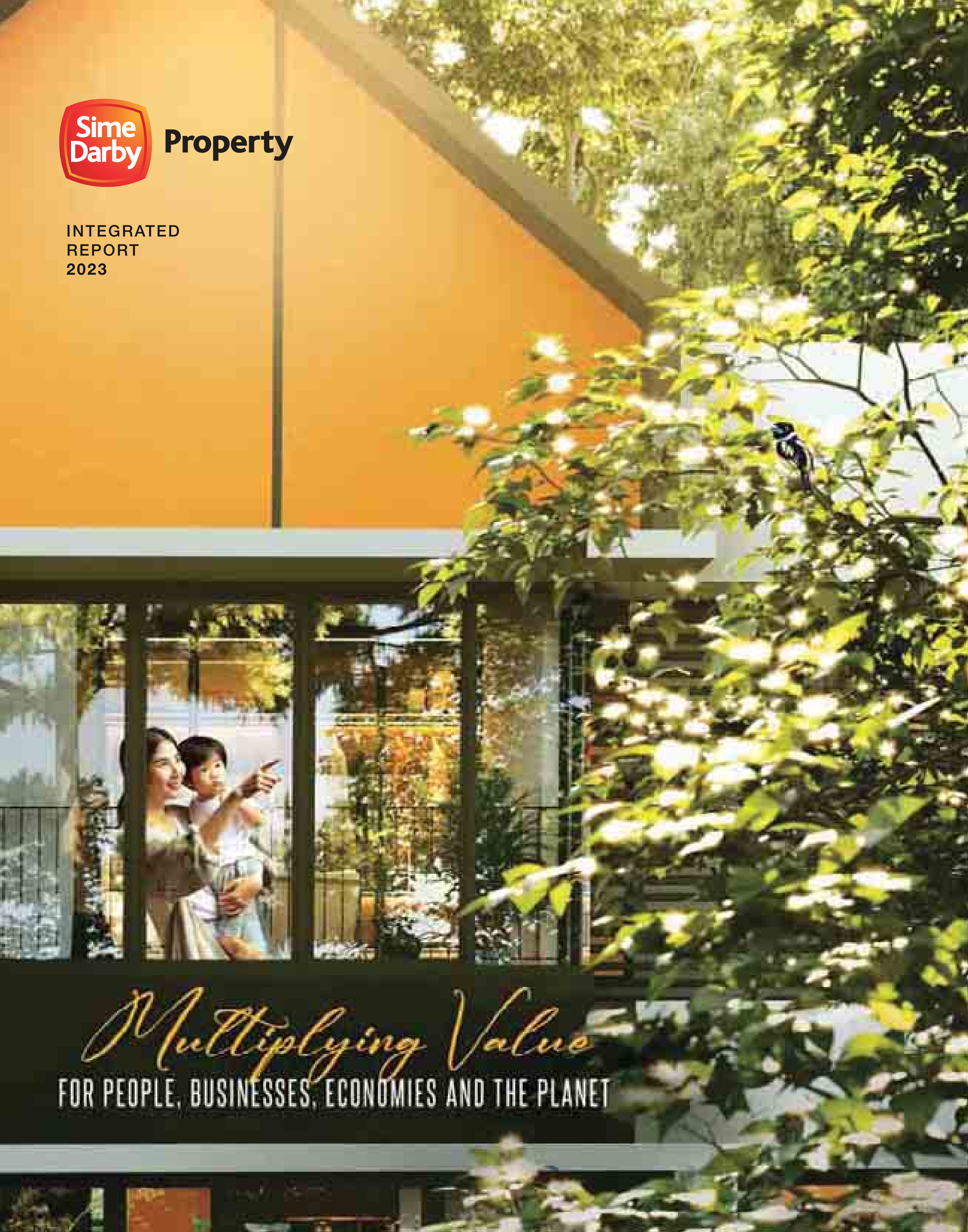


Sime Darby Property

INTEGRATED REPORT 2023

Multiplying Value

FOR PEOPLE, BUSINESSES, ECONOMIES AND THE PLANET

About Our Integrated Report

Sime Darby Property's Integrated Report 2023 has been prepared according to the principles of integrated reporting. It provides a balanced and accurate narrative about the Group's financial and non-financial performance and prospects based on our strategy, taking into account the challenges posed by the operating environment and other key risks impacting the property industry. The report is intended primarily for providers of capital, but is also relevant to all stakeholders who would like to understand how we seek to create value in the short, mid and long term through good governance, balancing our vision for growth against environmental and social imperatives.

This is our seventh Integrated Report since our listing in 2017. It covers the Financial Year 2023 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.

Materiality

Information disclosed in this integrated report is relevant to our material matters, which have been determined by extensive stakeholder engagement, as well as internal evaluation. These material matters reflect existing and emerging risks and opportunities, which could affect our ability to create value and deliver on our Purpose, Vision, Mission and Values.

Scope and Boundary

This integrated report focuses on the activities, initiatives and key events that took place during the financial year from 1 January 2023 until 31 December 2023, unless stated otherwise. It covers the operations of the Sime Darby Property Group including our subsidiaries and joint ventures and associates.

Reporting Framework

Our integrated reporting process, as well as the contents of this report have been guided by the principles and requirements of:

- The Integrated Reporting <IR> Framework issued by the International Financial Reporting Standards ("IFRS") Foundation.
- The Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia.
- Bursa Malaysia's Sustainability Guidelines (3rd Edition).
- The Malaysian Code on Corporate Governance ("MCCG") 2021 issued by Securities Commission Malaysia.
- GRI Standards, issued by the Global Reporting Initiative ("GRI").
- United Nations' Sustainable Development Goals ("UN SDGs").
- Taskforce on Climate-Related Financial Disclosures ("TCFD").
- Malaysian Financial Reporting Standards ("MFRS").
- Malaysia's Companies Act 2016.

Assurance

Contents of the entire report have been read and approved by the Management and Board of Directors. The financial statements included in this integrated report have been audited by PricewaterhouseCoopers PLT, Malaysia.

Forward-looking Statements

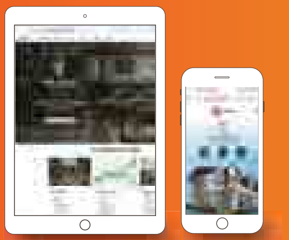
This integrated report contains certain forward-looking statements relating to future performance. Such statements are premised on current assumptions and circumstances, which could change, hence they necessarily involve uncertainty. Various factors could cause actual results to differ materially from those expressed or implied by these forward-looking statements.

Directors' Responsibility Statement

The Board of Directors of Sime Darby Property acknowledges responsibility for ensuring the integrity of our Integrated Report 2023. In our opinion, the report presents a fair assessment of the Group's performance and addresses all key matters that are material to our ability to create value. This report was approved by the Board on 26 March 2024.

Dato' Rizal Rickman Ramli
Non-Independent Non-Executive Chairman

Dato' Azmir Merican
Group Managing Director



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

Please scan the QR code for the following documents of the Company which are available at https://www.simedarbyproperty.com/investor-relations/shareholders

Navigation Icons

The Capitals We Use and Affect

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Natural Capital

Material Matters

Innovation
Energy & Carbon Management
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Circularity
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Climate Adaptation
Occupational Health & Safety
Community Experience
Diversity & Inclusion
Labour Standards & Practices
Responsible Supply Chain Management
Anti-Bribery & Corruption
Data & Cybersecurity

Reporting Framework

Integrated Report 2023

Contents

- Provides a comprehensive overview of the Group's financial and non-financial performance for 2023, as well as prospects based on our strategy.

Regulations Complied

- The Integrated Reporting <IR> Framework.
- Bursa Malaysia's Main Market Listing Requirements.
- Bursa Malaysia's Sustainability Guidelines (3rd Edition).
- The Malaysian Code on Corporate Governance 2021.
- Global Reporting Initiative Standards.
- United Nations' Sustainable Development Goals.
- Taskforce on Climate-Related Financial Disclosures.
- Malaysian Financial Reporting Standards.
- Companies Act 2016.

Sustainability Report 2023

Contents

- Provides a comprehensive overview of the Group's sustainability performance and initiatives for 2023.

Regulations Complied

- Bursa Malaysia's Main Market Listing Requirements on Sustainability Reporting.
- Bursa Malaysia's Sustainability Reporting Guide (3rd Edition).
- Global Reporting Initiative Sustainability Reporting Standards.
- The United Nations Sustainable Development Goals.
- Task Force on Climate-related Financial Disclosures Recommendations.

