Malaysia Vision Valley 2.0
- Innovation for homes of the future that meet the changing requirements of stay-at-home and work-from-home needs
- Establishment of more sustainable communities for Malaysians characterised by inclusivity and spaces to accommodate biodiversity and community activities such as recycling and urban farming

Our Strategy

EMBARK ON DIGITAL TRANSFORMATION

Future-proof our business model against global disruption trends by exploring new ventures and strategic collaborations with established technology companies; developing an innovation-centric mindset; improving customer experiences and automating internal processes

Capitals

Material Matters

PRIORITIES FOR FY2021:

- Intensification of digital marketing and online campaigns to engage customers in the new normal
- Digital transformation to enable agile and successful business development and operations, including capability and capacity building in digital marketing channels as well as enterprise data warehousing and analysis
- Continue to leverage on the full migration to the cloud to modernise the Group's systems and offer a more enhanced experience to customers

IMPROVE ORGANISATIONAL EFFECTIVENESS

Enhance overall organisational effectiveness by developing a performance-driven culture, conducting strategic reviews of our corporate portfolio of assets and investments, and embedding sustainability into our day-to-day operations

Capitals

Material Matters

PRIORITIES FOR FY2021:

- Practice of good corporate citizenship in delivering positive social and environmental impact to all stakeholders through innovative products, services and activities that promote social cohesion, economic stability and sustainable lifestyles
- Management of operations with safety and sustainability as a priority
- Upholding good corporate governance practices
- Creation of agile launch plans that feature a healthy product mix worth approximately RM2.5 billion in GDV, at market-sensitive price points that satisfy customer demands
- Restructuring of Investment & Asset Management portfolio to keep and to maintain high-yielding and strategic assets as a value-add segment
- Turnaround of Leisure business to complement township developments
- Inculcating high performance culture driven by effective hiring, rewards and learning & development

Key Performance Metrics

MANUFACTURED

Customer Satisfaction Index

Objective

To deliver the highest standards of value and service to our customers.

FY2020

The Malaysian assets comprising TPC Kuala Lumpur, Sime Darby Convention Centre and Impian Golf and Country Club continue to show high quality of service, recording Customer Satisfaction Index score of 85.2 percent, 97.3 percent, and 85.3 percent, respectively.

FINANCIAL

Dividend Payout

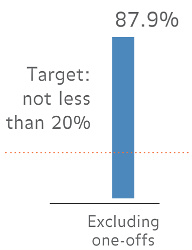
Objective

To deliver sustainable value to our shareholders via dividend contribution

FY2020

Dividend payout ratio is not meaningful as the Group reported a Loss Attributable to Owners of the Company of RM478.8 million in FY2020. If excluding one-offs, the Group achieved a payout ratio of 87.9 percent vs. target of not less than 20 percent of the consolidated net earnings.

Dividend Payout Ratio in FY2020



Unbilled Sales

Objective

To strengthen our unbilled sales base for future sales recognition

FY2020

As at 31 December 2020, the Group achieved RM1.6 billion unbilled sales, surpassing the RM1.5 billion target set for FY2020.

SOCIAL

Loss Time Injury Frequency Rate

Objective

To promote well-being and safety of all at our operations.

FY2020

For Loss Time Injury Frequency Rate (LTI-FR), there is a decrease from 0.31 to 0.14*

Loss Time Injury incidents reported were from Sime Darby Property HQ and Hospitality and Leisure operation – one (1) incident from TPC KL.

* The data has been externally assured. Please refer to Independent Assurance report from pages 429 to 431.

HUMAN

Female Representation

Objective

To support the leadership development of our female employees and promote greater gender diversity.

FY2020

42 percent of the workforce comprise women and 22 percent female representation on the Board.

NATURAL

Carbon Intensity

Objective

To actively monitor and reduce our carbon emissions.

FY2020

The Group's total carbon emissions for the year under review was 38,452* tCO_2-e. [Scope 1: 28,145* tCO_2-e and scope 2: 10,307* tCO_2-e]. In a year-on-year comparison, total carbon emissions were 7.4 percent up from 2019 carbon emissions due to increased earthworks during the year.

* This data has been externally assured. Please refer to Independent Assurance report from pages 429 to 431.

Water Consumption

Objective

To track and monitor our water consumption and optimise use to reduce our impact on the environment and ecosystems.

FY2020

We used a total of 612,830 m^3* of potable water

* This data has been externally assured. Please refer to Independent Assurance report from pages 429 to 431.

Waste Generated

Objective

To track our waste production and apply optimsed solutions to reduce our impact on the environment and its ecosystems.

FY2020

Total weights of scheduled (hazardous) and solid (non-hazardous) wastes produced by our operations is 21.28 tonnes and 3,980.11* tonnes respectively.

* This data has been externally assured. Please refer to Independent Assurance report from pages 429 to 431.

INTELLECTUAL

Recognised on ESG Indices

Objective

To uphold our recognition and commitment for corporate sustainability leadership in the Emerging Markets

FY2020

Re-included as a constituent in the FTSE4Good Index Series for 2020 (BURSA FTSE4Good and FTSE4Good Asean 5) with improved rating of 2.7.

Group Financial Review

Sime Darby Property has once again proven its ability to remain resilient. Despite the unprecedented challenges brought about by COVID-19, the Group exceeded its revised sales target through effective launching plans and pricing strategies. At the same time, the Group maintained a strong balance sheet in the form of adequate cash balances and moderate gearing ratio, to pave its way in reaping the benefits from a recovering market in the near to medium term.

GROUP'S FOCUS AND ACHIEVEMENT IN FY2020

- FY2020 was an unprecedented year wherein the COVID-19 pandemic has hampered global and local economic activities and market sentiments. The Group's financial performance was not spared from the adverse impact brought about by the pandemic.
- Performance of all three business segments were impacted by the business disruption following the implementation of various phases of Movement Control Order ("MCO") in Malaysia since 18 March 2020, with some recovery seen in Q3FY2020 when MCO was eased. Similar measures to prevent the spread of the COVID-19 pandemic were implemented in other countries where the Group operates.
- Nevertheless, the Group reacted swiftly to tackle the outbreak through a review of strategies and tactical plans to evaluate the market conditions and impact on each of our business segments. This included a reprioritisation of our launch plans with a focus on launching the right products at appropriate price points in prime locations.
- As a result of the review and initiatives put in place, coupled with the push from the Government via the re-launched Home Ownership Campaign ("HOC") in 2020 and the historic low Overnight Policy Rate ("OPR") of 1.75 percent, the Group achieved the following operational results:
    - o Launched a total of 1,668 units of properties worth RM1.5 billion and garnered an average take-up rate of 88.0 percent as at 14 February 2021.
    - o Achieved RM2.0 billion sales, surpassing the revised sales target of RM1.4 billion by 43 percent.
    - o Successfully completed 18 projects with a total delivery of 3,725 units of properties worth approximately RM2.6 billion.
- The commendable operational achievements provides steady revenue visibility for the Group. As at 31 December 2020, the Group recorded RM1.6 billion of unbilled sales, and RM0.8 billion in bookings.
- We also undertook value assessments of the Group's assets and projects to reflect evolving market conditions vis-à-vis the COVID-19 pandemic, following which write-downs, write-offs, impairment and provisions were recognised to bring the balance sheet of the Group to the right base.
- At the financial front, we preserved financial discipline including cash flow, inventory and working capital management as well as cost optimisation.
- The Group maintains a healthy cash balance of RM801.8 million as at 31 December 2020, at the back of RM410.3 million positive operating cash flow generated during the year.
- To further strengthen liquidity, the Group has successfully raised RM800 million Sukuk during the year, which were accorded credit rating of AA+$_{IS}$ by Malaysian Rating Corporation Berhad ("MARC"). Gross and net gearing ratios[1] remained resilient at 36.7 percent and 28.1 percent respectively.

[1] Gross gearing ratio = (Total Borrowings + Lease Liabilities)/Total Equity
Net gearing Ratio = (Total Borrowings + Lease Liabilities – Cash and Cash Equivalents)/Total Equity

GROUP'S FINANCIAL PERFORMANCE AND POSITION

The adverse impact of the COVID-19 pandemic to the Group's businesses is evident in the current year Group's financial performance. Revenue declined by 35.1 percent to RM2.1 billion whilst the net earnings deteriorated to a loss of RM478.8 million. Excluding the one-off write-downs, write-offs, impairment and provisions, net earnings stood at RM77.4 million which is commendable given the challenging year.

On contrary, Group's result for previous year were enhanced by the gain on disposal of properties amounting to RM245.5 million. There were no disposal of assets of similar nature in the current year given the weak market condition, with focus being placed on deploying effective measures to handle the unprecedented situation.

Overall, our balance sheet as at 31 December 2020 remained resilient with a total cash balance of RM801.8 million, with RM410.3 million positive operating cash flow being generated during the year. Our total equity position remained strong at RM9.3 billion, despite a decrease of 6.6 percent from FY2019 mainly due to losses in the current financial year.

With our current moderate net gearing level of 28.1 percent, the Group is well placed to continue deploying its strategic growth plans.

Nevertheless, the Group will continue to proactively monitor and manage its liquidity position through new financing for its working and growth capital when needed, and at the same time, maintain an optimum gearing ratio.

As at 31 December 2020, the Group's balance sheet remained solid underpinned by healthy cash position and moderate gearing levels:

CASH POSITION:
HEALTHY
RM801.8 million

GROSS AND NET GEARING RATIO:
RESILIENT
36.7% and
28.1% respectively

TOTAL ASSETS:
DECREASED BY 3.9%
RM14,885.0 million

TOTAL EQUITY:
DECREASED BY 6.6%
RM9,289.5 million

Group Financial Review

MANAGEMENT DISCUSSION & ANALYSIS

PERFORMANCE IN A WEAK MARKET WAS SUPPORTED BY GOVERNMENT'S CONCERTED EFFORTS, HISTORICAL-LOW INTEREST RATE AND EFFECTIVE MARKETING AND SALES CAMPAIGNS

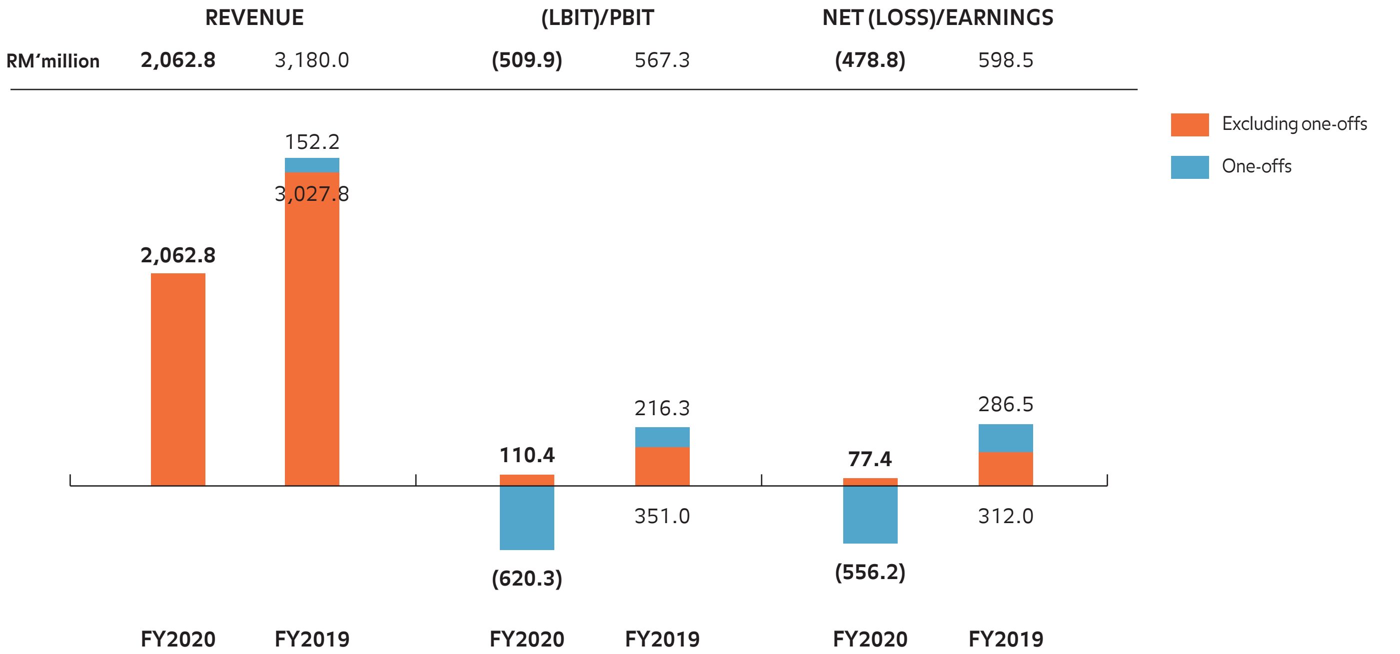
The Group's revenue declined by 35.1 percent to RM2.1 billion from last year's RM3.2 billion.

In particular, the Property Development segment was adversely impacted by the share of impairment loss from the Battersea Group. In view of the challenges presented by the COVID-19 pandemic in London, the Battersea Group had in the third quarter of the current year, recognised an impairment of its work in progress and inventories under development, of which the Group's share amounted to RM337.1 million (£62.4 million). Moving forward, the Group reserves a cautious view on the earnings contribution from the Battersea project upon the completion and hand-over of the properties in 2021 amidst the uncertainties. It is also relevant to recall that the Battersea Group completed its sale of the retail and office component of its Phase 2 development in 2019, which represented a large part of its active development phases, at a base price of £1.58 billion. The said base price is further subject to a price adjustment mechanism that is contingent on the rental performance of the asset sold after the 5th year of practical completion, a term structured to benefit the Battersea Group from an upside should the rental performance of the asset exceeds the rental guarantee in that year. However, as the aforesaid variable consideration is contingent on a future outcome, it will only be recognised when it can be reliably measured in the future.