Feedback

We welcome all enquiries, comments and feedback on our Integrated Report in order to clarify issues and to further improve our reporting. Please channel your feedback or query to:

Group Corporate Communications

Level 8, Block G, No. 2
Jalan PJU 1A/7A, Ara Damansara
PJU 1A, 47301 Petaling Jaya, Selangor
Tel : +603-7849 5000
Email : group.communications@simedarbyproperty.com

Key Strategic Priorities

- Broaden Income Streams
- Develop New Capabilities
- Deepen Competencies
- Digital Transformation

Stakeholders

- Employees
- Customers
- Vendors
- Media
- Investors and Analysts
- Debt Providers
- Regulators

Key Risks

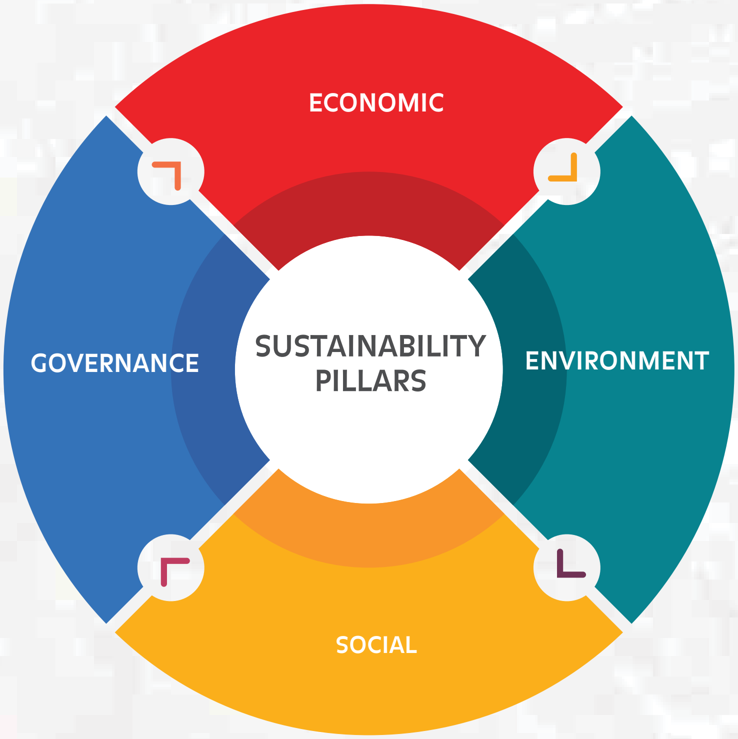
R1 Market Risk
R2 Development & Product Strategy
R3 Project Development & Execution
R4 Safety & Health
R5 Cybersecurity
R6 Joint Venture, Collaborations & Strategic Partnerships
R7 Talent & Resource Management
R8 Legal/Regulatory & Contractual Compliance
R9 Competition
R10 Climate Risk
R11 Supply Chain & Its Related Human Rights Risk

Sustainability @

OUR EESG FRAMEWORK

Central to our strategy is the economic pillar, where innovation acts as the main driver across all our operations.

This approach, underpinned by strong governance, enables us to be responsible and forward-thinking in our action, aligning with our broader environmental and social stewardship goals.



For more details on our Sustainability Framework, please see page 173

ADDRESSING OUR MATERIAL MATTERS

ECONOMIC

- Innovation
- Property Development
- Investment and Asset Management
- Land Bank Management

ENVIRONMENT

- Climate Adaptation
- Energy & Carbon Management
- Urban Biodiversity
- Water Management
- Circularity

SOCIAL

- Community Experience
- Occupational Health and Safety
- Responsible Supply Chain Management
- Marketing and Communication
- Corporate Social Responsibility
- Talent Management and Training Development
- Diversity and Inclusion

GOVERNANCE

- Corporate Governance and Compliance
- Data Privacy and Cybersecurity

BURSA COMMON SUSTAINABILITY MATTERS:

- Labour Standards and Practices
- Anti-Bribery and Corruption

For more details on our Material Matters, please see page 60

Sime Darby Property

OUR PATH TO NET ZERO BY 2050

NET
ZERO
2050

We are committed to achieving **Net Zero carbon emissions by 2050,** aligning with the target of limiting global temperature rise to 1.5°C.

Our transformative Net Zero strategy tackles both Scope 1 and Scope 2 emissions. As a first step, we have set a bold target to achieve a **40% reduction** in these emissions by 2030.

For more details on our approach towards Energy & Carbon Management, please see page 61

ALIGNING WITH THE GLOBAL AGENDA

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 15 LIFE ON LAND

By aligning with specific United Nations Sustainable Development Goals ("UN SDGs") relevant to our core business, we ensure our sustainability efforts drive measurable social and environmental impact.

We achieve this through the integration of these UN SDGs across all our operations, ensuring a holistic approach that delivers positive outcomes.

For more details on Our Contribution to the UN SDGs, please see page 176

What's Inside

Cover Rationale

In our journey towards becoming a real estate company, Sime Darby Property is committed to creating lasting value for people, businesses, and the environment.

We are pushing the real estate industry towards a sustainable future through our "SHIFT25" strategy, which goes beyond development to encompass investment and asset management. At the same time, we are also diversifying our offerings to meet changing economic needs.

Recognising the importance of sustainability, we are developing ESG-focused homes and creating lifestyle destination. Along with our future-forward direction, we are poised to advance real estate to enrich lives and manage a thriving asset portfolio that benefits all stakeholders.

Our vision is a future where sustainability, innovation and positive impact are at the core of everything we do.

51st
ANNUAL GENERAL
MEETING OF
SIME DARBY PROPERTY

Monday, 20 May 2024

10:00 a.m.

https://investor.boardroomlimited.com/
(virtual meeting platform)

Message from Our Chairman

DATO' RIZAL RICKMAN RAMLI
Chairman

Dear Stakeholders,

Sime Darby Property delivered continued solid financial and operational performances in FY2023, notwithstanding escalating material prices, threat of inflationary pressures and a cautious outlook at the start of the year. The Group remained focused on creating sustained value and recorded its highest revenue and operating profit, since the 2017 demerger, of RM3.4 billion and RM606.4 million respectively. This demonstrates the unwavering trust and support of all stakeholders and customers, as well as the resilience and passion of TEAM Sime Darby Property in realising our Purpose to be a Value Multiplier for People, Businesses, Economies and the Planet.

Our SHIFT25 strategy continues to be the driving force in enabling the Group to push through challenges and capitalise on opportunities to deliver our targets. It has been heartening to see our employees fully engaged and working together as TEAM Sime Darby Property to execute our plans and achieve our goal of transforming from a pure-play developer to a real estate company.

The success of our strategies is reflected by the favourable response from customers, with our emphasis on delivering high-quality products and services that meet their evolving expectations being rewarded by a steady growth in launches and sales over the past three years. This has placed us firmly on the right trajectory towards our goal of building a best-in-class Property Development business.

> "The Group remained focused on creating sustained value and recorded its highest revenue and operating profit, since the 2017 demerger, of RM3.4 billion and RM606.4 million respectively."

Simultaneously, we have remained dedicated to expanding our Investment & Asset Management ("IAM") business, aiming to cultivate strong and diversified recurring income streams for sustained long-term shareholder value. Over the past year, significant strides have been made under our Industrial Development Fund ("IDF"), with the construction of Metrohub 1 and 2 at the E-Metro Logistics Park, which is slated for completion in 2024, and managed to secure J&T Distribution Solutions Sdn Bhd as the first pre-committed tenant. Furthermore, we have also secured commitments for the remaining RM300 million to close the fund at RM1.0 billion.

Our productivity in 2023 was further highlighted by our concerted efforts to enhance ongoing operations via asset enhancement initiatives, alongside the actively exploration of new asset classes such as solar energy, with several promising prospects currently in our pipeline.

The progress we have unlocked since embarking on our SHIFT25 strategy has been encouraging; we have strengthened our fundamentals, pursued numerous new ventures and broadened our business model. Riding on this momentum and fortified by our robust financial standing, the Group is ideally positioned to forge ahead, seizing opportunities for expansion, growth and diversification with agility and determination.

A YEAR OF HIGHLIGHTS

It was a truly productive year for the Group on all fronts, marked by 37 product launches in our Property Development segment and the initiation of various exciting new projects in our IAM business, alongside enhancements to our management and operational pursuits across all segments.

The Group marked a key milestone by making its maiden foray into the affordable township sector through Seed Homes, Sime Darby Property's new portfolio to deliver innovative solutions in the affordable homes segment. Seed Homes had recently formed a strategic partnership with Lagenda Properties to revolutionise affordable housing, and through this joint venture, we are combining our experience, expertise and strategic land bank ownership with Lagenda Properties' highly scalable model of developing self-sustainable affordable townships. Our ongoing efforts to launch our inaugural affordable township project in Gurun, Kedah, reflects our commitment to making homeownership more accessible to Malaysians.