The Group's profit was also impacted by write-downs and write-offs of inventories, impairment and provisions in its Malaysian operations. These one-off items were identified and justified via (i) thorough assessments triggered by the COVID-19 outbreak to ensure the marketability and sale-ability of the Group's current and future products, and (ii) asset value assessments carried out at year end by professional valuers.

The Group recognised a loss before interest and taxation ("LBIT") of RM509.9 million in the current year, as compared to FY2019's profit before interest and taxation ("PBIT") of RM567.3 million, attributed to the overall weaker operational performance and one-offs. The previous year's position was enhanced by gain on disposal of properties of RM245.5 million. Consequently, the Group reported net loss of RM478.8 million against the net earnings in the previous year of RM598.5 million.

Excluding the one-offs, the Group's recorded PBIT and net earnings during the year under review of RM110.4 million and RM77.4 million respectively.



RM' million	FY2020	FY2019
Reported Revenue	**2,062.8**	3,180.0
(Less)		
– Land sales	**–**	(152.2)
Revenue excluding one-offs	**2,062.8**	3,027.8

↓ 31.9%

RM' million	FY2020	FY2019
Reported (LBIT)/PBIT	**(509.9)**	567.3
Add/(Less):		
– Impairment for Battersea Project	**337.1**	–
– Other write-downs, write-offs, impairment and provisions	**283.2**	167.4
– Gains from:		
• Land sales	**–**	(138.2)
• Disposal of properties	**–**	(245.5)
PBIT excluding one-offs	**110.4**	351.0

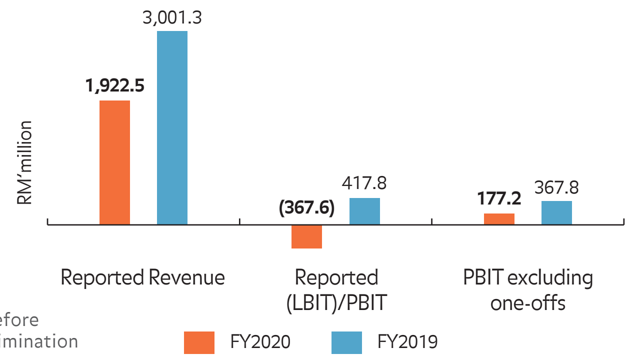
↓ 68.5%

RM' million	FY2020	FY2019
Reported Net (Loss)/Earnings	**(478.8)**	598.5
Add/(Less):		
– Impairment for Battersea Project	**337.1**	–
– Other write-downs, write-offs, impairment and provisions	**219.1**	136.3
– Gains from:		
• Land sales	**–**	(105.0)
• Disposal of properties	**–**	(242.4)
– Tax provision	**–**	(75.4)
Net Earnings excluding one-offs	**77.4**	312.0

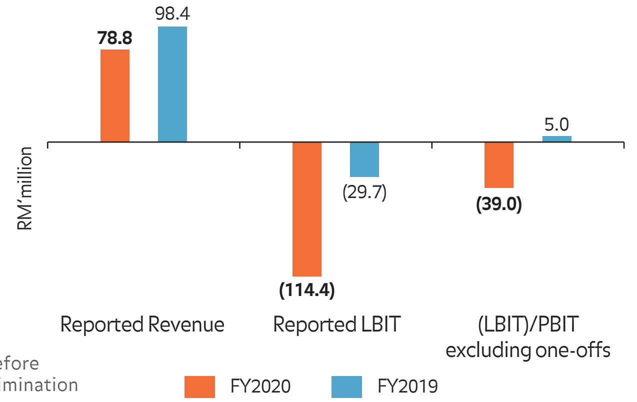
↓ 75.2%

SEGMENTAL ANALYSIS

PROPERTY DEVELOPMENT



INVESTMENT & ASSET MANAGEMENT



With 92.7 percent contribution to the Group's revenue, the Property Development segment remained as the key contributor to the Group. The segment registered a 35.9 percent decline in revenue to RM1.9 billion, as compared to RM3.0 billion in the previous year, impacted by the implementation of various MCO phases and the weak property market sentiments as a result of the COVID-19 pandemic. Sales momentum recovered in the second half of the year underpinned by the easing of the MCO, re-launching of HOC by the Government in June 2020, low OPR of 1.75 percent as well as the Group's aggressive and effective marketing and sales campaigns. This, in turn, brought in significantly higher revenue of RM551.1 million and RM667.8 million in the third and fourth quarter respectively, as compared to RM262.7 million in the second quarter during the first wave of COVID-19 in Malaysia.

The Group's share of losses from joint ventures and associates increased to RM394.8 million as compared to RM31.4 million in the previous year, due mainly to the impairment on inventories of the Battersea Project amounting to RM337.1 million.

Excluding one-offs comprising write-down of inventories, write-off of development expenditures and share of impairment on inventories of the Battersea Project, the Property Development segment remained profitable and stood at a PBIT of RM177.2 million, notwithstanding a decline of 51.8 percent compared with RM367.8 million in the previous year. This was mainly attributable to the commendable sales take-up rate and increased on-site development activities in second half of the year for townships such as City of Elmina, Bandar Bukit Raja, Serenia City and Putra Heights, as well as integrated developments including Lot 15, Cantara Residences and Senada Residences. During the financial year, the Group has successfully completed 18 projects with a total delivery of 3,725 units of properties. This reflects the Group's efforts in driving the development business by leveraging on the positive market factors, amid a challenging year.

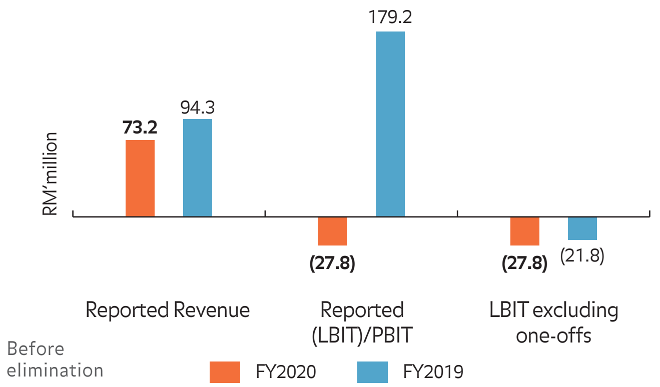
Revenue from Investment & Asset Management segment declined by 19.9 percent to RM78.8 million in the current financial year. The decrease was largely due to a reduction in the supply of teaching equipment under a concession arrangement as majority of the delivery was completed in prior years. The lower revenue was also attributed to lower rental revenue because of lower occupancy rate and ancillary revenue coupled with the rent concessions given by the Group to its tenants during the difficult time. Notwithstanding, the Group is pleased to note that the revenue reduction was offset by the maiden contribution from its new KL East Mall which was opened to the public in November 2020.

The segment reported a LBIT at RM114.4 million as compared to a LBIT of RM29.7 million in FY2019, mainly attributable to higher pre-opening expenditure incurred for KL East Mall in preparation for its opening, higher share of losses from Melawati Mall and impairment charge on investment assets based on professional valuation.

KL East Mall achieved a commendable physical occupancy rate of 72.0 percent and committed occupancy rate of 76.0 percent as at 31 December 2020 despite the challenging retail conditions. The occupancy rate of Melawati Mall decreased slightly to 83.0 percent as at 31 December 2020 compared to the previous year of 86.4 percent.

Excluding the one-offs comprising impairment of investment assets and provision and other adjustments for an undertaking arrangement entered on the disposal of a property with the purchaser in prior years, the segment registered a loss of RM39.0 million against the previous year's profit of RM5.0 million due to higher pre-opening expenditure of KL East Mall and share of losses as mentioned above.

LEISURE



Revenue from Leisure segment decreased by 22.4 percent to RM73.2 million in this current year from FY2019's revenue of RM94.3 million. Contribution from events and functions was low following the COVID-19 pandemic outbreak and temporary closure of businesses.

The segment registered a LBIT of RM27.8 million as opposed to the previous year's PBIT of RM179.2 million. FY2019 PBIT included disposal gains of Singapore properties amounting to RM214.4 million.

There were no one-offs from this segment during the year. The segment's LBIT of RM27.8 million was higher than the previous year's loss of RM21.8 million mainly due to the impact of COVID-19.

WRITE-DOWNS/WRITE-OFFS/IMPAIRMENT AND PROVISIONS

We undertook value assessments of the Group's assets and projects to reflect evolving market conditions vis-à-vis the COVID-19 pandemic. The following write-downs, write-offs, impairment and provisions were considered in the financial year under review.

Write-down of Unsold Inventories, Write-Off of Development Expenditure, Impairment of Investment Assets:

- Impairment of the Battersea Group's inventories under development, of which the Group's share amounted to RM337.1 million (£62.4 million).
- The write-down of inventories totaling RM131.3 million, following a review to ensure that the unsold inventories and products in the launch plan are aligned to market demand.
- The write-off of development expenditure totaling RM73.1 million, following a review and re-planning of the development projects to ensure its feasibility and alignment to market demand.
- Impairment of investment assets and properties amounting to RM28.0 million via an annual review conducted to ensure value of investment assets and properties are fairly matched to the market value.

Obligation:

- Provision and other adjustments of RM50.8 million was made in relation to an undertaking arrangement entered on the disposal of a property with the purchaser in prior years.

Barring unforeseen circumstances, especially in the form of further waves of COVID-19 and the consequential lockdowns, the Group does not foresee any major impairments or write-offs to be recorded in FY2021. The Group is well-position for growth by leveraging on its internal strengths, resilient financial position and market drivers.

FINANCE COSTS

Total finance costs in the financial year amounted to RM153.1 million, comprising borrowing costs from conventional and Islamic borrowings, in the proportion of about 32.2 and 67.8 percent, respectively. Out of the total, RM108.3 million was capitalised and the remaining RM44.8 million was charged out.

Finance costs charged out in the current year were higher as borrowing costs incurred during the temporary cessation of property development activities, following the implementation of MCO, were recognised in the profit or loss in accordance with accounting standards, instead of being capitalised into land held for property development and property development cost and unwound progressively during the construction period.

The Group's weighted average cost of borrowings was 4.0 percent per annum, lower as compared to 5.0 percent per annum in the previous year, in line with the lower interest rate environment.

With effect from 1 January 2021, there is a change in accounting treatment to borrowing costs as stipulated in the Agenda Decision on International Accounting Standards 23 – once a property development project phase is launched, the borrowing costs incurred can no longer be capitalised but are to be charged out to the profit and loss. The Group foresees an increase in finance costs being charged to the profit of loss in FY2021.

TAXATION

Tax expense was recognised in the current year despite the Group registering a net loss before tax, as certain expenses are disallowed for tax deduction. In addition, certain profitable subsidiaries are subject to tax whilst no deferred tax asset was recognised for losses incurred by some subsidiaries.

The low effective tax rate in FY2019 was due mainly to the gains on disposal of Singapore properties of RM214.4 million which were not subjected to tax.

BALANCE SHEET MANAGEMENT

A. INVENTORIES MANAGEMENT

The Group continues to enforce an effective inventories management to maintain unsold inventories at a manageable level by ensuring that development projects are properly planned and are in accordance to market demand, coupled with right price and location points that meets customer expectations. The Group also carries out active marketing and sales campaigns, which is aided by the relaunched HOC since June 2020 that is targeted to end in May 2021.

As at 31 December 2020, total inventories decreased slightly to RM6.4 billion from RM6.5 billion as at 31 December 2019, with the following breakdown:

Land held for property development (non-current):

Land held for property development cost stood at RM4.5 billion, decreased slightly by 1.5 percent from a year ago following the transfer of land and land related costs to property development cost on commencement of the construction and development activities.

Property development costs (current):

Property development cost in relation to projects where development is in progress amounted to RM1.3 billion, a reduction of 10.7 percent from last year's RM1.5 billion in line with the recognition of the property development cost to profit or loss, and the completion of the construction of certain phases during the year, including Cantara retail and The Ridge.

Completed inventories (current):

The carrying value of completed inventories increased by 8.2 percent to RM576.7 million as at 31 December 2020, from RM532.8 million a year ago, due to the completion of the ongoing developments in the current year, mainly from The Ridge in KL East and industrial lots in Elmina East as well commercial units in Ara Damansara. The Group was able to maintain inventories at the current level despite the weak market due to its effective marketing and sales efforts and repricing strategy to align to market demand.

B. WORKING CAPITAL/LIQUIDITY MANAGEMENT

As part of the continuous effort to uphold financial discipline, the Group is committed to maintain an effective working capital management for optimal operational efficiency and a robust balance sheet position. Total cash and cash equivalents of the Group increased by 7.9 percent from RM743.3 million to RM801.8 million as at 31 December 2020.

In the current financial year, the Group had generated positive operating cash flow amounting to RM410.3 million, almost on par with RM414.5 million in the previous year as the Group continued to record collections from the handing over of 3,725 units of homes during the year.

Cash held under Housing Development Accounts saw a decrease of 24.3 percent from RM456.7 million to RM345.5 million during the year, mainly due to the slower development activities following the implementation of MCO as compared to the previous year that saw positive performance and net progress billings and receipts. Despite the restrictions due to MCO, the Group put in place mechanisms to ease operational matters especially on the billings and collections of the development.