> **"Our SHIFT25 strategy continues to be the driving force in enabling the Group to push through challenges and capitalise on opportunities to deliver our targets."**

Meanwhile, the Group has laid rousing new inroads into the renewable energy sector, aligning its efforts with the Malaysian government's new National Energy Transition Roadmap ("NETR"). In our commitment to spearheading the transition to renewable energy across the real estate industry, we have devised a three-pronged approach that will explore the implementation of residential, commercial and large-scale solar projects in the near future.

In tandem with our foray into renewable energy and commitment as a 'Force for Good', the Group has further solidified its long-term climate change ambitions. In November, we announced our pledge to achieve Net Zero emissions by 2050, with an intermediate target of attaining a 40% reduction in our Scope 1 and Scope 2 emissions by 2030. We firmly believe that adopting a Net Zero approach is crucial in mitigating global warming, and as such, we have implemented both near-term and long-term strategies to guide the transformation of our business for the betterment of the planet.

In 2023, our commitment to excellence was widely recognised by the industry, as we proudly received a total of 51 awards across various categories throughout the year. At the international level, our achievements were highlighted by two major wins at the FIABCI Prix d'Excellence Awards 2023, including a Gold in the Master Plan category for City of Elmina and a Silver in the Residential Mid-Rise category for Cantara Residences. These two developments were similarly recognised in the Malaysian chapter of the FIABCI awards, taking top honours in their respective categories.

Meanwhile, we continued our winning streak at the StarProperty Awards 2023, with the standout achievement amongst nine accolades being our No.1 All Star ranking amid all real estate developers. Additionally, we maintained our Platinum ranking in the Property Development category at the Putra Brand Awards and received the esteemed Marketer of the Year award for the second consecutive year. Our consistent performance was further validated by our placement in the Top Ten Developers 2023 in the BCI Asia Awards, while we improved our rank from fourth to third in The Edge Malaysia's Top Property Developers Awards.

I am delighted to extend my heartfelt congratulations to our Director, Datuk Soam Heng Choon and Group Managing Director, Dato' Azmir Merican, for receiving the Outstanding Contribution to the Real Estate Industry award and Outstanding Property CEO award respectively, at the Edge Property Excellence Awards 2023. Their dedication and contribution has guided us through a commendable transformational journey, and the Board is deeply appreciative of their efforts.

CREATING VALUE FOR STAKEHOLDERS

On the back of our solid performance in 2023, I am delighted to announce that the Board has declared a second single-tier dividend of 1.5 sen per share, contributing to a total dividend of 2.5 sen per share for the year, amounting to RM170 million. The Board's decision reflects confidence in our strategies to drive future value for our shareholders through recurring earnings, most notably by harnessing the potential of both our development pipeline and capital transaction capabilities to bolster funds management income.

> "In tandem with our foray into renewable energy and commitment as a 'Force for Good', the Group has further solidified its long-term climate change ambitions."

A bird's eye view of the Elmina Peak located in the City of Elmina

Throughout the year, we remained committed to enriching the lives of our employees by offering competitive rewards and fostering numerous avenues for professional growth and career advancement. We introduced several new initiatives to strengthen our human development framework across all levels, including a pilot programme designed to empower line managers with effective conversational skills to engage and nurture their top talents, alongside executive coaching sessions for senior leaders and specialised leadership development programmes tailored to meet the unique needs of our diverse talent pools.

> **"At the international level, our achievements were highlighted by two major wins at the FIABCI Prix d'Excellence Awards 2023, including a Gold in the Master Plan category for City of Elmina and a Silver in the Residential Mid-Rise category for Cantara Residences."**

Message From Our Chairman

Safety is a paramount for the Group, and the Board remains informed of the progress made across our Health, Safety, Security and Environment ("HSSE") portfolio, ensuring a steadfast focus on the safety of all staff and contractor personnel at our construction projects and operations. Our Leadership Engagement and Action Programme ("LEAP") continues to reinforce our commitment to safety, with leadership playing a pivotal role in driving the safety message to our staff. To this end, our leadership team, alongside two board members, conducted one-to-one sessions with 62 foreign workers at various construction sites throughout 2023. These sessions were aimed at gaining a better understanding of the day-to-day challenges faced by frontline project staff and foreign workers, ensuring their work safety remains a top priority.

As a responsible corporate citizen, we remain committed to supporting and creating valuable opportunities for the wider community, both independently and through our philanthropic foundation, Yayasan Sime Darby ("YSD"). With an eye on enhancing educational support for the next generation, we launched a new Technical and Vocation Education and Training ("TVET") initiative in collaboration with YSD, and will leverage on this programme to sponsor the learning aspirations of B40 youths.

At the same time, the Group had conducted 25 Corporate Social Responsibility ("CSR") programmes, and contributed RM12.2 million in donations and sponsorships, as well as RM3.4 million in local community investments. Through these endeavours, we were able to touch the lives of over 5,000 people.

PROGRESSING OUR SUSTAINABILITY JOURNEY

Advancing our sustainability journey remains pivotal to our long-term strategy for creating shared value and ensuring sustainable performance across all business segments. To this end, we established a Board Sustainability Committee ("BSC") on 1 January 2023, tasked with driving our Environmental, Social, and Governance ("ESG") agenda forward, reviewing our progress against internal sustainability targets, and ensuring that our long-term strategies are geared towards enhancing our capacity to create shared value.

Bolstered by our heightened focus and oversight across the ESG spectrum, we underscored our commitment to climate change action through our Net Zero announcement this year. In conjunction, we have identified numerous near-term and long-term strategies to achieve our targets, ranging from the transition to renewable energy sources to the electrification of our vehicles and equipment, alongside the education of our workforce to promote good energy practices.

Looking ahead, we recognise the immense value in carbon sequestration through nature-based solutions focused on conservation and regeneration of urban biodiversity. This holistic strategy does not merely entail the planting of trees, but involves scientific analysis, internal capacity building and the involvement of communities across several of our townships.

> **"In February, we inaugurated the initial phase of KL East Park, encompassing 17 acres of flourishing regenerating forest boasting over 300 plant species, 120 bird species, and a diverse cornucopia of fish, reptiles and insects."**

In 2023, our efforts in this area gained significant momentum with the launch of two key projects. In February, we inaugurated the initial phase of KL East Park, encompassing 17 acres of flourishing regenerating forest boasting over 300 plant species, 120 bird species, and a diverse cornucopia of fish, reptiles and insects. The remaining 36-acres of this already award-winning destination will be utilised for placemaking initiatives and educational programmes, as we seek to involve and empower local communities in understanding and safeguarding urban biodiversity.

Additionally, in December, we began work on our ambitious City of Elmina biodiversity corridor, a project that aims to restore ecological connectivity to the Bukit Cherakah Forest Reserve through the 300-acre Elmina Central Park. Designed to emulate the natural function of rainforests in supporting diverse flora and fauna, this initiative will provide refuge and resources for local wildlife. In tandem with these two projects, we are launching a new Citizen Scientists pilot project that seeks to harness enthusiastic members of the public to further our biodiversity research activities.

Our dedication to biodiversity and environmental management was widely recognised in 2023, evidenced through multiple awards received. In the StarProperty Real Estate Developer Awards 2023, KL East Park earned the prestigious Placemaker Award (Excellence), while our Bandar Bukit Raja Townpark was honoured with the Landscape Development Award (Excellence). Similarly, in the Malaysia Landscape Architecture Awards 13, KL East Park secured the Landscape Resource Preservation & Conservation Award, while both the City of Elmina and Serenia City were recipients of the Sustainable Management Category – Environmental & Landscape Management Award.

Outdoor Discovery League programme by the Citizen Scientist initiative

Learning the basics of composting via the Outdoor Discovery League

GOVERNANCE

We acknowledge the critical role that effective governance plays in maintaining our operational excellence and generating stakeholder value, and remain committed to upholding best practices in corporate governance, as outlined in the Malaysian Code on Corporate Governance ("MCCG") and the Main Market Listing Requirements ("MMLR") by Bursa Malaysia Securities Berhad.

We continue to review and enhance our governance framework and policies each year, taking into account the recommendations of our various Board Committees. Our initiatives in 2023 included revisions to our Fit & Proper Policy and the Group's Code of Business Conduct ("COBC"), while we also updated the terms of reference for our Audit Committee to align with the enhanced Conflict of Interest ("COI") disclosure requirements mandated by Bursa Malaysia. Furthermore, we introduced a new Non-Audit Services ("NAS") Concurrence Policy to reinforce the independence and objectivity of external auditors.

In our steadfast commitment to uphold human rights, the Board approved a new Human Rights Policy in June 2023. This initiative was further reinforced with the undertaking of a human rights assessment for our top five contractors, which was carried out by the Group Corporate Assurance Department ("GCAD") and the Cost & Control Department in line with the due diligence guidelines set forth by the International Labour Organisation.

Recognising the ever-changing landscape of our industry, the Board also conducted an evaluation of the training needs for our directors. Through this undertaking, we were able to ensure the engagement of reputable regional training providers to keep our directors well-informed and up-to-date on global business trends, corporate governance practices, sustainability principles, strategic planning and leadership methodologies.

In recent Board developments, I am delighted to welcome Puan Nur Farahbi binti Shaari as a Non-Independent Non-Executive Director, officially appointed on 1 September 2023, alongside her alternate, Encik Khalid bin Mohammed Noor. With this addition, our Board has expanded from 10 to 11 members and, more significantly, increased the proportion of women directors to 36%, with four exceptional female leaders on our Board lending us greater diversity in experience, expertise and viewpoints.

ACKNOWLEDGEMENTS

In closing, I extend my heartfelt gratitude to our Board, leadership teams and entire workforce for their remarkable contributions to the Group's achievements in 2023. Your unwavering dedication to fostering a values-driven organisation has set us on a path of success, positioning us to not only meet but exceed the expectations of our stakeholders as we pursue our overarching goals.

We are immensely grateful to our various stakeholders for their continued support of the Group's activities and operations. I would like to extend my appreciation for the ongoing collaboration of government and regulatory bodies, as well as the remarkable loyalty and support of our esteemed shareholders, vendors and partners. A special acknowledgment is reserved for our valued customers, whose enthusiasm and appetite for our products and services have remained stronger than ever throughout 2023.

Through the collective and dedicated efforts of all our stakeholders, the Group has made progress towards our aspiration of becoming Malaysia's leading and most admired real estate company. As we forge ahead towards our ambitions, let us continue to collaborate meaningfully to consistently multiply the value we generate for the betterment of people, businesses, economies and the planet.

DATO' RIZAL RICKMAN RAMLI
Chairman

> **"Our commendable results in 2023, while navigating numerous industry challenges, underscore the disciplined execution of our SHIFT25 strategy in translating our strategies and plans into actions and delivering results."**

DATO' AZMIR MERICAN
Group Managing Director

Serenia Anisa, Serenia City

Dear Stakeholders

It gives me great pleasure to share that FY2023 was a successful year for Sime Darby Property as the Group recorded a solid performance with its highest revenue and operating profit since the 2017 demerger, reaching RM3.4 billion and RM606.4 million respectively. This achievement was primarily attributed to the robust sales performance of our diversified product mix and recovery from labour shortage which contributed to higher site progress in major townships within the Property Development segment.

The Group's performance was also supported by a sales achievement of RM3.3 billion and the successful launch of 37 projects with a combined Gross Development Value ("GDV") of RM4.0 billion during the year.

Our commendable results in 2023, while navigating numerous industry challenges, underscore the disciplined execution of our SHIFT25 strategy in translating our strategies and plans into actions and delivering results. As we progress, the transformation journey remains focused on igniting our Engines of Growth and driving Corporate Priorities. In this statement, I will provide an overview of our operational progress throughout the year and the strides we have taken towards how we are executing our SHIFT25 strategy.

Group Managing Director Review

A YEAR OF PROGRESS ON ALL FRONTS

Driven by our focus on execution, we achieved notable headway across all our business segments in 2023. It was another significant year for our Property Development business, as we continued to sustain sales momentum, accelerate on-site progress and ensure successful product delivery. Despite a cautious start to the year, we managed to surpass our sales target of RM2.7 billion by 22% while handing over approximately 3,440 units to new homeowners during the year, well above our yearly average of 2,000 units.

The Property Development segment also reached a crucial milestone for our long-term ambitions in the industrial sector. Following on from our announcement last year, we are pleased to have obtained shareholder approval for the acquisition of 949 acres of land in Sg. Kapar, Klang for a consideration of RM618 million. The acquisition will contribute to a future pipeline of products worth approximately RM5-6 billion in GDV within our established Bandar Bukit Raja township. This new industrial gateway, or "BBRX," will be positioned as a high-value ESG-focused industrial park, enabling us to launch products for the next 10-15 years.

For our Investment & Asset Management ("IAM") business, we are proud to have secured the first tenancy for our maiden project within the E-Metro Logistics Park in Bandar Bukit Raja, Klang, with J&T Distribution Solutions Sdn Bhd ("J&T") committing to occupy 21% of the Net Lettable Area ("NLA") with an option to expand for an additional 23% of the NLA. As the first development under our Industrial Development Fund ("IDF"), formed as a joint venture with LOGOS Property in 2021, our ability to deliver on these initial projects will provide a strong foundation for expanding our fund management business in the future.

Meanwhile, our flagship Leisure asset, Kuala Lumpur Golf & Country Club ("KLGCC") successfully heralded the return of Ladies Professional Golf Association ("LPGA") to Malaysia after six years, hosting its sanctioned Maybank Championship on 26-29 October 2023. This event provides a vital boost for the global visibility of our award-winning golf course, attracting over 50,000 visitors and being broadcasted in over 170 markets and 560 million households worldwide. KLGCC will continue to host this exciting event for the next two editions, up until 2025.

Group Managing Director Review

An aerial view of the 53-acre KL East Park

In addition to these milestones, we also took meaningful steps forward in our sustainability journey during the year, underscored by the November 2023 announcement of our pledge to achieve Net Zero Emissions by 2050, with the intermediate target of reducing our Scope 1 and Scope 2 emissions by 40% by 2030. We have also announced our support for the Government's National Energy Transition Roadmap ("NETR"), specifically towards the vision of achieving 70% renewable energy generation capacity by 2050.

To this end, we are spearheading the industry-wide transition towards renewable energy through residential, commercial and large-scale solar projects amongst others and have signed a Memorandum of Understanding ("MOU") with Tenaga Nasional Berhad ("TNB") for the exploration and development of sustainable higher revenue recognition.

We are also pleased to have officially opened our new 53-acre KL East Park, an enchanting naturally regenerating secondary rainforest in the heart of the city, home to a variety of rare, endemic species and beautiful geological formations. Following its February 2023 launch, KL East Park has already been accorded numerous awards, including the Placemaker Award (Excellence) in the Star Property Real Estate Developer Awards 2023 and the Landscape Resource Preservation & Conservation Award in the 13th Malaysia Landscape Architecture Awards. Overall, the Group had won an unprecedented 51 awards in 2023 and received international recognition by winning Gold in the Masterplan category for the City of Elmina and Silver in the Residential Mid-Rise category for Cantara Residences at the 2023 FIABCI World Prix d'Excellence Awards held in the United States.

Another notable highlight of the year was the commencement of our strategic collaboration with Maybank to integrate their Maybank Home2u financing platform into Sime Darby Property's Online Booking System. This strategic venture now enables us to offer homebuyers a seamless experience in booking their dream home and applying for financing in one single journey.

RESPONDING TO A DYNAMIC MARKET LANDSCAPE

Despite the measurable success achieved in 2023, there were ongoing challenges including domestic and global inflationary pressures, a weakening Ringgit and labour shortages. Like many developers, we were cautious going into FY2023. The improved labour availability contributed to better site progress resulting in higher revenue recognition.

In the first half of FY2023, we witnessed a robust sales momentum, achieving 65% of our full-year target. This encouraged us to revise our full-year sales target from RM2.3 billion to RM2.7 billion and our GDV launch target from RM3.0 billion to RM4.0 billion, as we were confident that market demand would remain well into the second half of the year. Our agility in swiftly taking advantage of market conditions stems from our product pipeline readiness and having low levels of completed inventories, which enable us to capitalise on growing consumer demands by launching more products.

While the domestic market proved favourable, the landscape in the United Kingdom ("UK"), home to our Battersea Power Station ("BPS") joint venture with S P Setia and the Malaysian Employee Provident Fund ("EPF"), presented challenges. The overall UK market has been significantly impacted by rising inflation and persistent interest rate hikes, with the Bank of England announcing 14 rate hikes since September 2021, five of them occurring in the past twelve months alone.

As a result, we incurred higher share of losses from the BPS joint venture in 2023, impacting our bottom line. Nonetheless, we will continue to monitor the market environment while we focus our efforts on ensuring the overall Battersea development remains a vibrant and thriving destination for its resident community and visitors alike.

Market dynamics aside, our key challenge in Malaysia was to manage the rising cost of business, with our industry currently exposed to an increase in the overall cost of construction, notably due to rising raw material prices, currency fluctuation and cost of labour, which is placing pressure on margins. To mitigate this challenge, we continue to leverage our strengths and diversify our product mix across 25 of our active townships, offering both landed and high-rise residential products across various price points, commercial products, as well as introducing more industrial products and solutions across an array of customers.