RM' million	FY2020	FY2019
Operating cash flow	**410.3**	414.5
Investing cash flow	**(116.4)**	(280.7)
Financing cash flow	**(18.7)**	(14.2)
Proceeds from disposals, net of transaction costs	**–**	334.0
Net finance cost paid	**(135.2)**	(156.0)
Dividends paid	**(208.4)**	(136.0)
Net borrowings raised/ (paid)	**124.4**	(67.1)
Foreign exchange differences	**2.5**	(0.3)
Net Cash Flow	**58.5**	94.2

For the current financial year, net cash flow decreased by 37.9 percent to RM58.5 million from RM94.2 million. There were no proceeds from disposal of assets during the year as compared to RM334.0 million in the previous year and higher dividend payment in FY2020.

The net cash flow from investing activities was lower compared to FY2019 cash flow as it was impacted by the equity injection for Battersea and additional capital expenditure on investment properties.

C. DEBT AND FUNDING MANAGEMENT

The Group's Borrowings

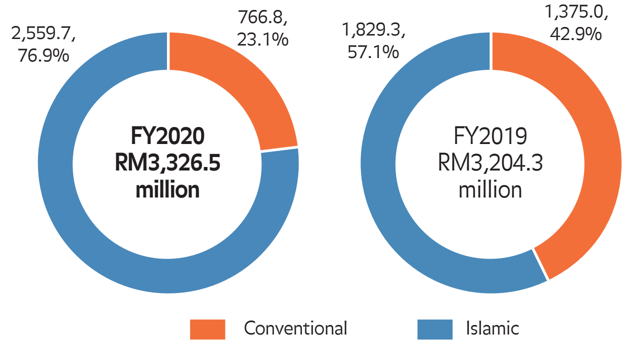
The Group constantly monitors its gearing position through quarterly rolling forecast of its cash flow projections, review of the maturity profile of borrowings and the nature and requirements of additional borrowings to ensure that the total debt level is maintained at a sustainable level. The Group uses gearing ratio to assess the appropriateness of its debt levels.

RM' million	FY2020	FY2019
Total Borrowings	**3,326.5**	3,204.3
Lease Liabilities	**82.9**	91.7
Total Debt	**3,409.4**	3,296.0
Cash and Bank Balances (including cash under Housing Development Accounts)	**801.8**	743.3
Total Equity	**9,289.5**	9,950.0
Gross Gearing Ratio (%)	**36.7**	33.1
Net Gearing Ratio (%)	**28.1**	25.7

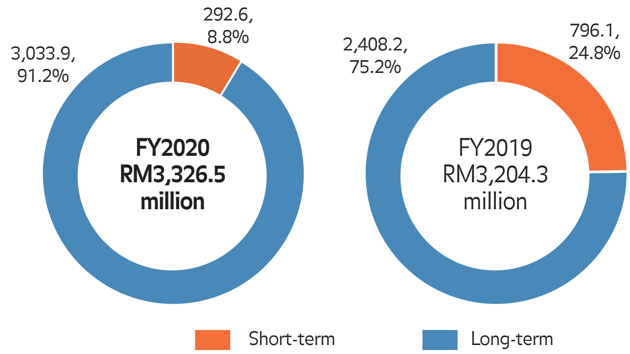
Total borrowings of the Group, wholly denominated in Ringgit Malaysia, amounted to RM3.3 billion as at 31 December 2020, compared to the borrowings position of RM3.2 billion as at 31 December 2019. Both the gross and net gearing ratios of the Group, have increased to 36.7 percent and 28.1 percent, respectively from 33.1 percent and 25.7 percent a year earlier due to higher borrowings and lower total equity.

Funding Mix

The Group maintained a well-balanced borrowing profile between conventional and Islamic borrowings. Borrowings raised in accordance with Islamic principles amounted to RM2.6 billion or 76.9 percent of total Group borrowings whereas conventional borrowings constituted RM766.8 million or 23.1 percent. Conventional debt as a percentage of Total Assets of the Group reduced to 5.2 percent as at 31 December 2020 from 8.9 percent as at 31 December 2019, which was well below the threshold of 33.0 percent set by the Securities Commission to meet the criteria of a Shariah compliant counter on Bursa Malaysia.



The Group has improved its borrowings maturity profile in the current financial year. As at 31 December 2020, long-term borrowings made up 91.2 percent of the Group's total borrowings compared to 75.2 percent in the previous year. This allows the Group to manage its capital and cash flow in a more effective manner.

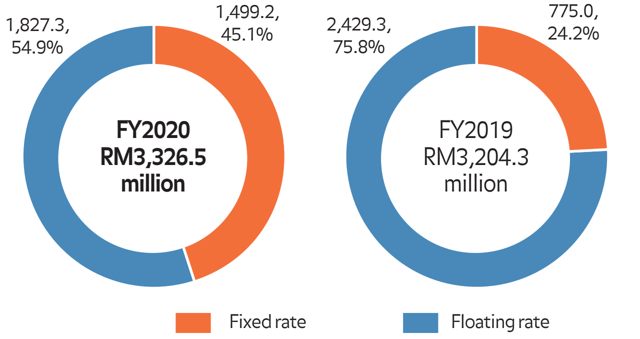


The Group maintains a well-spread borrowing repayment profile as part of the effort to maintain a sustainable debt management policy, by reducing concentration and refinancing risks of the Group.

RM' million	---- Between ---- < 1 Year	1 to 2 Years	2 to 5 Years	> 5 Years
FY2020	**292.6**	**320.6**	**1,135.8**	**1,577.5**
Percentage (%)	**8.8**	**9.6**	**34.2**	**47.4**
FY2019	796.1	357.2	910.4	1,140.6
Percentage (%)	24.8	11.2	28.4	35.6

Group Financial Review

The composition of fixed rate borrowings over total borrowings of 45.1 percent as at 31 December 2020, was higher than the 24.2 percent as at 31 December 2019 by 20.9 percent, following the issuance of Islamic Medium Term Notes (IMTN) during the year.



Financial Risk and Capital Management

As part of the Group's plan to broaden the funding options for its working capital, and longer-term needs to support future business growth, the Group has put in place funding facilities that provides the Group with greater flexibility in managing its operational and funding requirements.

On 23 November 2020, the Group reactivated its RM4.5 billion Islamic Medium Term Notes Programme based on the Shariah principle of Musharakah ("Sukuk Musharakah Programme") and revised it to incorporate terms for the potential issuance of ASEAN Sustainable and Responsible Investment ("SRI") Sukuk with a credit rating of AA+$_{IS}$ and a stable outlook accorded by Malaysian Rating Corporation Berhad ("MARC"). MARC had also assigned a "Gold" Sustainability Sukuk Assessment to the Group's Sustainability Sukuk Framework, which sets out the guidelines for any future issuance of ASEAN SRI Sukuk Musharakah under the RM4.5 billion Sukuk Musharakah Programme.

The Group had on 3 December 2020, successfully completed its first issuance of Sukuk Musharakah under the Sukuk Musharakah Programme with a total issue size of RM800.0 million in nominal value that saw an oversubscription of 1.24 times.

Financing facilities in place are summarised below:

RM' million	Facility Limit	Facility Limit Available
Bank Borrowings	4,650	1,881
IMTN Programme	4,500	3,700
Total	**9,150**	**5,581**

MOVING FORWARD

- The Group is cautious of the uncertainties and challenges of the property market in FY2021. The pace of recovery of the property market in Malaysia depends very much on the larger economic factors, i.e. the global and local economic recovery and the effectiveness of the vaccination programme in the country.

- Notwithstanding, the Group will continue to remain agile in managing the situation and will act swiftly to adjust our launch plans in accordance to the market. FY2021 is a year of consolidation to further strengthen our foothold in the property market during which the Group will invest in growth enablers such as our people and technology, to ensure that the Group is well-positioned to harness opportunities in this challenging environment.

- From a financial perspective, we continue to preserve high financial discipline and resilience to ensure sustainable business growth for the Group.

- The immediate key focus is on restoring the profitability of the Group via:
  - o Accelerating the pace of income diversification to include higher contribution beyond its property development business into Investments & Asset Management and the Industrial & Logistics Development segment;
  - o Continue launching the right products at prime locations with the right price points while maintaining sight of management of unsold inventory levels;
  - o Expediting the monetisation of low-yielding investment assets to improve asset efficiency and for better cash flow management;
  - o Deploying a land bank management and monetisation plan to unlock strategic land value and to monetise lands not within the township development areas; and
  - o Continue implementing vigilant cost management to further optimise the cost structure of the Group.

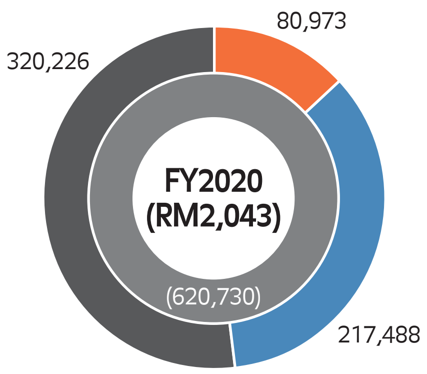
FY2016 – FY2020 Financial Summary

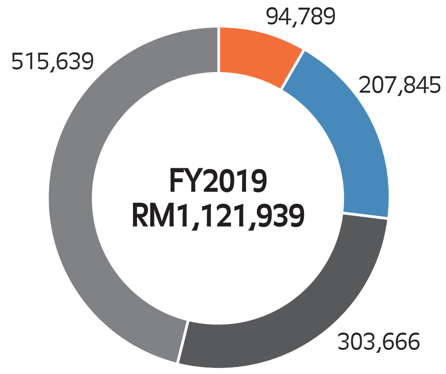
RM' thousand	12 Months Dec 2020 FY2020	12 Months Dec 2019 FY2019	6 Months Dec 2018 FP2018	12 Months Jun 2018 FY2018	12 Months Jun 2017 FY2017	12 Months Jun 2016 FY2016
FINANCIAL RESULTS						
Revenue	**2,062,781**	3,179,994	1,269,145	2,353,104	2,610,852	3,371,089
(Loss)/profit before interest and taxation	**(509,880)**	567,339	(51,823)	682,516	823,747	1,203,323
(Loss)/profit before taxation ((LBT)/PBT)	**(444,710)**	665,670	(38,146)	728,382	888,830	1,220,269
(Loss)/profit after taxation	**(515,683)**	590,881	(311,179)	684,286	709,101	954,758
Non-controlling interests	**36,881**	7,650	(7,521)	(44,278)	(85,072)	(81,533)
(Loss)/profit attributable to owners of the Company ((LATAMI)/PATAMI)	**(478,802)**	598,531	(318,700)	640,008	624,029	873,225
FINANCIAL POSITION						
Share capital	**6,800,839**	6,800,839	6,800,839	6,800,839	2,405,496	1,010,409
Share premium and contribution from immediate holding company	**–**	–	–	–	1,500,000	2,530,493
Reserves	**2,302,854**	2,920,871	2,408,680	2,933,748	2,417,681	1,792,955
Shareholders' Funds	**9,103,693**	9,721,710	9,209,519	9,734,587	6,323,177	5,333,857
Non-controlling interests	**185,763**	228,296	236,881	230,837	264,724	174,510
TOTAL EQUITY	**9,289,456**	9,950,006	9,446,400	9,965,424	6,587,901	5,508,367
Property, plant and equipment	**626,178**	636,284	640,445	735,159	825,333	846,083
Investment properties	**709,030**	745,785	644,206	605,961	474,221	331,754
Inventories	**6,351,551**	6,532,772	6,752,621	6,779,463	5,806,663	5,607,700
Joint ventures	**2,480,258**	2,805,001	2,574,020	2,223,949	1,967,983	1,408,539
Other non-current assets	**2,129,766**	2,150,586	2,187,493	2,130,691	2,123,925	2,644,861
Cash (including cash in Housing Development Accounts)	**801,837**	743,338	649,090	749,395	1,129,154	906,010
Other current assets	**1,786,429**	1,868,527	1,588,963	1,525,360	1,331,624	1,208,025
Assets held for sale	**–**	–	79,519	–	359,125	–
Total Assets	**14,885,049**	15,482,293	15,116,357	14,749,978	14,018,028	12,952,972
Borrowings	**3,326,469**	3,204,287	3,273,037	2,542,352	2,064,281	2,140,692
Non-current liabilities (excl. borrowings)	**693,928**	670,085	513,173	516,911	2,808,124	3,030,483
Current liabilities (excl. borrowings)	**1,575,196**	1,657,915	1,883,747	1,725,291	2,552,727	2,273,430
Liabilities associated with assets held for sale	**–**	–	–	–	4,995	–
Total Liabilities	**5,595,593**	5,532,287	5,669,957	4,784,554	7,430,127	7,444,605
NET ASSETS	**9,289,456**	9,950,006	9,446,400	9,965,424	6,587,901	5,508,367
FINANCIAL RATIOS (%)						
(LBT)/PBT margin	**(21.6)**	20.9	(3.0)	31.0	34.0	36.2
(LATAMI)/PATAMI margin	**(23.2)**	18.8	(25.1)	27.2	23.9	25.9
Return on average shareholders' funds	**(5.1)**	6.3	(3.4)	8.0	10.7	18.2
Gross gearing ratio	**36.7**	33.1	34.6	25.5	31.3	38.9
SHARE INFORMATION						
Basic (loss)/earnings per share (sen)	**(7.0)**	8.8	(4.7)	11.1	16.5	26.9
Net dividend per share (sen)	**1.0**	3.0	1.0	5.0	5.0	25.0
Net assets per share attributable to owners of the Company (RM)	**1.3**	1.4	1.4	1.4	6.3	5.3

Notes:
- The Group was listed on Bursa Malaysia on 30 November 2017
- Saved for FY2019 and FY2020, the other comparatives have not been restated following the adoption of:
  - o MFRS 9 – Financial Instruments effective 1 January 2018 (FP2018)
  - o MFRS 16 – Leases and Annual Improvements to MFRS 123 – Borrowing Costs Eligible for Capitalisation effective 1 January 2019 (FY2019)

Statement of Value Added

Stakeholders of the Group include its employees, government and society as well as shareholders. The Group recorded a negative value in the current year as the Group's performance was adversely impacted by the chain effects triggered by the COVID-19 pandemic, during which the Group saw lower revenue performance, higher operating losses and share of losses from joint ventures and associates. Nevertheless, the Group remains committed in delivering sustainable value creation to its stakeholders.