ROBUST LAUNCHES AND SALES

Aligned with our heightened focus on industrial property development, ten of our launches in 2023 featured industrial products with a collective GDV of RM689 million. Building upon our established success at Elmina Business Park, Serenia City, and XME Business Park in Nilai Impian, six developments within these projects achieved a strong 92% take-up rate, reflecting robust market demand and underscoring our growing reputation as a developer of sought-after industrial parks.

Other launches primarily consisted of residential products. Landed residential offerings amounted to a total GDV of RM1.6 billion, with an average take-up rate of 77%. Standout projects that garnered especially strong take-up rates were Elmina Green 7 in the City of Elmina, Serenia Anisa in Serenia City and Emilia in Nilai Impian.

Meanwhile, high-rise residential launches contributed to a total GDV of RM1.4 billion, reflecting our focus on increasing our portfolio of high-rise residential projects. Notable developments in this category included Teja in SJCC, Serasi Residences in Putra Heights, and Hype Residences, the first serviced apartment introduced in our new SJ7 mixed integrated development.

In 2023, the Group's total sales of RM3.3 billion featured a well-balanced product mix, with residential landed properties accounting for 36%, high-rise residential units for 27%, and industrial products for 31% of the total sales. Both the industrial and high-rise residential segments demonstrated year-on-year growth, expanding by 15% and 2% to respectively contribute RM1.0 billion and RM889 million towards total sales during the year.

Guided by our emphasis on strategic diversification of our Property Development products, the industrial segment's sales contribution has increased from minimal in 2019 to 31% in 2023, marking its importance and growing demand. Segment sales were mainly from Elmina Business Park, Bandar Bukit Raja and Nilai Impian's XME Business Park. Similarly, high-rise residential sales have also seen a significant uptick, rising from 19% of sales in 2019 to 27% in FY2023.

Sales for Koa at Electric Boulevard at BPS achieved a take-up rate of approximately 54%, with 111 units sold thus far amounting to a GDV of £101.6 million. As it stands at 31 December 2023, our two previously completed residential projects achieved a combined 97% take-up rate, while our three commercial spaces in Phase 1, 2 and 3A are currently leased at 95%, 90% and 85% respectively. The growing popularity of the Battersea Power Station as a destination for both locals and tourists has resulted in a significant 45% increase in annual footfall, with over 11 million visitors welcomed during 2023.

While our property development activities expanded in 2023, the total land activated (including non-core disposals) during the year reduced by 940 acres, reflecting our increased emphasis on high-rise launches within our portfolio. Recognising the continued potential in this market segment, we are actively exploring strategic pocket land acquisitions for swift turnaround projects that will bolster our high-rise product pipeline.

As we progressed in completing our acquisition of new land for industrial township development in Kapar, Klang, we also maintained momentum in our land monetisation activities to divest non-core land assets. Throughout the year, we executed four Sale and Purchase Agreements ("SPAs") with a total value of approximately RM87 million for the disposal of approximately 400 acres of non-core lands in Kedah. These agreements are currently in various stages of sale and are targeted to be completed in FY2024.

Group Managing Director Review

> **"In 2023, a total of 74,072 training hours were recorded, with 86% of the hours dedicated to technical, functional, and sustainability programmes."**

INVESTMENT & ASSET MANAGEMENT SEGMENT

Over the past twelve months, significant progress has been achieved in advancing our IAM businesses and ongoing projects. Our inaugural wholly-owned mall, KL East Mall ("KLEM"), has physical occupancy of 90% with footfall boosted by the opening of Camp5, a marquee tenant.

Looking ahead, our retail division is gearing up to launch two new malls, Elmina Lakeside Mall and Senada Mall, in FY2024 and FY2025. These neighbourhood malls will offer a diverse range of amenities, including drive-through restaurants, a variety of dining options, home and living stores, services, health and wellness outlets, and boutique lifestyle retailers. Designed as convenient hotspots for discerning consumers and buyers, our retail assets are not only shaping up to be attractive shopping destinations but also vibrant lifestyle community hubs for our township residents.

For our industrial division, construction of the first development project under our IDF has also progressed as planned. Metrohub 2 is slated to complete in the first half of 2024, with Metrohub 1 on track to complete at the end of the year. In addition to securing J&T as our first tenant for Metrohub 2, we are also pleased to have obtained a SHASSIC 5 Star rating for both Metrohub 2 and Metrohub 1. Furthermore, we have secured commitments for the remaining RM300 million to close the Fund at RM1.0 billion.

With our sights set on unlocking more avenues for recurring income growth, our IAM segment is diversifying its portfolio into new asset classes adjacent to real estate such as renewable solar energy, aligning itself with upcoming trends linked to the government's National Industrial Masterplan 2030 ("NIMP") and NETR. Our solar initiatives represent an especially exciting new sector for the Group, enabling us to leverage on various competitive advantages we possess, including our position as property developer with large rooftop spaces and landbanks, our relationships with end customers and tenants, as well as our capital raising capabilities with investments and fund management teams.

In tandem with our growth projects, we have continued to undertake operating efficiency, cost reduction and asset enhancement initiatives across our various asset classes. Compounded with the expected opening of Elmina Lakeside Mall in Q3 2024 and other activations in our pipeline, we expect stronger contributions from our IAM segment in the coming year.

LEISURE SEGMENT

Our Leisure segment increased its revenue by 11% during 2023, with a 4% increase in membership during the year contributing to higher F&B and golfing activities. A key highlight for this segment was certainly the successful hosting of the Maybank Championship 2023 which was an important coup in our ongoing efforts to bring world-class events to the club and further promote our KLGCC West Course as amongst the best in Asia. With hosting rights for the next two years secured, we are seizing the opportunity to enhance and upgrade our facilities and amenities to capitalise on the exposure to grow membership.

In 2023, we refurbished our KLGCC gym with cutting edge equipment powered by Technogym to boost our members' experience, while also enhancing our badminton and squash courts, as well as our golf course greens. The club has also underscored its commitment to elevate the township's offerings by collaborating with partners to introduce new activities such as pickle ball, padel, spin classes and yoga at The Courts at KLGCC Resort.

Across our Leisure assets, we were successful in growing the total revenue from events. A total of 1,068 events generated revenue of RM21.7 million in 2023, compared to 1,011 events and RM15.8 million revenue in 2022.

Moving forward, we will continue to enhance our offerings across our assets, seeking to offer greater value, variety and convenience to our members. One exciting development our KLGCC members can look forward to is the refinement of our KLGCC mobile application to include digitalisation of our driving range and other sports facilities on top of existing golf sessions booking system, which will be supplemented by a 7-day advance booking policy to foster fair booking practices for all members.

STRONG FINANCIAL PERFORMANCE

In 2023, the Group's revenue reached RM3.4 billion, marking a significant 25.3% increase from the previous year. This growth was driven by the strong performance of the Property Development segment, supported by higher opening unbilled sales, healthy sales momentum and took advantage of improving labour market conditions to ramp up on-site development across

KLGCC was the official venue host for the Maybank Championship 2023 as sanctioned by LPGA

major townships. On the back of our highest revenue since the 2017 demerger, we also saw a notable increase in operating profit, rising by 39.0% to RM606.4 million. Similarly, our profit before tax ("PBT") surged by 33.0% to RM610.3 million, and profit after tax and minority interest ("PATAMI") grew by 29.2% to RM407.9 million. However, these profits were partly offset by an increase in our share of loss from joint ventures, which amounted to RM58.1 million compared to RM27.8 million in 2022, primarily due to challenges faced by our BPS project in the UK stemming from an unfavourable operating environment.

Our impressive performance in 2023 is further highlighted by an increase in our total bookings, which reached RM1.9 billion as of 4 February 2024, while our total unbilled sales have remained steady at RM3.6 billion. With the cash deployment on land acquisitions for future developments in Bandar Bukit Raja and Malaysian Vision Valley 2.0, our cash position remains robust at RM602.6 million and is further supported by a healthy net gearing ratio of 22.7%.

DEVELOPING OUR PEOPLE

We regard our workforce as our most invaluable asset and are making significant investments to provide them with opportunities for professional development, empowering them to contribute meaningfully to our SHIFT25 dynamic transformation objectives.

In 2023, a total of 74,072 training hours were recorded, with 86% of the hours dedicated to technical, functional, and sustainability programmes. We deployed a wide range of development programmes to meet the diverse needs of our workforce, including the resumption of face-to-face training sessions based on the request of the management and employees, and the continued use of LinkedIn Learning, which was integrated with AI functionality in 2023 to curate learning plans tailored to each employee's specific needs.

Our training and development framework was further bolstered during the year with the introduction of a variety of new initiatives. These include an Aspiration and Development Conversation workshop to equip Line Managers with communication skills for engaging and developing top talent, a pilot programme crafting Individual Development Plans for selected employees to initiate their career progression with Sime Darby Property, and site visits to provide additional on-ground exposure for our workforce to understand our business activities and safety practices.

We initiated a partnership with YSD to provide our high potential employees a chance to advance their professional qualifications via the Masters of Real Estate Development programme that has been designed by Universiti Tunku Abdul Rahman in collaboration with Real Estate and Housing Developers Association ("REHDA").

Group Managing Director Review

Complementing our training and development thrusts, we conducted a comprehensive array of engagement activities throughout the year to maintain robust engagement and motivation among our workforce. These activities ranged from festive gift-giving and observance of global days such as Mother's Day, to sporting events like futsal and cycling games, and a variety of webinars.

It is heartening to see our efforts to empower employees recognised by the broader industry, as we picked up three notable awards reflecting our commitment in this aspect: the Linkedin Learning Champion 2023, Talentbank's Graduates' Choice Award 2023 and HR Asia's Best Companies to Work for in Asia 2023.

PROGRESSING OUR DIGITALISATION JOURNEY

Acknowledging the pivotal role of digitalisation in maintaining our competitive edge in today's landscape, the Group has prioritised the adoption of new technologies while reinforcing our cybersecurity framework.

Key digitalisation efforts undertaken during FY2023 include the implementation of an executive management dashboard, which offers easy access to construction and sales progress to our leadership teams, along with the automation of purchaser application data for submission to Lembaga Perumahan dan Hartanah Selangor ("LPHS") and the integration of our Enterprise Resource Planning ("ERP") and eProcurement systems to reduce double entries for property contract related transactions.

As we seek to embed ESG considerations into our business processes, we have adopted the use of Benchmark Gensuite's digital ESG reporting software to streamline the tracking of key safety and sustainability KPIs, enhancing our ability to disclose our performance in adherence to ESG frameworks and provide meaningful updates of our impacts to investors and other stakeholders.

Cognisant that increased digitalisation brings additional exposure to cybersecurity risks and data privacy compliance requirements, we have continued to bolster our cybersecurity systems in FY2023. Key initiatives include enhancing protection for our email systems with three layers of defence to block malware and phishing emails, as well as the adoption of Data Leakage Protection ("DLP") tools to encrypt and classify user data, protecting against unauthorised access or use.

As we progress in our digitalisation journey, we remain mindful of the challenges and opportunities in our path. Costs continue to be a significant consideration, particularly due to the limited availability of software tailored for Property Developers and Construction digitalisation. This scarcity leads to low competition and consequently, higher costs for software acquisition. Simultaneously, we recognise the importance of fostering a shift in employee mindset, and are actively addressing this through the implementation of digital and cybersecurity-related training modules. Over the past year, we began integrating Cybersecurity eLearning into our HR on Cloud ("HROC") platform, enabling employees to learn at their convenience and empowering managers to oversee their progress.

At the same time, our digital transformation concurrently presents opportunities to enhance our competitiveness and operational efficiencies through the use of cutting-edge tools and technology. Among the initiatives we are exploring are the utilisation of augmented reality cameras to monitor construction progress, identify defects and remotely manage issues on our construction sites. Additionally, we are assessing the implementation of an online marketplace ecosystem that connects developers and construction materials, streamlining the procurement process and facilitating more efficient buying, selling and price negotiation for raw materials.

Moving forward, we are committed to identifying and adopting a broader range of smart building technologies to be integrated into both construction processes and home design. This approach will result in the creation of more energy-efficient, sustainable and desirable properties, solidifying our position as a market leader in the industry.

FULFILLING OUR PROMISE OF SUSTAINABLE RETURNS

In addition to achieving strong financial returns in 2023, we focused on delivering clear social and environmental impacts and have made significant progress on the ESG front.

A pivotal measure of our success has been our ability to maintain and enhance our ratings in global and local sustainability benchmark indices. In 2023, the Group was successful in improving our Carbon Disclosure Project ("CDP") rating from 'C' to 'B', surpassing Asia's 'C' average and indicating the meaningful progress we have made to embed robust environmental management into our operations. With this improved rating, the Group is positioned more favourably amongst financial institutions, investors and regulators that are demanding greater transparency in environmental disclosures and increased climate action from corporate entities.

In conjunction with this, I am delighted to announce that our Sukuk Musharakah Programme has maintained its AA+$_{IS}$ rating with a stable outlook from MARC Ratings Berhad for the third consecutive year in 2023. This continued strong rating reflects the Group's robust fundamentals and ongoing growth prospects, where MARC Ratings have noted our strong sales track record in well-established townships, and strong balance sheet, characterised by low leverage, as key rating drivers.

Having issued an additional RM600 million under the Sukuk Musharakah Programme during FY2023, we have utilised these proceeds to part fund the Group's long-term assets, including working capital requirements, all guided by our overarching goal of delivering sustainable returns to all our shareholders.

CLIMATE CHANGE

As the global community intensifies efforts to combat the impacts of climate change, our Net Zero pledge announced in 2023 reaffirms our commitment to driving positive transformation within our sectors. Embracing a comprehensive approach to climate change mitigation, we are actively increasing our use of renewable energy, exploring alternative materials with lower carbon footprints, reducing operational waste sent to landfills, and implementing optimised electricity consumption practices, among other initiatives.

With our efforts intensifying, we are confidently on track to achieve our goal of reducing Scope 1 and 2 emissions by 40% by 2030. Recognising that collaboration within the industry is vital for reaching our Net Zero Emissions target across all three emission scopes, we have also heightened our engagement with industry associations and our supply chain to advocate for swift decarbonisation.

In addition to our carbon abatement initiatives, we remain committed to enhancing biodiversity across all our developments while preserving and regenerating natural ecosystems. Two significant biodiversity projects reached key milestones during the year, with the launch of the first phase of our KL East Park undertaken in February, and work commencing on our City of Elmina biodiversity corridor in December.

It is heartening to see KL East Park already being recognised through numerous awards for its landscaping design, placemaking value and contribution to the community, and we are excited to replicate a similar success for the City of Elmina biodiversity corridor. This ambitious project aims to restore ecological connectivity to the Bukit Cherakah Forest Reserve via the 300-acre Elmina Central Park. In our efforts to create a truly diverse and welcoming urban wildlife sanctuary, our design will mimic the layers of natural rainforests, providing refuge and resources for the flourishing of flora and fauna.

As we advance as a catalyst for positive change, we recognise the significance of having an enthusiastic and highly knowledgeable workforce, alongside a collaborative network of supply chain partners, prepared to tackle the challenges ahead. Accordingly, in 2023, we introduced three new educational and awareness ESG learning modules to strengthen our engagement with employees and supply chain partners, while building their competencies in the areas of carbon footprint reduction and biodiversity protection.

> **"As we advance as a catalyst for positive change, we recognise the significance of having an enthusiastic and highly knowledgeable workforce, alongside a collaborative network of supply chain partners, prepared to tackle the challenges ahead."**

SAFETY FIRST

As a leading national property developer, the Group remains a strong proponent of workplace safety and health in the real estate industry in Malaysia. Now in its third year, our leaders, including two board members, have continued to engage staff, contractors and consultant owners via the Leadership Engagement and Action Programme ("LEAP"). In 2023, we enhanced this engagement with the launch of the Talk to Workers ("T2W") initiative, facilitating one-to-one discussions with 62 workers to gain deeper insights into their safety challenges.

In addition, we have also significantly revamped our Health, Safety, Security, and Environment ("HSSE") management systems over the past year, launching a comprehensive suite of 19 HSSE manual to systematically ingrain safety practices across our organisation. As part of this upgrade, we provided a total of 8,037 hours of engagement and training with all relevant members of our workforce, culminating in the successful completion of the Hazard and Effect Management process for Working at Heights.

Group Managing Director Review

As we refine our management approach, our commitment to promoting robust safety practices on-site remains unwavering. I am pleased to report that our compliance with Personal Protective Equipment ("PPE") protocols across construction sites reached an impressive 97% as at the end of 2023. Additionally, we achieved improved compliance with work-at-height scaffolds measuring contractors' adherence against CIDB requirements. Through our proactive engagement with staff, we also witnessed a notable increase in the reporting of first aid and injury incidents. Responding to our calls to embed a robust safety culture across all levels of our organisation, 94% of our staff reported at least two safety observations or concerns during the year.