Government and Society | Employees | Providers of Capital | Reinvestment and Future Growth

Value Added

RM' thousand	FY2020	FY2019
Revenue	**2,062,781**	3,179,994
Direct and indirect costs	**(1,681,222)**	(2,315,782)
Value Added from Operations	**381,559**	864,212
Other operating income	**15,806**	9,700
Other (losses)/gains	**(88,022)**	156,633
Share of results of joint ventures	**(420,030)**	(29,901)
Share of results of associates	**(1,300)**	53
Finance income	**109,944**	121,242
Total Value Added	**(2,043)**	1,121,939

Value Distributed

RM' thousand	FY2020	FY2019
Employees	**217,488**	207,845
Government and Society	**80,973**	94,789
Providers of Capital		
Dividends		
– Financial year ended 31 December 2020	**68,008**	–
– Financial year ended 31 December 2019	**136,017**	68,008
– Financial period ended 31 December 2018	**–**	68,009
Finance costs	**153,082**	175,299
Non-controlling interests	**(36,881)**	(7,650)
	320,226	303,666
Value Retained for Reinvestment and Future Growth		
Depreciation and amortisation	**62,097**	53,125
(Reduction in)/Addition to retained earnings	**(682,827)**	462,514
	(620,730)	515,639
Total Value Distributed	**(2,043)**	1,121,939

Group Quarterly Financial Performance

RM' thousand	Q1FY2020 31 Mar 2020	Q2FY2020 30 Jun 2020	Q3FY2020 30 Sep 2020	Q4FY2020 31 Dec 2020	FY2020 Total
Revenue	476,737	288,225	592,628	705,191	**2,062,781**
Operating profit/(loss)	11,257	(100,193)	24,360	64,048	**(528)**
Other (losses)/gains	(5,358)	851	(14,397)	(69,118)	**(88,022)**
Share of results from JVs & associates	(11,315)	(9,536)	(352,297)	(48,182)	**(421,330)**
Loss before Interest and Tax (LBIT)	(5,416)	(108,878)	(342,334)	(53,252)	**(509,880)**
Profit/(loss) before Taxation	10,924	(98,252)	(322,378)	(35,004)	**(444,710)**
Profit/(loss) after Taxation	2,060	(99,416)	(358,602)	(59,725)	**(515,683)**
Profit/(loss) attributed to owners of the Company	14,153	(81,766)	(355,261)	(55,928)	**(478,802)**

SEGMENT INFORMATION:

RM' thousand	Q1FY2020 31 Mar 2020	Q2FY2020 30 Jun 2020	Q3FY2020 30 Sep 2020	Q4FY2020 31 Dec 2020	FY2020 Total
REVENUE					
Property Development	440,830	262,705	551,079	667,837	**1,922,451**
Investment & Asset Management	19,932	16,299	19,527	23,029	**78,787**
Leisure	18,803	11,963	24,902	17,518	**73,186**
Elimination	(2,828)	(2,742)	(2,880)	(3,193)	**(11,643)**
Total	476,737	288,225	592,628	705,191	**2,062,781**
PROFIT/(LOSS) BEFORE INTEREST AND TAX					
Property Development	4,476	(93,317)	(337,813)	59,057	**(367,597)**
Investment & Asset Management	(4,487)	(4,980)	(6,228)	(98,749)	**(114,444)**
Leisure	(5,405)	(10,581)	1,707	(13,560)	**(27,839)**
Total	(5,416)	(108,878)	(342,334)	(53,252)	**(509,880)**

Note:
- FY2020 performance was impacted by the implementation of MCO on 18 March 2020, with some recovery seen in Q3FY2020 when the MCO was eased
- The Property Development segment results for Q2FY2020, Q3FY2020 and Q4FY2020 included write-down and write-off of inventories totalling RM89.3 milllion, RM97.8 milllion and RM21.2 million, respectively
- The Property Development segment was adversely impacted by the share of impairment loss of RM337.1 million from the Battersea Group in Q3FY2020
- The Investment & Asset Management segment results for Q4FY2020 included impairment of assets of RM24.6 million and provision and other adjustments of RM50.8 million for an undertaking arrangement entered on the disposal of a property with the purchaser in prior years

Financial Calendar

for the financial year ended 31 December 2020

ANNOUNCEMENT OF UNAUDITED CONSOLIDATED RESULTS

1st Quarter Ended 31 March 2020

21 May 2020

2nd Quarter Ended 30 June 2020

26 August 2020

3rd Quarter Ended 30 September 2020

25 November 2020

4th Quarter Ended 31 December 2020

25 February 2021

DIVIDENDS

First Interim Single Tier Dividend of 1.0 sen Per Ordinary Share

Announcement of the Notice of Entitlement and Payment

25 November 2020

Date of Entitlement

10 December 2020

Date of Payment

22 December 2020

48TH ANNUAL GENERAL MEETING

Notice Date

7 April 2021

Meeting Date

6 May 2021

Investor Information

The Group's Investor Relations (IR) unit places great emphasis on carrying out efficient IR activities with the investment community at large. The Group's IR unit plays a crucial role in engaging and disseminating information on strategies, ongoing key developments and the Group's financial and operational performance to existing shareholders and the broader investment community. The team conducts regular engagements and communications with fund managers, financial analysts, and shareholders, domestically and internationally.

The Board of Directors and Executive Leadership team are apprised regularly of feedback collated via investor engagement sessions and the sell-side analysts' reports through monthly and quarterly IR reports.

INVESTOR RELATIONS ENGAGEMENT CHANNELS

Channel	Detail	Targeted Audience
Corporate Website and E-mail	• The IR unit maintains the IR section of the corporate website at https://www.simedarbyproperty.com/investor-relations in a timely and accurate manner • The website is our key online repository to provide up-to-date and historical investor-related information to enable investors to make timely and sound investment decisions • The IR unit can also be reached at investor.relations@simedarbyproperty.com	• Institutional investors • Fund managers • Analysts • Retail investors/ Minority shareholders • Media • Bankers
Quarterly Analyst Briefing	• Sime Darby Property organises analyst briefings for its four quarterly result announcements in both physical and/or non-physical forms, whereby the latter is conducted via webcast and phone call, allowing both local and foreign participants to participate remotely. Virtual briefings are essential during the pandemic as participants would prefer to join virtually than attend a physical session • Presentation materials provided during the briefings are clear and concise to respond to key matters and are available on the Group's website for download	• Institutional investors • Fund managers • Analysts • Bankers
One-on-One or Small Group Management Meeting	• Management meetings provide an opportunity for institutional investors, fund managers and analysts to gain better insight into the Group's businesses, strategy and growth direction • Mainly held at our Head Office in Ara Damansara or via conference calls	• Institutional investors • Fund managers • Analysts
Investor Roadshow/ Conference	• The Group also participates in investor roadshows/conferences in Malaysia in the form of group briefings to share corporate updates, strategic direction, and financial and operational performance • This channel is essential to attract the interest of new institutional investors/ fund managers to invest in the Group	• Institutional investors • Fund managers • Analysts

Investor Information

Channel	Detail	Targeted Audience
Annual General Meeting	• In addition to serving as an avenue for the existing shareholders to vote on the proposed resolutions of the Group, the Annual General Meeting is an essential platform for the Executive Leadership team and shareholders to communicate in an engaging manner • The Management will leverage on this event to recap last year's performance and convey on-going strategic plans, key developments and performance updates to shareholders. Shareholders are given the opportunity to raise questions during the session • The 47th Annual General Meeting was held on 26 June 2020, virtually, in view of the Recovery Control Movement Order	• Retail investors/ Minority shareholders • Media

IR CALENDAR FOR FINANCIAL YEAR (FY) 2020

In FY2020, the Group maintained an active IR calendar of timely, consistent and transparent engagement activities with our investment community. Throughout the year, we conducted the following IR activities:

- Four (4) quarterly result analyst briefings with an average of 52 sell-side, buy-side and bankers participating in each briefing
- 10 engagements with 77 investors, fund managers and analysts via one-on-one or small group management meetings and a conference
- 47th Annual General Meeting

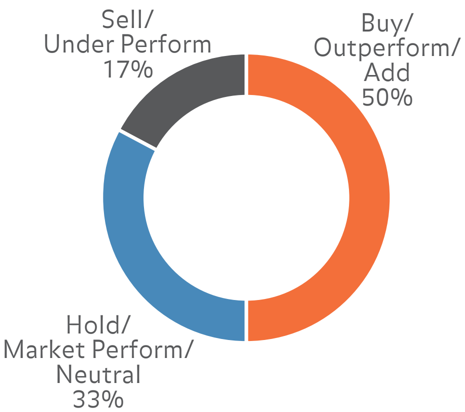
DIVIDEND POLICY

The Group placed a dividend policy of at least 20 percent of dividend payout from its net earnings, subject to its overall financial performance and cash flow position. The dividend policy demonstrates the Group's commitment to maximising returns to our shareholders.

BROAD RESEARCH COVERAGE

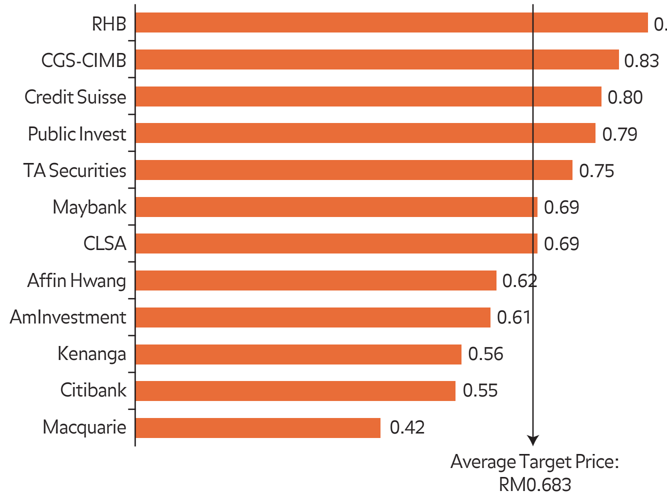
During the financial year under review, 12 research houses issued analyst coverage report on Sime Darby Property, an increase from the 11 coverages in FY2019. As at 1 March 2021, the Group garnered 50 percent Outperform/Buy/Add rating, 33 percent Neutral/Hold/Market Perform rating, and 17 percent Sell/Under Perform rating, with an average target share price of RM0.683, approximately 3.3 percent upside from the average trading price of the period under review of RM0.661. The average target share price translates to a discount on Revalued Net Asset Value (RNAV) and Price-to-Book Value (P/BV) of 62 percent. The summary of the research analysts' rating recommendation and the target price is detailed below:

Analyst Recommendations



Recommendations	Count
Outperform/Buy/Add	6
Neutral/Market Perform/Hold	4
Sell/Under Perform	2
Total	**12**

Target Price as at 1 March 2021



	Target Price	Rating
RHB	0.88	Buy
CGS-CIMB	0.83	Add
Credit Suisse	0.80	Outperform
Public Invest	0.79	Neutral
TA Securities	0.75	Buy
Maybank	0.69	Buy
CLSA	0.69	Buy
Affin Hwang	0.62	Hold
AmInvestment	0.61	Hold
Kenanga	0.56	Market Perform
Citibank	0.55	Sell
Macquarie	0.42	Under Perform
Average	**0.683**	

Investor Information

SUMMARY OF INVESTOR INTEREST:

The investors' key focus areas and our responses are tabulated below:

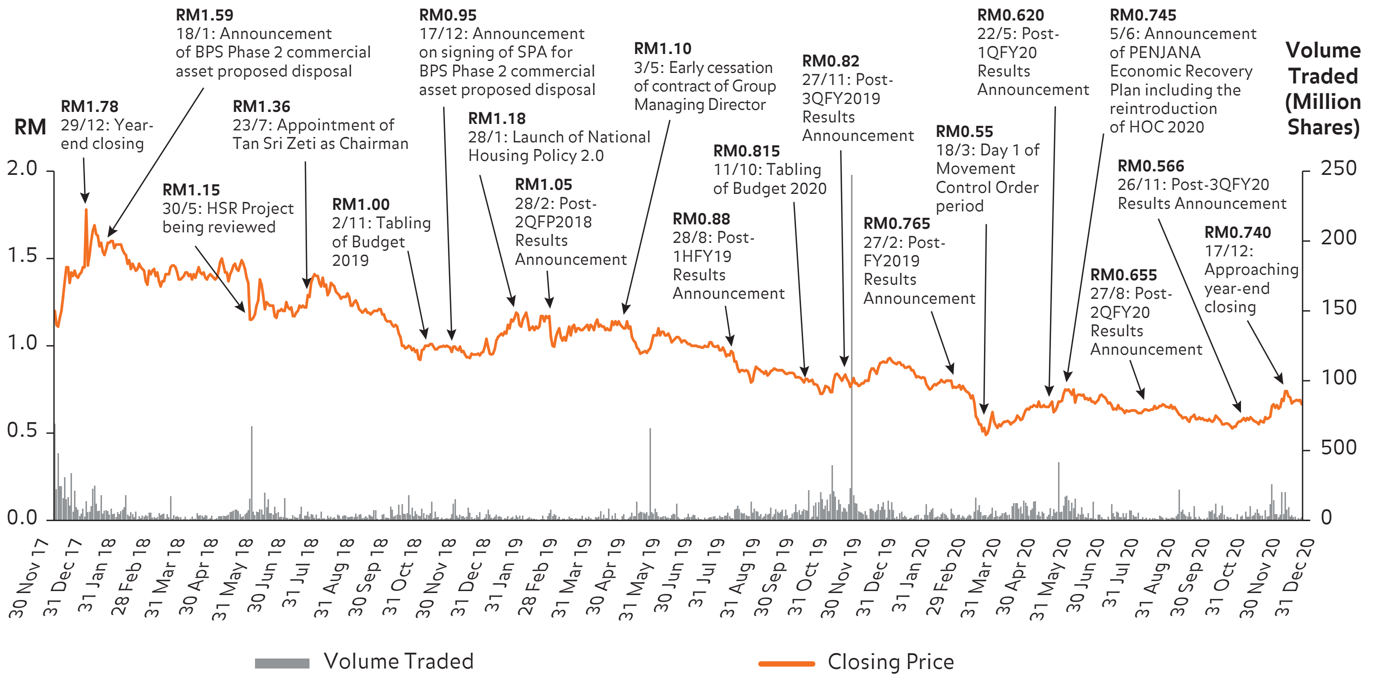
Focus Area	Our Response
Value Proposition	• Sime Darby Property is an established property developer with a track record of over 48 years in developing sustainable communities. Its growth in the industry is represented by the 24 strategically located and active townships and developments built to date that are connected to major highways and transportation hubs within key growth areas • The properties developed by the Group are extensive, consisting mainly of residential freehold units, ranging from the affordable to high-end segments, landed and high-rise residential units, as well as retail, commercial, industrial & logistics, and niche developments. The Group's ability to deliver quality products over the past four decades has cemented its position in Malaysia as an experienced and trusted property developer • Industrial & Logistics developments have been identified as the Group's new growth engine with expansion plans in place for Elmina Business Park, Bandar Bukit Raja, Nilai Impian and Serenia City • The Group owns approximately 20,000 acres of remaining developable land bank in Malaysia with a total estimated Gross Development Value of RM84.0 billion and has access to approximately 20,000 acres of land bank via call option agreements. The land bank is strategically connected to major highways, mainly within key growth areas and economic corridors from the central region of the Klang Valley to Negeri Sembilan and Johor in the South, which the Group foresees to have significant potential in the short to long term • The current land bank is expected to provide the Group with a strong development pipeline. It will continue to contribute to sustainable earnings over the next 15 to 20 years, particularly City of Elmina, Bandar Bukit Raja, Serenia City, Elmina Business Park, Bandar Universiti Pagoh and Malaysia Vision Valley 2.0 (MVV 2.0). MVV 2.0 is a large-scale 30-year project of the Malaysian Government's 11th Malaysia Plan and the National Transformation Plan intended to drive Malaysia's long-term economic growth • The Group continues to emphasise the importance of digitalisation and has identified Technology and Innovation as one of the key enablers in its digital transformation journey to harness opportunities and improve its performance, which is essential during disruptive periods • The Group has garnered accolades and awards over the years, including being the first Malaysian property developer to be awarded the International FIABCI Prix d'Excellence Awards twice for its Subang Jaya and UEP Subang Jaya townships. The Group won the Platinum Award at the Putra Brand Awards 2020 after 10 consecutive Gold Awards from 2010 to 2019; and 9th Top 10 Developers Awards at the BCI Asia 2020. The Group was also recognised as among the top developers in Malaysia in the annual The Edge Top Property Developers Awards, a recognition which the Group consistently receives since 2009 • The Construction Industry Development Board Malaysia (CIDB) had honoured Sime Darby Property with High QLASSIC Achievement Awards for Liana in Elmina East, Ferrea in Denai Alam, Cantara Residences in Ara Damansara, Azira in Bandar Bukit Raja and Harmoni Vista 2 in Bandar Universiti Pagoh • The Group's Corporate Sustainability efforts are attested via its qualification to retain as a constituent of FTSE4Good BURSA, FTSE4Good Asean 5, FTSE4Good Emerging and MSCI Small Cap ESG Index and previously DJSI • The Group's Sukuk Musharakah Programme is rated AA+$_{IS}$, and a stable outlook was accorded by the Malaysian Rating Corporation Berhad ("MARC"). MARC also assigned a "Gold" Sustainability Sukuk Assessment to the Group's sustainability Sukuk Framework

Focus Area	Our Response
Financial Performance	• The Group's reported revenue and loss before interest and tax of RM2.1 billion and RM509.9 million respectively were mainly affected by the various Movement Control Order phases which disrupted all three business segments • By excluding one-offs that comprised the write-downs, write-offs, impairment and provisions, the Group recorded a profit before interest and tax and net earnings of RM110.4 million RM77.4 million, respectively • The Group focuses on the strategic launching of the right products at the right price points and locations for the Property Development business. The Investment & Asset Management (particularly retail) and Leisure segments will complement and enhance the Property Development business as placemaking and catalytic components to add value to township projects and support the Group's recurring income strategy • The Group's further expansion into the Industrial & Logistics Development business while tapping into the growing industrial product demand is also part of the recurring income strategy • Landbank management is also a key focus to accelerate developments in prime locations, access the need to exercise the option agreements and expedite asset monetisation exercise to unlock the value of land not within township development areas • The Group preserves high financial discipline and exercises prudent financial management, which includes cash flow and inventory management, particularly for clearing unsold stocks as well as prudent cost management to ensure cost and operational efficiency
Capital Management and Dividend Policy	• The Group's capital management plan focuses on building up a sustainable financial model to increase long-term shareholders' value • As part of ensuring sufficiency of funding, the Group reactivated the RM4.5 billion Sukuk Musharakah Programme for Sustainability Sukuk with an investment-grade rating of AA+$_{IS}$ and stable outlook • The Group adopts a monetisation approach to dispose of low-yielding investment assets or properties and is open to strategic joint venture/partnerships for projects or catalytic assets • The Group will maintain a gearing ratio not exceeding 50 percent. As at 31 December 2020, its gross and net gearing ratios recorded at 36.7 percent and 28.1 percent, respectively. The Group continues to closely monitor its gearing to ensure it is at a sustainable level • The Group maintains a healthy cash position to ensure its liquidity. Its cash and cash equivalents as at 31 December 2020 stood at RM801.8 million • The Group always puts its best efforts forward to maximise shareholders' return. For the financial year under review, the Group declared an interim single tier dividend of 1 sen per share to its shareholders and recorded a dividend pay-out ratio of 87.9 percent if excluded one-offs
Overseas Exposure	• The overseas development of the Battersea Power Station Project in London, continued to be challenging due to the uncertainties in the global market and the COVID-19 pandemic, which further strained the already subdued property market • During the year under review, the Group recorded an impairment of inventories of RM337.1 million from the Battersea Power Station Project, impacted by prolongation costs associated with the COVID-19 pandemic to the delivery of the Project • Nevertheless, the Group will continue to monitor the investment closely to ensure an efficient capital structure management • The Group's priority for the next five years is to focus on its growth in Malaysia. Apart from Battersea Power Station Project and a leisure asset located in Vietnam, which is in the midst of being disposed, the Group has yet to plan on expanding overseas in any other projects.

Investor Information

Focus Area	Our Response
Board and Management Leadership as well as Employee Capabilities	• The Board is chaired by Tan Sri Dr. Zeti Akhtar Aziz and consists of experienced members with expertise in the economy, property industry, regulatory affairs and governance • The Group is led by Dato' Azmir Merican and an Executive Leadership team who possess a wealth of experience and proven track record in the property industry and across different fields. They are supported by talented and committed personnel of the Group • The Group will prioritise developing and maintaining a competent and sustainable talent pool to ensure seamless succession planning

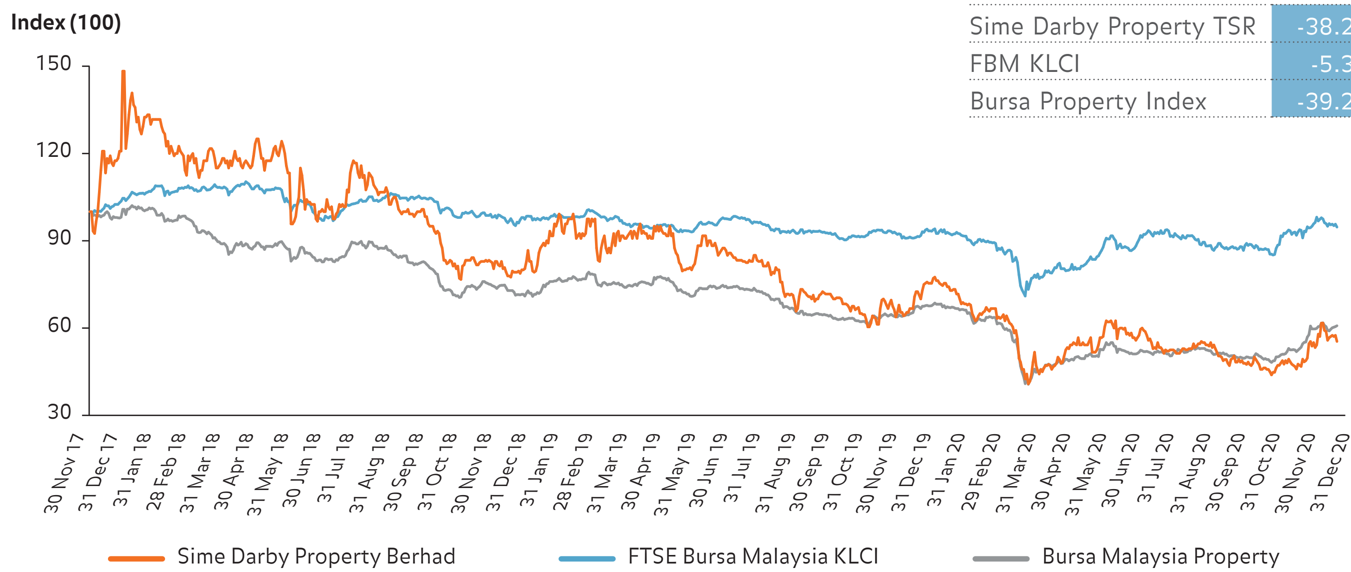
SHARE PRICE MOVEMENTS & PERFORMANCE



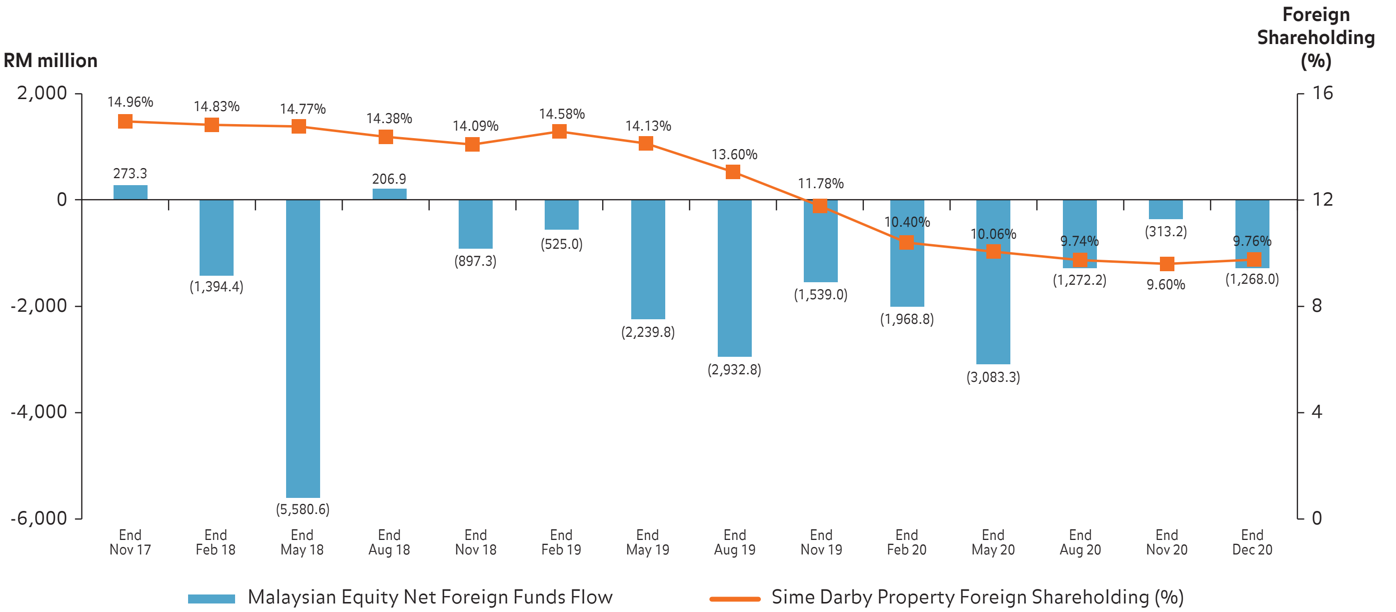
SD Prop	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020
Price – Highest (RM)	1.78	1.46	1.38	1.24	1.04	1.13	1.12	0.89	0.94	0.91	0.75	0.72	0.74
Price – Lowest (RM)	1.11	1.34	1.16	1.18	0.93	0.98	1.01	0.83	0.76	0.49	0.53	0.57	0.59
Average Volume Traded (Million Shares)	16.9	3.3	7.2	3.3	3.4	1.8	3.2	5.2	7.9	4.1	7.8	3.2	7.0