Despite our diligence, we suffered one fatality involving a subcontractor's worker in December 2023. Our heartfelt condolences go out to the affected family and colleagues. This incident is not acceptable and we are working closely with our contractors for strict adherence to safety standards, practices and cultures at worksites. We remain steadfast in ensuring that all employees, contractors and site workers comply with the set safety standards and regulations to eliminate such occurrences.

OUTLOOK

Entering 2024, there is a notable upswing in optimism compared to the start of 2023, underpinned by rising sales volumes, encouraging market response to new property launches and successful project completions. Additionally, positive government policies and incentives further bolster our confidence in the market outlook.

Recent economic forecasts suggest that the country is primed for stronger growth of between 4-5%, while the expected stability of interest rates augurs well to provide businesses and consumers with more certainty. Globally, economic growth is expected to remain modest due to monetary policy tightening and subdued trade amidst ongoing geopolitical tensions. However, there is a positive indication of declining global inflation from its 2023 peaks. Nevertheless, we remain vigilant to a weakening ringgit and rising cost of materials impacting our margins and cost of doing business.

On the back of robust demand and improving labour conditions in 2023, our Property Development arm will remain agile to respond to market developments by launching products tailored

A safety briefing during a LEAP visit

> "We remain steadfast in ensuring that all employees, contractors and site workers comply with the set safety standards and regulations."

to specific segmental needs and target markets. We will maintain an aggressive stance in executing our launch pipeline, particularly focusing on all three segments of landed residential, industrial and high-rise residential. Emphasis will also be placed on addressing the growing demand for value-oriented solutions across residential and commercial sectors, incorporating elements of sustainable living, green initiatives, energy efficiency and ESG principles into our upcoming product offerings.

Sustainability remains a core focus for us at Sime Darby Property, driving our passion to lead and effect change. The introduction of various solar initiatives by our IAM segment in 2023 underscores this commitment, and we are optimistic to see meaningful progress in these ventures during 2024, while also seeking outcomes from our collaboration with TNB to explore renewable energy opportunities.

Moreover, we see significant potential for our IAM segment in capitalising on new opportunities arising from recently announced government policies, such as the NIMP and NETR. Leveraging our strategic land holdings and project execution capabilities, we are in a prime position to benefit from the various catalytic projects under these policies, especially within the solar energy and industrial and logistic parks sectors.

Across all segments, our focus will remain on executing our SHIFT25 strategy and plans with emphasis on accelerating our Engines of Growth and driving Corporate Priorities. We will continue to protect our margins through effective cost management practices, while ensuring an agile and diversified product mix that is complemented by placemaking and developing of catalytic assets to uplift the value of our townships.

Simultaneously, we will increase our urgency and attention on ESG and sustainability in our role as a 'Force for Good', setting the bar higher each year to create multiplied value for all stakeholders.

ACKNOWLEDGEMENTS

I am delighted to acknowledge the numerous parties whose contributions have propelled the Group to its record-breaking performance in 2023.

First and foremost, heartfelt thanks to our esteemed Board of Directors for their invaluable guidance, counsel and unwavering support. The Board and the various Board committees have spent much effort and time to help shape our progress and transformation. To my dedicated colleagues in management, your collaborative spirit has been instrumental in driving our SHIFT25 transformation journey forward. We are also profoundly grateful for the enduring trust and support of our valued investors and shareholders, particularly key stakeholders such as Permodalan Nasional Berhad ("PNB"), who have steadfastly believed in our vision.

A sincere appreciation goes out to the State Governments of Selangor, Negeri Sembilan and Johor, and the local authorities, as well as the Federal Government, Ministries, agencies, regulatory bodies, industry associations like REHDA, and our strategic partners and vendors. Your ongoing support has been essential in facilitating our continuous evolution and enabling us to surpass our targets. I would like to especially extend my gratitude to our customers and the communities we serve. Your support and confidence in our products and strategies motivate us to continuously strive for excellence.

Last but certainly not least, I offer my deepest appreciation to all our employees. Your remarkable resilience and adaptability in navigating the current environment while consistently delivering your best efforts are truly commendable.

To all of you who share and believe in our Purpose, Vision, Mission and Values, you are the cornerstone of our successes. Let us continue to collaborate, cooperate and engage meaningfully together to ensure that TEAM Sime Darby Property remains a driving force for collective progress, delivering sustainable value for people, businesses, economies and the planet.

DATO' AZMIR MERICAN
Group Managing Director

Our Purpose

To be a **Value Multiplier** for **People, Businesses, Economies** and the **Planet.**

Our Core Values

T E A M

Together We Do What's Right

We Lead with **E**xcellence

We Embrace New **A**pproaches

We **M**ake It Happen

Our Vision

Advancing real estate as a **force for collective progress**, in harmony with the **planet's resources**.

Our Mission

To develop, own and manage a **thriving asset portfolio, creating value** for all stakeholders.

Our Presence

Who We Are

Sime Darby Property ("the Group") is Malaysia's leading property developer with more than 50 years of experience in building sustainable communities. With over 100,000 homes across 25 active townships and developments under its belt, Sime Darby Property has a wide reach encompassing assets and operations across the country. We made our presence in the United Kingdom through our involvement as part of a Malaysian consortium that successfully redeveloped the iconic Battersea Power Station in Central London.

Beyond Property Development, Sime Darby Property has a strong footing in the industrial and logistics sector at Bandar Bukit Raja, Elmina Business Park, and Serenia City in Selangor; Nilai Impian and Hamilton Nilai City in Negeri Sembilan; and Bandar Universiti Pagoh in Johor. Our strategic partnerships with various global players such as LOGOS SE Asia Pte Ltd ("LOGOS Property"), Mitsui & Co Ltd ("Mitsui") and Mitsubishi Estate Co Ltd ("Mitsubishi Estate"), have resulted in the establishment of a few noteworthy industrial and logistics facilities, including the E-Metro Logistics Park in Bandar Bukit Raja. Within its Leisure arm, Sime Darby Property is the proud owner of the Kuala Lumpur Golf & Country Club, one of the region's most prestigious golf clubs.

As a responsible corporate player, Sime Darby Property and its philanthropic arm, Yayasan Sime Darby ("YSD") actively implement various social welfare initiatives to assist underprivileged communities living within and nearby its townships.

As at December 2023, the Group has approximately 14,800 acres of land bank, most of which are located strategically on the west coast of Peninsular Malaysia. Within its Investment & Asset Management business, the Group operates approximately 7.7 million sq. ft. of net lettable area across commercial, retail, hospitality, education and industrial segments.

MARKET CAPITALISATION
RM4.3 billion
as at 31 December 2023

TOTAL ASSETS
RM15.9 billion
as at 31 December 2023

TOTAL SALES
RM3.3 billion
as at 31 December 2023

Attractive Investment Proposition

Business Highlights

Sales Achievement of

RM3.3
BILLION
Exceeded Sales Target of RM2.7 billion

Delivery of Completed Units:

3,440
UNITS
(2022: 1,855 units)

Number of Units Sold:

3,070
UNITS
(2022: 3,332 units)

Ventured into **affordable homes segment through "Seed Homes"** with Lagenda Properties

Announced the implementation of **solar solutions for townships** in support of the National Energy Transition Roadmap

Sime Darby Property recognised as world's best with gold and silver wins at the **FIABCI World Prix d'Excellence Awards 2023**

Financial Highlights

Revenue

RM3,436.9
MILLION
(2022: RM2,742.1 million)

Operating Profit

RM606.4
MILLION
(2022: RM436.2 million)

Profit After Tax and Minority Interest

RM407.9
MILLION
(2022: RM315.8 million)

Total Equity

RM10,283.5
MILLION
(2022: RM9,644.8 million)

Gross Gearing Ratio

28.6%
(2022: 32.0%)

Net Gearing Ratio

22.7%
(2022: 21.8%)

Dividend Declared

RM170.0 MILLION
2.5 Sen Per Share;
41.7% Payout Ratio
(FY2022: 2.0 sen per share; 43.1% payout ratio)

Profit Before Tax

RM610.3 MILLION

(2022: RM458.9 million)

Cash Position

RM602.6 MILLION

(2022: RM985.3 million)

Sime Darby Property's Sukuk Musharakah Programme Accorded

AA+$_{IS}$ Rating

by MARC Ratings Berhad

Net Assets per Share Attributable to Owners of the Company

RM1.48

(2022: RM1.40)

Sustainability Highlights

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

Announced Sime Darby Property's pledge to achieve **Net Zero carbon emissions by 2050**