TOTAL SHAREHOLDER RETURN (TSR) VS FMBKLCI & BURSA PROPERTY INDEX

Sime Darby Property TSR	-38.2%
FBM KLCI	-5.3%
Bursa Property Index	-39.2%



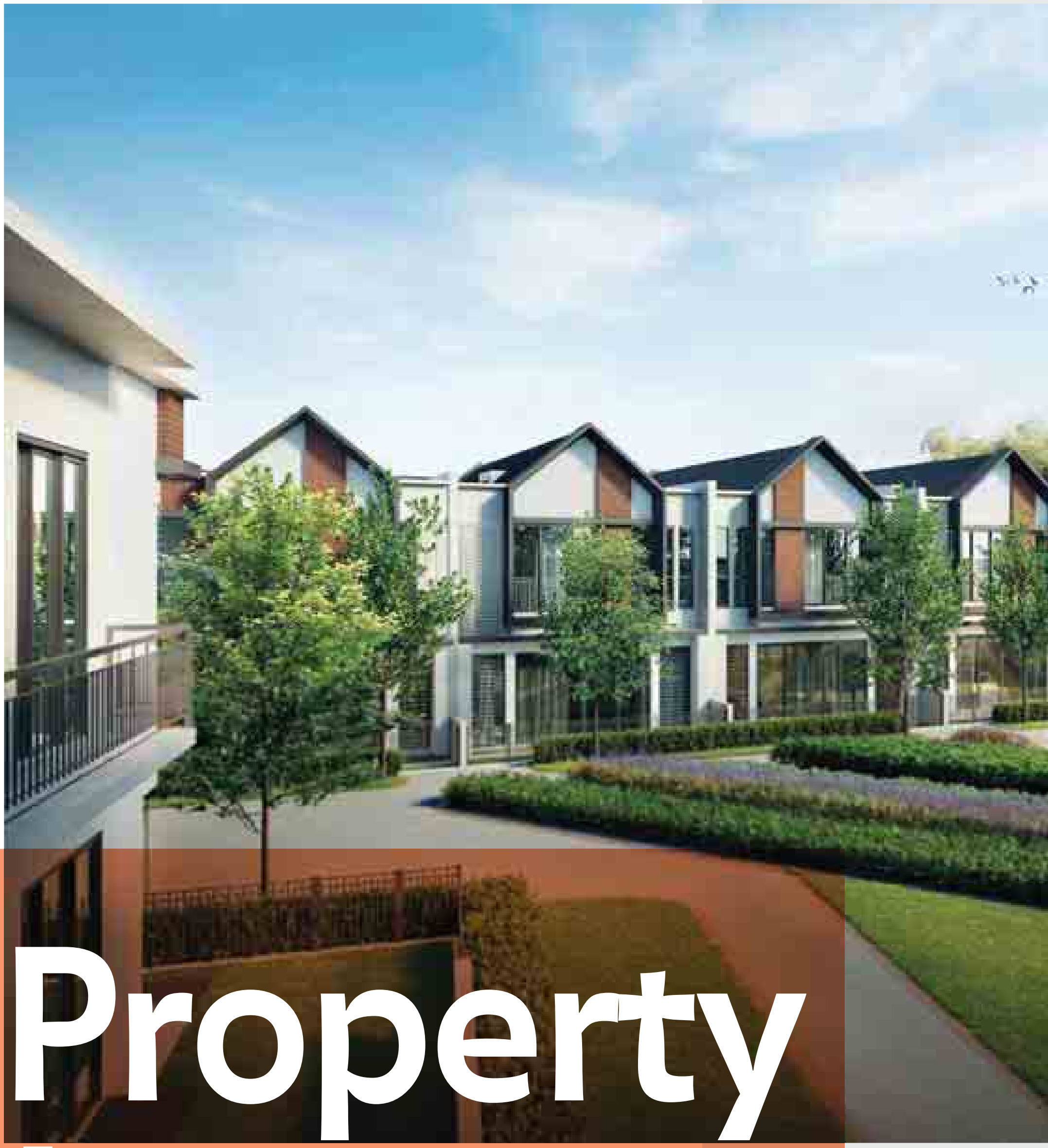
MONTHLY FOREIGN SHAREHOLDINGS



Source: SD Prop's Website, MIDF Fund Flow Reports

Operations Review

The Property Development segment is the custodian of approximately 20,000 acres of developable landbank that stands at a GDV of RM84.0 billion mainly in the Klang Valley, Negeri Sembilan and Johor. Township and integrated development combined with the development of Malaysia Vision Valley 2.0 form a stream of continued income opportunities.



Property Development

Ilham Residence at the City of Elmina

OVERVIEW

TOWNSHIP AND INTEGRATED DEVELOPMENT

We have had a successful track record of over 48 years in delivering landed and strata properties covering residential, commercial and industrial developments. Our broad product spectrum offers affordable to luxury homes, office buildings, shop lots and industrial business parks that captures various market segments and caters to different lifestyle preferences, affordability, and business needs.

MALAYSIA VISION VALLEY 2.0 (MVV 2.0)

The Negeri Sembilan State Government continues to provide strong support to the development of MVV 2.0, which is one of the three (3) key thrusts of the Negeri Sembilan 2045 Structural Plan that will drive the state's development into a modern state. The Master Concept Plan of Parcel A (Hamilton, New Labu, Labu & Kirby) and Parcel B (Land under option with Kumpulan Sime Darby Berhad) have been incorporated into the Integrated Master Concept Plan of MVV 2.0. Parcel A and Parcel B, designated as a Tech Park and a Smart County respectively, continue to be among the Heartbeat Projects for MVV 2.0.

BATTERSEA POWER STATION (BPS)

The Battersea Power Station Project is one of Central London's largest new destinations which covers an area of 42 acres. Upon completion, BPS will comprise approximately 3.5 million sq ft. of mixed commercial space of shops, restaurants, cafes, leisure facilities and office space, combined with over 4,000 homes. The development will also have 19 acres of public space including a six-acre public park and a town square, named Malaysia Square. It will benefit from the three-kilometer extension of the Northern line underground tube railway system, which is due to open in Autumn 2021, along with a new Zone 1 London Underground station at BPS.

2020 KEY FOCUS AREA

TOWNSHIP AND INTEGRATED DEVELOPMENT

- Launching residential products in our flagship township developments (such as the City of Elmina and Bandar Bukit Raja) within the right price range (i.e. RM500,000 – RM800,000)
- Clearing unsold inventories by prioritising sales of high-rise and completed inventories with attractive packages and leveraging on Government stimulus and relief measures
- Intensifying marketing efforts with increased use of digital marketing channels and virtual showrooms
- Converting bookings into sales to meet sales target

MALAYSIA VISION VALLEY 2.0 (MVV 2.0)

- Reviewing the development plan for Parcel A and Parcel B landbanks in MVV
- Kickstarting the development of MVV by activating the proposed development of a 420-acre industrial estate in Parcel A
- Maintaining good relationships with the State and Federal agencies in Negeri Sembilan

BATTERSEA POWER STATION (BPS)

- Completing or commencing construction of the various phases of the mixed development
- Attracting visitors and residents with a distinguished selection of retail activities and commercial tenants, including Apple and Gordon Ramsay's upcoming restaurant

IMPACT OF COVID-19

The MCO halted construction activities between 18 March to 4 May 2020. Sales galleries were temporarily closed during the same period, while new launches were deferred. The various restrictions and the overall deterioration in the economy induced weaker-than-usual interest in our developments and launches. This coupled with the challenge of physical viewing and construction delays caused a much-subdued property market.

Opportunities to engage with potential foreign investors were also limited as international travel restrictions were strictly controlled by the Government.

Likewise, restrictions by the UK Government in 2020 had caused the extension of construction works at Battersea Power Station due to the implementation of social distancing measures and nationwide lockdowns.

TPC Kuala Lumpur

Cantara Residences

Kinetic sculpture at Serenia City

KEY BUSINESS HIGHLIGHTS

TOWNSHIP AND INTEGRATED DEVELOPMENT

The Group's township and integrated developments received the following awards recognition:

- **Malaysia Landscape Architecture Awards**
  1. Honour Award in Landscape Master Plan Awards (Developer Category) – City of Elmina Master Plan
  2. Excellence Award in Landscape Analysis & Study Awards (Professional Category – Malaysian) – Elmina Sports Park
  3. Honour Award in Landscape Master Plan Awards (Developer Category) – The Leaf at Serenia City Landscape Master Plan
  4. Young Landscape Architect Awards (Professional Category – Malaysian

- **The StarProperty Awards**
  1. Excellence in The Neighbourhood Award – Best Comprehensive Township Category (500 – 2,000 acres) – Serenia City

- **The Malaysia Book of Records**
  1. Biggest Kinetic Structure (Serenia City)

- **Construction Quality Excellence Awards**
  High QLASSIC Achievement Award 2020
  1. Elmina East (Liana) – Score 83%
  2. Denai Alam (Ferrea) – Score 83%
  3. Bandar Bukit Raja (Azira) – Score 83%
  4. Bandar Universiti Pagoh (Harmoni Vista 2) – Score 84%

- **The StarProperty Awards**
  1. Skyline Award (Excellence) for Best High-Rise Residential Development by StarProperty

- **Construction Quality Excellence Awards**
  1. High QLASSIC Achievement Award 2020 – Cantara (82%)

- **FIABCI World Prix d'Excellence Awards**
  1. Gold Winner in Retail Category – Melawati Mall

- **ENR Global Best Projects Competition**
  1. Best Project in the Residential Hospitality

Operations Review

MALAYSIA VISION VALLEY 2.0 (MVV 2.0)

- Gained approval on the revised Master Concept Plan ("MCP") of Parcel A on 20 July 2020, with the proposed MCP for Parcel B and the revised MCP for Parcel A integrated into the MVV 2.0 Integrated Development Concept Plan and endorsed by the State Planning Committee on 15 December 2020
- Signed a Memorandum of Collaboration with Negeri Sembilan Corporation (NS Corp) on 15 December 2020 for the development of Parcel B of MVV
- Received the planning approval for the Master Layout Plan ("MLP") of a 420-acre industrial park in Hamilton Estate on 22 December 2020. The industrial park is targeted to be launched in the first half of 2021


Sime Darby Property XME Business Park (artist impression)

BATTERSEA POWER STATION (BPS)

- Continued to see strong demand for its residential offering, with over £145 million (RM821.02 million) of sales achieved in the last 12 months
- Received a healthy level of interest and demand for apartments at Battersea, with the current overall sales position (based on the number of units sold) reflecting a combined take-up rate of approximately 70 percent for Phase 2 and 3A
- Carved out a market-leading position in commercial leasing, with over 25 percent of all retail transactions in London at BPS
- Attracted over 2 million visitors to Circus West Village in 2020 with new attractions including a theatre, crazy golf venue, virtual reality arcade and a dental clinic


Battersea Power Station

KEY HIGHLIGHTS

TOTAL DEVELOPMENT AREA (ACRES): 19,811	TOTAL EXISTING TOWNSHIPS, NICHE & INTEGRATED DEVELOPMENTS: 24
TOTAL REMAINING DEVELOPABLE LANDBANK GDV (RM BILLION): 84.0	ACTIVE DEVELOPMENT COMBINED ESTIMATED GDV (RM BILLION): 82.5
REVENUE (RM MILLION): 1,922.5	SALES (RM BILLION): 2.0
PBIT EXCLUDING ONE-OFFS (RM MILLION): 177.2	UNITS SOLD: 2,258

FINANCIAL PERFORMANCE

Property development segment registered a **35.9 percent** decline in revenue to **RM1.9 billion**, as compared to **RM3.0 billion** in the previous year.

Loss before Interest and Tax (LBIT) of **RM367.6 million** was recorded during the current financial year, which includes the Group's share of impairment loss from the Battersea Group amounting to **RM337.1 million** (£62.4 million). Excluding one-offs comprising write-down of inventories, write-off of development expenditures and share of impairment on inventories of the Battersea Project, the Property Development segment remained profitable and stood at a Profit before Interest and Tax (PBIT) of RM177.2 million, notwithstanding a decline of 51.8 percent compared with RM367.8 million in the previous year.

On the local front, good take-up rates were registered in both on-going projects and new launches. Due to the uncertainty of the economic recovery following the COVID-19 pandemic, the Group has taken firm measures in reviewing the projects in its pipeline launches to ensure that the products are aligned to the market demand, and also to prevent the build-up of unsold inventories.

In addition, asset value assessments were carried out at year end by professional valuers to assess the net realisable values of assets. The aforesaid review and assessment have resulted in write-down/write-off of inventories, which amounted to **RM204.4 million**.

Operations Review

BUSINESS PERFORMANCE REVIEW

KEY INITIATIVES

Township and Integrated Development

1. Launch of various sales campaigns in conjunction with festive and non-festive periods, including:
   a) Chinese New Year 2020 campaign, "Together We Blossom, We Flourish" in the spirit of togetherness, lasting relationships and lifelong prosperity
   b) Reintroduction of the Spotlight 8 campaign to continue the strong sales momentum from previous campaigns, consisting of new launches and super deals on freehold properties across different townships over 13 weekends
   c) Roll-out and subsequent Hari Raya extension of "Your Instalments On Us" ("YIOU") campaign, which aimed to ease homeownership by taking care of customers' loan instalments upfront, riding on the Government's six-month moratorium on loan repayments
   d) Introduction of new launches and Special Deals, later adjusted to include an Online Guided Sales Experience to enable customers to continue browsing and purchasing homes from the comforts of their homes during the MCO period
2. Customer engagement via SDP LIVE, leveraging on social media to reach out to more people beyond our physical sales galleries through Facebook Live sessions held over five (5) weekends, which gave the public the latest property insights and took them on virtual explorations of Sime Darby property townships
3. Signing of a Memorandum of Understanding with TNBX Sdn Bhd (a subsidiary of Tenaga Nasional Berhad) to provide smarter and greener homes and industrial factories in the City of Elmina, the first of such initiative by a property developer
4. Official opening of the 4.43km stretch of Persiaran Shorea in the City of Elmina on 28 September 2020, completed in 2019 with a total cost of RM60 million

RESULTS & ACHIEVEMENTS

1. a) Recorded sales booking of RM281.8 million from the Chinese New Year campaign
   b) Garnered sales booking of RM1.5 billion from the Spotlight 8 campaign
   c) Generated sales booking of RM39.6 million and RM306.1 million from the first and second fully online YIOU campaign
   d) Achieved sales booking of RM63 million from the Online Guided Sales Experience
2. Gained 1 million views in total on SDP Live
3. Installed solar PV panels in the following phases of developments:
   i. 513 units of multi-generational homes in Phase F4, Ilham Residence, Elmina East, the first of four phases within the City of Elmina's first landed strata precinct, Elmina Grove
   ii. The Twin Factories, the first ready-built factories in Elmina Business Park, City of Elmina
4. Opened access to Persiaran Shorea, which benefited more than 200,000 residents with enhanced connectivity and access to the Guthrie Corridor Expressway which will help reduce travelling time


Grand opening of Persiaran Shorea in the City of Elmina

BUSINESS PERFORMANCE REVIEW

KEY INITIATIVES	RESULTS & ACHIEVEMENTS
Malaysia Vision Valley 2.0 (MVV 2.0)	
1. Review the development plan of Parcel A and Parcel B Landbanks 2. Activate the proposed development of a 420-acre industrial estate in Parcel A 3. Maintain good, professional relationship with relevant State and Federal agencies	1. The revised Master Concept Plan ("MCP") of Parcel A was approved on 20 July 2020 2. The proposed MCP for Parcel B and the revised MCP for Parcel A was integrated into the MVV 2.0 Integrated Development Concept Plan and endorsed by the State Planning Committee on 15 December 2020 3. The Group signed a Memorandum of Collaboration with NS Corp on 15 December 2020 for the development of Parcel B of MVV 4. The planning approval for the Master Layout Plan ("MLP") of an industrial park in Hamilton Estate (420 acres) was received on 22 December 2020. The industrial park is targeted to be launched in the first half of 2021
Battersea Power Station (BPS)	
1. Construction of Grade II* listed Power Station (Phase 2) and High Street (Electric Boulevard-Phase 3A) are progressing well 2. Development of a six-acre public park at the front of the Power Station 3. Construction of the Generator Hall and Control Room A, as well as the Chimney Lift Experience, a glass elevator which will travel 109 metres to the top of one of the iconic chimneys and offer 360° views across London 4. Collaboration with Peabody to deliver 386 affordable homes at Phase 4A of the development, ranging from studio flats to 4-bedroom family homes 5. Development of NHS healthcare centre, central garden with play area and business incubator work space and retail units	1. Notwithstanding the challenges presented by the global pandemic, BPS continued to see strong demand for its residential offering, with over £145m of sales achieved in the last 12 months, reinforcing domestic and international interest in these unique new homes which continues to grow 2. Construction is progressing well on what will become the Chimney Lift Experience, a glass elevator which will travel 109 metres to the top of one of the iconic chimneys and offer 360° views across London

BUSINESS PERFORMANCE REVIEW

CHALLENGES & RISKS

1. Stringent lending policy imposed by the banks led to higher rejection rates
2. Slowdown in property sales in a weak market due to COVID-19
3. Restrictions on physical viewing during the MCO period created limited opportunities for customer engagement via the traditional marketing channels
4. Strong competition from secondary market products in the surrounding areas

MITIGATION & ACTION

1. Launched the right products with the right pricing at the right location considering potential buyers' affordability within the surrounding area
2. Actively advertised and promoted products and offered attractive sales packages/incentives leveraging on virtual platforms especially during the MCO period
3. Introduced an Online Guided Sales Experience in response to the MCO announcement that provided potential homebuyers with end-to-end virtual sales experience, from prospecting to booking collection via digital channels
4. Aligned product prices with the surrounding market demand

OUTLOOK & PROSPECTS

Despite economic uncertainties, certain market segments demonstrated sustained interest in the property market on the back of a low-cost and low-interest-rate environment. This is further supported by the Government's multi-pronged strategy to rejuvenate the economy and the property market, which are expected to buoy market outlook.

The National Economic Recovery Plan (PENJANA) worth RM35 billion includes stimulus measures to improve the property market such as the Home Ownership Campaign (HOC), Real Property Gains Tax (RPGT) and stamp duty exemption, and the removal of 70 percent margin of financing limit. On top of that, the low interest rate maintained by the Overnight Policy Rate of 1.75 percent will continue to spur consumer sentiments while the loan repayment moratorium in 2020 had helped to keep the lid on default rates.

The resurgence of COVID-19 infections in Malaysia at the end of 2020 dampened the expectations of a quick recovery for the property industry. However, the rollout of COVID-19 vaccines in the country in 2021 could bring about an encouraging boost to the overall market.

Out of necessity, 2020 saw a rise in digitalisation initiatives by key property players who have accelerated their capacity to market products and engage with buyers via online platforms. This trend is expected to grow in 2021 and beyond, as developers and real estate agents begin to understand and embrace the importance of having a robust digital presence as a long-term strategy.

Moving forward, key focus areas of the Property Development business are:

- Diversification of development income streams with Industrial & Logistics Development as Sime Darby Property's new engine of growth
- Enhancement of placemaking elements and catalysts to our townships to promote vibrancy, translating to value creation
- Strengthening of our core property development business, offering a healthy mix of the right products that meet market demands at the right pricing
- Leveraging on technology and innovation to improve efficiency and customer experience in our property development business

UPDATES ON MAJOR PROJECTS:

City of Elmina

Total Area:	Estimated Remaining GDV:	Status:
6,515 acres	**RM24.4 billion**	**21 Ongoing Phases** with an estimated GDV of **RM1,873.7 million**

The 6,515-acre City of Elmina is a freehold master planned township located along the Guthrie Corridor Expressway (GCE). The project is part of the Selangor Vision City, where the entire Guthrie Corridor is set to be the growth centre and catalyst within the Greater Kuala Lumpur and Klang Valley. The development consists of Denai Alam & Bukit Subang (1,250 acres), Elmina East (1,089 acres), Elmina West, (2,787 acres) and Elmina Business Park (1,515 acres).

Bandar Bukit Raja

Total Area:	Estimated Remaining GDV:	Status:
4,333 acres	**RM12.0 billion**	**7 Ongoing Phases** with an estimated GDV of **RM542.9 million**

Bandar Bukit Raja comprises Bandar Bukit Raja 1 (1,513 acres) and Bandar Bukit Raja 2 & 3 (2,820 acres) launched in 2002 and 2016 respectively. The township is accessible via Jalan Meru, New Klang Valley Expressway (NKVE) and New North Klang Straits Bypass. The West Coast Expressway (WCE) currently under construction will act as the road transport backbone of Bandar Bukit Raja township upon completion.

Serenia City

Total Area:	Estimated Remaining GDV:	Status:
2,370 acres	**RM8.7 billion**	**6 Ongoing Phases** with an estimated GDV of **RM388.9 million**

The 2,370-acre Serenia City is close to the Kuala Lumpur International Airport (KLIA) and KLIA2, the Federal Government's administrative centre in Putrajaya and Malaysia's IT hub in Cyberjaya. The township dubbed the Garden City of KLIA has its own interchange to the ELITE Highway, further enhancing connectivity to and from Serenia City. It is also connected via the North-South Expressway (NSE), Maju Expressway Highway (MEX) and close to the Salak Tinggi ERL station.

KLGCC Resort

Total Area:	Estimated Remaining GDV:	Status:
360 acres	**RM6.2 billion**	**No ongoing phases**

KLGCC Resort development which encompasses TPC Kuala Lumpur, one of Malaysia's premier golf and country clubs, is located within a 360-acre natural setting and reflects urban living amidst natural surroundings in Bukit Kiara, Kuala Lumpur, 8km from the heart of the city centre. KLGCC Resort represents our maiden involvement in the premium, branded lifestyle segment comprising nine (9) development parcels of 62 acres, flanked by affluent neighbourhoods.

KL East

Total Area:	Estimated Remaining GDV:	Status:
160 acres	**RM2.1 billion**	**No ongoing phases**

Located about 15 minutes away from the Kuala Lumpur City Centre and 800m from the Gombak LRT Station, KL East was launched in 2011 as an urban integrated residential, lifestyle and commercial enclave with the Klang Gates Quartz Ridge as its natural backdrop. More than 50 percent of the development contains green open spaces, including the KL East Eco Park which spans 53 acres wide. Buildings within this development are Green Building Index (GBI) rated. It is easily accessible via various highways such as the Ampang-KL Elevated Highway (AKLEH), Duta-Hulu Klang (DUKE), Middle Ring Road 2 (MRR2), Karak Expressway, and will also benefit from the upcoming Setiawangsa Pantai Expressway (SPE).

Nilai Impian

Total Area:	Estimated Remaining GDV:	Status:
1,809 acres	**RM3.8 billion**	**2 Ongoing Phases** with an estimated GDV of **RM362.8 million**

Nilai Impian comprises Nilai Impian 1 (1,263 acres) and Nilai Impian 2 (546 acres) which were launched in 1997 and 2014 respectively. Nilai Impian is strategically situated on the fringe of Greater Kuala Lumpur and is the gateway to the Southern Klang Valley growth corridor. Located within a 30 km radius from major hubs such as KLIA, Putrajaya and KL City Centre, with direct frontage to one of the country's busiest and most prominent expressway, the North-South Expressway, there is considerable growth potential in Nilai Impian.

Operations Review

Total Area: **4,099 acres** | Estimated Remaining GDV: **RM5.2 billion** | Status: **2 Ongoing Phases** with an estimated GDV of **RM72.6 million**

Bandar Universiti Pagoh (BUP) is Malaysia's first township that is seamlessly integrated with a higher education hub, the Pagoh Education Hub (PEH). Spanning 4,099 acres, it is strategically located in the Muar District, Johor, off the Pagoh Interchange which is the mid-point between Kuala Lumpur and Singapore. PEH is also the country's first multi-varsity education hub, housing four institutions of higher learning. It is a key catalyst for BUP with more than 10,000 students at full occupancy. Currently, there are more than 7,800 students in PEH.

Total Area: **693 acres** | Estimated Remaining GDV: **RM5.0 billion** | Status: **No ongoing phases**

Ara Damansara is a 693-acre pioneering township consisting of low and high-rise residential homes, commercial properties, and bungalows arrayed in dedicated garden precincts and commercial centres. The township is easily accessible as it is within proximity to the LRT linkage which further improves commuters' access, bringing advantages to local communities and businesses.

Total Area: **1,796 acres** | Estimated Remaining GDV: **RM3.4 billion** | Status: **4 Ongoing Phases** with estimated GDV of **RM515 million**

Putra Heights is a 1,796-acre self-contained township located at a 20-minute drive from Kuala Lumpur's city limits and enveloped by Puchong, Shah Alam, USJ, Subang Jaya, Klang and Petaling Jaya. The strategically located township is close to educational institutions, hypermarkets and commercial properties. It is connected to various transportation hubs and served by the Putra Heights Interchange and USJ Interchange, direct to the ELITE, NKVE, KESAS, SKVE and Federal Highways.

Total Area: **30 acres** | Estimated Remaining GDV: **RM3.6 billion** | Status: **2 Ongoing Phases** with estimated GDV of **RM422 million**

Subang Jaya City Centre (SJCC) is a 30-acre mixed development part of a vibrant, award-winning city that embodies urban sustainability. Subang Jaya, often referred to as the pacesetter for townships, was launched in 1976 and has grown to become the flagship of self-contained integrated development. In 2020, Subang Jaya attained its city status. This dynamic township is home to over 700,000 residents and boasts the conveniences of a fully matured township with established amenities, shopping outlets, and an integrated transportation hub. It is easily accessible via the NKVE, ELITE, KESAS, LDP, NPE and Federal Highways.

NEW LAUNCHES 2020

Launch: 10 February 2020
Phase: Ilham Residence
Township: City of Elmina
GDV: RM371 million

Launch: 17 March 2020
Phase: Temu
Township: City of Elmina
GDV: RM126 million

Launch: 29 May 2020
Phase: Lumira 1
Township: Bandar Bukit Raja
GDV: RM91 million

Launch: 26 August 2020
Phase: Elmina Green 3A & 3B
Township: City of Elmina
GDV: RM288 million

Launch: 8 August 2020
Phase: Lumira 2
Township: Bandar Bukit Raja
GDV: RM81 million

Launch: 18 August 2020
Phase: Serenia Lakeside Square
Township: Serenia City
GDV: RM16 million

Launch: 8 September 2020
Phase: Serenia Ariya 1 & 2
Township: Serenia City
GDV: RM127 million

Launch: 18 September 2020
Phase: Embun 2
Township: Bandar Ainsdale
GDV: RM61 million

Launch: 25 September 2020
Phase: The Twin Factories
Township: Elmina Business Park
GDV: RM131 million

Launch: 28 September 2020
Phase: The Residence III
Township: Putra Heights
GDV: RM70 million

Launch: 29 December 2020
Phase: Hevea
Township: City of Elmina
GDV: RM104 million

Operations Review

Investment & Asset Management

The Investment & Asset Management business, previously known as Property Investment, manages the Group's retail, office and industrial assets with a total Net Lettable Area (NLA) of approximately 1.68 million sq ft. Through concession arrangements, the business also manages physical assets for the Pagoh Education Hub encompassing four (4) major higher educational institutions.

Sime Darby Property Berhad corporate headquarters

Wisma Zuellig

Wisma MRT

OFFICE

OVERVIEW

Our key office assets located within the Klang Valley include Wisma Zuellig, Wisma MRT and Block F and Block G, Oasis Square, which are held under the Group's subsidiary, Sime Darby Brunsfield Properties Holdings Sdn Bhd and where the Group's corporate headquarters is located.

Operations Review

Elmina Business Park (artist impression)

INDUSTRIAL & LOGISTICS

OVERVIEW

The Investment & Asset Management business is capitalising on the positive outlook of the Industrial and Logistics segment to achieve a stable and sustainable recurring income portfolio. Through a partnership with Mitsui & Co., Ltd. and Mistubishi Estate Co., Ltd., we are developing the Bandar Bukit Raja Industrial Gateway, with two (2) current Built-to-Lease (BTL) tenants and more in the pipeline.

RETAIL

OVERVIEW

a) KL East Mall

KL East Mall is Sime Darby Property Berhad's first 100 percent-owned retail mall development with 384,210 sq ft in Net Lettable Area. The retail and lifestyle boutique mall is strategically located in KL East, a 160-acre integrated development with excellent connectivity via the Middle Ring Road (MRR2), Duta-Hulu Klang Expressway (DUKE) and Ampang-KL Elevated Highway (AKLEH). The mall is poised to catalyse Sime Darby Property's KL East development in the context of the overall mixed development and will serve the surrounding upmarket neighbourhood.

b) **Melawati Mall**

Melawati Mall, with a Net Lettable Area of 614,642 sq ft, is held under our 50 percent-owned joint venture, Sime Darby Property CapitaLand (Melawati Mall) Sdn Bhd. The mall was jointly built in partnership with CapitaLand, one of Asia's largest diversified real estate groups, on a prime commercial land in Taman Melawati. Melawati Mall now attracts customers from the previously underserved surrounding areas with its line-up of brands that fulfil the demand for a modern and quality retail experience.

Melawati Mall stands out as the new landmark in the Taman Melawati township due to its strategic location and contemporary design. Melawati Mall is accessible via the Middle Ring Road 2 or a 15-minute bus ride from the Taman Melawati, Wangsa Maju and Sri Rampai Light Rail Transit (LRT) stations.

CONCESSION ARRANGEMENT

OVERVIEW

The Concession Arrangement segment provides asset management services for the campus facilities and infrastructure of Pagoh Education Hub (PEH) in Bandar Universiti Pagoh for a period of 20 years upon completion of the construction.

Under four (4) concession arrangements via a 60 percent-owned subsidiary, Sime Darby Property Selatan Sdn Bhd and its subsidiaries, Sime Darby Property undertook the development of Pagoh Education Hub (PEH) for the Malaysian Government and three higher learning institutions over three (3) years. Sime Darby Property Selatan Satu Sdn Bhd, a wholly-owned subsidiary of Sime Darby Property Selatan Sdn Bhd, had signed a Chilled Water Supply Agreement with the Government of Malaysia on 30 April 2014 to provide air conditioning to the designated buildings in PEH through the supply of chilled water from a purpose-built district cooling system. The supply period is for 20 years in tandem with the asset management services period under the concession arrangements.

Operations Review

2020 KEY FOCUS AREA

OFFICE

- Maintaining 100 percent occupancy for key assets
- Maintaining healthy net property income (NPI) yield (above 5 percent) for performing assets
- Disposing non-core, loss-making assets, in line with the Group's strategy to divest its low-yielding properties
- Upkeeping and maintaining assets to improve their lifecycle, hence, increasing their marketability and financial returns
- Enforcing safety measures to prevent the spread of COVID-19

INDUSTRIAL & LOGISTICS

- Expanding the recurring income stream of the Industrial and Logistics Development business segment and unlocking the strategic value of land

RETAIL

- Opening KL East Mall on 25 November 2020 despite the challenges brought about by the pandemic
- Supporting tenant sales and driving footfall through measures such as providing complimentary parking from March to June 2020 and launching innovative digital marketing campaigns
- Improving safety and well-being of stakeholders by stepping up precautionary measures and innovative tech solutions

CONCESSION ARRANGEMENT

- Minimising the impact of the COVID-19 pandemic on the operations and maintenance programmes
- Managing operational costs effectively to maintain profit margin
- Improving the planned preventive maintenance programme to ensure optimum efficiency of the assets

IMPACT OF COVID-19

Foreign direct investments were stalled by the restrictions in border control. Construction progress was impacted by SOP applied on site(s), further compounded by labour shortage due to the virus outbreak at the workplace.

Many businesses have adopted a wait-and-see approach and postponed major leasing decisions due to the ongoing COVID-19 pandemic in Malaysia.

Revenue decreased due to tenants' rent waiver and rebates of RM1.3 million granted during the MCO/CMCO period, representing 4 percent of Office assets revenue in Malaysia for FY2020.

The first and subsequent MCO/CMCO periods delayed the opening date of KL East Mall. Tenants were cautious about investing in a new outlet amidst the weak market sentiment. Some retail businesses closed as they experienced down trending sales due to a decrease in footfall and buying power.

Closure of campuses and shared facilities during MCO 1.0 in PEH affected the planned preventive maintenance programme and caused a decrease in revenue in the Concessions Arrangement segment. Travel restrictions affected some training programmes for Teaching and Learning Equipment.

On the flipside, growth in e-commerce logistics drove higher demand for warehouse space, including cold chain space to accommodate groceries/frozen food and storage of pharmaceutical/vaccines. A similar increase in demand for cloud storage is creating higher interest in data centres.

Senheng Electric (KL) Sdn. Bhd at Bandar Bukit Raja Industrial Gateway

KEY BUSINESS HIGHLIGHTS

OFFICE

- Despite the competitive and overall subdued office market, the Group's office assets achieved healthy occupancy rates averaging 92 percent due to good location and continued lease secured from single anchor tenants, while the occupancy rate of key assets was 100 percent.

INDUSTRIAL & LOGISTICS

- Handed over the first Built-To-Lease (BTL) facility to Senheng Electric (KL) Sdn. Bhd. at Bandar Bukit Raja Industrial Gateway in November 2020.
- Completed BTL for Leschaco (Malaysia) Sdn. Bhd. in January 2021 with handover expected in 3Q 2021.
- Embarked on the first multi-tenant ready-built warehouse at Bandar Bukit Raja to meet demand for warehousing and logistics space.

RETAIL

- Successfully opened KL East Mall with a nett lettable area of 384,210 sq ft. including 1,300 parking bays and 200 retail outlets spread across four retail floors.
- Received the World Gold Winner in Retail Category at the 29th FIABCI World Prix d'Excellence Awards for Melawati Mall.
- Melawati Mall secured incoming brands including Uniqlo, Chizu, Texas Chicken and Ghost Kitchen.

CONCESSION ARRANGEMENT

- Retained operational profitability despite operational disruptions from the MCO.

KEY HIGHLIGHTS

TOTAL NET LETTABLE AREA (MILLION SQ FT):

1.68

REVENUE (RM MILLION):

78.8

NO. OF ASSETS OWNED (PROPERTIES):

9

(LBIT EXCLUDING ONE-OFFS) (RM MILLION):

(39.0)

AVERAGE OCCUPANCY RATE:

88%

FINANCIAL PERFORMANCE

The decrease in revenue by **19.9 percent** was largely due to a reduction in the supply of teaching equipment under a concession arrangement as majority of the delivery was completed in prior years. The lower revenue was also attributed to lower rental revenue because of lower occupancy rate and ancillary revenue coupled with the rent concessions given by the Group to its tenants during the difficult time. Notwithstanding, the Group is pleased to note that the revenue reduction was offset by the maiden contribution from its new KL East Mall, which opened to the public in November 2020.

Loss before Interest and Tax (LBIT) of **RM114.4 million** compared to the LBIT of **RM29.7 million** a year ago due to higher pre-opening expenditure incurred for KL East Mall in preparation for its opening, higher share of losses from Melawati Mall and impairment charge on investment assets based on professional valuation. Excluding one-offs comprising impairment of investment assets and provision and other adjustments for an undertaking arrangement entered on the disposal of a property with the purchaser in prior years, the segment registered a loss of RM39.0 million against the previous year's profit of RM5.0 million due to higher pre-opening expenditure of KL East Mall and share of losses as mentioned above.

BUSINESS PERFORMANCE REVIEW

KEY INITIATIVES	RESULTS & ACHIEVEMENTS
Office	
1. Renewal of tenancy at Block G, Oasis Square and Wisma MRT 2. Disposal of low-yielding asset 3. Review of Asset Enhancement programme to improve asset life cycle and operational efficiency	1. Maintained Net Property Income (NPI) yield at a healthy level of more than 5 percent by successfully negotiating and renewing tenancy for: a) Sime Darby Property's Corporate Tower at Block G, Oasis Square for three (3) more years; b) Wisma MRT with MRT Corp; and c) Partial occupancy of the Ground Floor of Block G, Oasis Square with Maybank. 2. Successfully disposed of a three-storey shop-office in Shah Alam at RM1.02 million (targeted to complete in Q12021) 3. Secured Capex for Asset Enhancement programme to improve asset conditions
Industrial & Logistics	
1. Acceleration of development through strategic partnerships that leverage on networking and the unique capabilities of identified partners 2. Introduction of more product varieties to meet customer demands and utilisation of digital platforms for marketing and development of Industrial & Logistics projects	1. Formed strategic partnerships to introduce Industrial 4.0 facilities into the Group's ILD developments 2. Gained a wider reach in the market to facilitate the resumption of businesses
Retail	
1. Introduction of incentives and attractive rental terms to entice existing and new tenants to open for business on 25 November 2020, in line with the opening date of KL East Mall 2. Setting-up of pop-up stores and visual merchandising displays to improve physical occupancy and enrich the shopping experience with Instragrammable spots to generate better footfall 3. Passing of the 15 percent electricity discount provided by the Government to support affected tenants	1. KL East Mall achieved a commendable physical occupancy rate of 72.0 percent and committed occupancy rate of 76 percent as at 31 December 2020 despite the challenging market 2. Recorded a total footfall at KL East Mall of over 1.5 million to-date 3. Melawati Mall completed 164 tenancy renewals (85 percent of total tenancies) and secured a healthy occupancy rate of 83.0 percent at the end of December 2020
Concession Arrangement	
1. Management of operational costs without compromising the quality of services to clients under the concession agreements 2. Planning and designing of a pedestrian bridge in Persiaran Sarjana to improve the safety of students commuting between the Students' Village, PEH campuses and shared facilities	1. Achieved the targeted gross profit margin and PATAMI from operations Submitted the design plan of the pedestrian bridge and awaiting approval from Majlis Perbandaran Muar ("MPM"), with construction expected to be completed in the fourth quarter of 2021

Operations Review

BUSINESS PERFORMANCE REVIEW

CHALLENGES & RISKS	MITIGATION & ACTION
Office	
1. The enforcement of MCO/CMCO affected tenant's business operations, prompting requests from tenants for rent waiver and rebate 2. Potential non-renewal of tenancy or termination of tenancy before expiry that will affect Net Property Income (NPI) yield, hence reducing occupancy rate and rental income	1. Granted rent waiver and rebate to tenants on a case-by-case basis, depending on the impact of MCO/CMCO on their business operations 2. Conducted early engagements with tenants to negotiate tenancy renewal and to understand their requirements and expectations
Industrial & Logistics	
1. Limited demand for industrial manufacturing space particularly from businesses impacted by disruptions to the supply chain and uncertainties in business outlook 2. Delay in project completion due to the MCO from March to May 2020 3. Difficulty for potential investors to visit and verify the land for investment during the movement restrictions and international border closure	1. Focused on sectors with sustained demand such as logistics, data centres and cold chain storage in line with the growth in e-commerce 2. The appointed contractor increased the resources to mitigate the delay in project completion and implemented strategic approaches such as longer working hours to recover the work progress
Retail	
1. Financial impact from the delay in KL East Mall's opening as there were outgoing costs but delays in incoming revenue 2. The impact of COVID-19 on retail tenants was unprecedented. Most tenants were only allowed to resume operations from mid-May 2020. Given that the potential impact of COVID-19 is fluid and evolving, consumer and retailer sentiments remain subdued, further compounded by retail space oversupply in the Klang Valley	1. a) Provided incentives and attractive rental rates to entice existing and new tenants to open for business on KL East Mall's opening day b) Decked the mall with vibrant Christmas decorations and introduced fun activities that complied with physical distancing measures in an effort to generate greater footfall 2. a) Implemented digital marketing strategies to complement tenant sales and enhance shopper engagement via the KL East Mall mobile application and Melawati Mall's CapitaStar loyalty programme b) Melawati Mall organised a digital Cashback Now campaign to reward shopper loyalty during the safe reopening period during the Recovery Movement Control Order period. The mall also collaborated with online operators such as GRAB to help retailers embrace an online-and-offline omnichannel strategy to complement in-store sales and continued shopper engagement

BUSINESS PERFORMANCE REVIEW

CHALLENGES & RISKS	MITIGATION & ACTION
Concession Arrangement	
1. Decrease in revenue due to inability to perform some maintenance works during MCO 1.0. 2. Increase in maintenance costs	1. Managed the operational costs commensurate with the decrease in revenue 2. Initiated an aggressive procurement exercise and initiatives to optimise operational costs

OUTLOOK & PROSPECTS

Industrial & Logistics Development will be Sime Darby Property's next engine of growth, and the strategies deployed for this segment has been reviewed to maximise their potential. The expected recovery in the industrial sector and growth in e-commerce will drive demand for industrial and logistics space, particularly those near residential neighbourhoods with complete ecosystems and infrastructures.

Moving forward, the Group's Investment & Asset Management business aspires to enhance its recurring income contribution by creating a balanced portfolio of high-yielding core assets and placemaking/catalytic assets to complement our townships through the following approaches:

- Restructure existing asset portfolio and invest in new asset classes to improve and create a balanced portfolio mix
- Retain existing performing assets that complement existing and future townships/integrated developments, and divest non-core, low-yielding assets
- Implement innovative yet sustainable initiatives to enhance existing assets that can improve the life cycle and optimise operational efficiency