74,072 hours of learning and training recorded

Rated B in the **CDP (Carbon Disclosure Project)**

25 community programmes and initiatives benefitting more than **5,000 people**

36% female Board members

44% women representation in the workforce

25% of **waste diverted** from landfill

26,085 Endangered, Rare & Threatened ("ERT") species of trees planted since 2011

3.8% reduction from Total Operational Carbon Emissions compared to FY2022

Lost Time Injury Frequency Rate: **0.57%**

Awards & Recognitions

- **FIABCI World Prix d'Excellence Awards 2023**
  - World Gold (Master Plan Category) – City of Elmina
  - World Silver (Residential Mid-Rise Category) – Cantara Residences
- **Malaysia Property Awards 2022 (FIABCI Malaysian Chapter)**
  - Mid-Rise Category – Cantara Residences
  - Master Plan Category – City of Elmina
- **The Edge Malaysia Property Excellence Awards 2023**
  - The Edge Malaysia Top Property Developers Award – Ranked 3rd

- **StarProperty Awards 2023 – Real Estate Developer**
  - All-Star Award (Ranked 1st)
- **Putra Brand Awards – The People's Choice Awards 2023**
  - Platinum Award (Property Development Category) – 13th year running
- **BCI Asia Awards 2023**
  - BCI Asia Top 10 Developers (Malaysia) Award

- **PropertyGuru Asia Awards Malaysia 2023**
  - People's Choice Award
- **Malaysia Developer Awards 2023**
  - Top-of-the-Chart Awards (Top 10 for Market Capitalisation of RM1 billion and above)
  - Best in Qualitative (RM1 Billion Market Cap and Above) – Ranked 1st
- **PC.com Awards 2023**
  - Best Product of The Year Award – Best Smart Home and Township Developer

Our Competitive Advantage

Strategic development regions

We have 25 active townships in the Klang Valley, Negeri Sembilan and Johor, with more than RM100 billion in remaining GDV alongside our iconic Battersea Power Station development in Central London.

Over 50 years of experience

Our reputation and experience as the nation's leading master developer have enabled us to create strategic, sustainable townships and communities for more than half a century.

Resilient financial position

Our positive and resilient financial position is driven by a solid financial base, sufficient cash flow, and a healthy net gearing ratio.

Strong Purpose

Our Purpose is to be a Value Multiplier for People, Businesses, Economies and the Planet.

Diversified product offerings

Our product portfolio includes residential, commercial, and industrial properties, as well as integrated developments coupled with green spaces and other amenities.

A leading voice in sustainability & biodiversity

We are committed in supporting and advancing the Sustainability Agenda through various conservation, urban biodiversity, and energy efficient initiatives.

Indices Representation & Credit Ratings

CDP
DISCLOSURE INSIGHT ACTION

MSCI
ESG RATINGS
BBB

CCC	B	BB	BBB	A	AA	AAA

MARC

What We Do: Core Business Segments

PROPERTY DEVELOPMENT

SEGMENT REVENUE	TOTAL SALES
RM3.2 billion	RM3.3 billion

NO. OF UNITS SOLD **3,070**

As a master builder with over 50 years of experience in developing sustainable communities, we have demonstrated a proficiency in project execution through quality products and developments. Our expertise in the Property Development segment ranges from landed to high-rise properties, encompassing affordable to high-end homes, as well as commercial, industrial and logistics, in addition to niche developments.

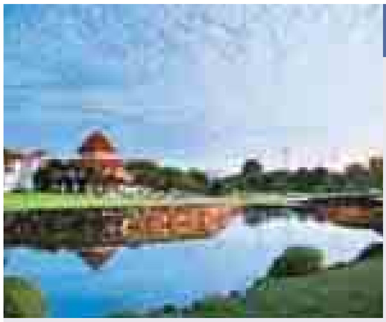
Some of our most notable and iconic townships in Malaysia include Melawati, Subang Jaya, Ara Damansara and Bukit Jelutong, as well as several newer and ongoing developments in the Klang Valley, Negeri Sembilan and Johor. These include the City of Elmina, Putra Heights, Serenia City, Bandar Bukit Raja, KLGCC Resort, Nilai Impian, Hamilton Nilai City, Bandar Ainsdale and Bandar Universiti Pagoh.

INVESTMENT & ASSET MANAGEMENT

TOTAL NUMBER OF ASSETS OWNED/MANAGED	TOTAL NET LETTABLE AREA
32	~7.7 MILLION SQ. FT.

Our Investment & Asset Management segment comprises retail, commercial/office and industrial assets located within the Klang Valley and the United Kingdom, where we were part of an international consortium of Malaysian corporations which successfully redeveloped and rejuvenated the iconic Battersea Power Station in Central London. 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.

Through SDPLOG, a joint venture with global logistics property player LOGOS Property, we successfully commenced construction for the venture's first development, the E-Metro Logistics Park in Bandar Bukit Raja, promising to deliver integrated solutions with world-class facilities for its stakeholders and investors once fully completed.



LEISURE

KLGCC VOTED AS
TOP 100
GOLF COURSE IN ASIA (NO.24)
(WEST COURSE)

KLGCC IS THE FIRST AND ONLY CERTIFIED AUDUBON COOPERATIVE SANCTUARY IN MALAYSIA

The Leisure segment of our business manages Malaysia's premier golf and country club, the iconic Kuala Lumpur Golf & Country Club ("KLGCC"). The world-class club features a 36-hole tournament standard course strategically located in the pristine area of Bukit Kiara, Kuala Lumpur. A consistent venue for high-profile golf tournaments, KLGCC plays host to the prestigious LPGA-sanctioned Maybank Championship. Besides KLGCC, the segment also manages the Impian Golf & Country Club ("IGCC") in Kajang; the Sime Darby Convention Centre ("SDCC"), an esteemed venue for meetings, conferences, events and exhibitions; and the Bayuemas Sports and Events Complex, which features a cricket field that plays host to both local and international games.

Our Distinctive Developments

Township Developments

- City of Elmina, Shah Alam
  - Denai Alam
  - Elmina Business Park
  - Elmina East
  - Elmina West
- Bukit Jelutong, Shah Alam
- Bandar Bukit Raja, Klang
- Serenia City, Sepang
- Hamilton Nilai City, Nilai
- Nilai Impian, Nilai
- Bandar Ainsdale, Seremban
- Bandar Universiti Pagoh, Muar
- Taman Pasir Putih, Pasir Gudang

Integrated Developments

- Ara Damansara, Petaling Jaya
  - Cantara Residences
  - Maya Ara Residences
  - TRiARA Residences
- KL East, Kuala Lumpur
  - East 57
  - The Ridge
- Melawati, Ampang Jaya
  - Park One
  - Melawati Corporate Centre
  - Serini
- Saujana Impian, Kajang
- USJ Heights, Subang Jaya
- Putra Heights, Subang Jaya
  - The Serenade
  - Serasi Residences
- SJ7, Subang Jaya
  - Hype Residences
- Subang Jaya City Centre, Subang Jaya
  - Aurora
  - Lot 15
  - Teja Residences

Signature/Niche Developments

- KLGCC Resort, Kuala Lumpur
  - Jendela Residences
  - Senada Residences
- Chemara Hills, Seremban
- Planters Haven, Nilai

** including JV developments*

Joint Venture Developments

- PJ Midtown, Petaling Jaya
- Radia, Bukit Jelutong

25*
Township, Integrated and Signature/Niche Developments

Approximately
14,800
Acres of Available Land Bank

RM115 Billion
Total Estimated Gross Development Value ("GDV")

Group Corporate Structure

– Operating Entities

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
- Seed Homes 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
- Sime Darby Property (BBR Asset I) Sdn Bhd
- Sime Darby Property (BBR Asset II) Sdn Bhd
- Sime Darby Property (BBR Asset III) Sdn Bhd
- Sime Darby Property (BBR Asset IV) 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 (Bukit Tunku) Sdn Bhd
- Sime Darby Property (BUP Asset I) 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 (EBP Asset I) Sdn Bhd
- Sime Darby Property (Elmina East Asset I) Sdn Bhd
- Sime Darby Property (Elmina East Asset II) Sdn Bhd
- Sime Darby Property (Elmina Lakeside Mall Power) Sdn Bhd
- Sime Darby Property (Elmina Lakeside Mall) Sdn Bhd
- Sime Darby Property (Glades) 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 (MVV Central) 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 (Senada Mall Power) 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 (Utara) Sdn Bhd
- Sime Darby Property Holdings Sdn Bhd
- Sime Darby Property Management Sdn Bhd
- Sime Darby Property Oasis (Holding) Sdn Bhd (formerly known as Sime Darby Brunsfield Holding Sdn Bhd) Group
- Sime Darby Property Selatan (Holding) Sdn Bhd
- Sime Darby Property Solar Energy (Holding) Sdn Bhd *
- Sime Darby Property Urus Harta Sdn Bhd
- Sime Darby Property Ventures (MY) Sdn Bhd
- Sime Darby Property (Rooftop Solar Solutions) Sdn Bhd *

MALAYSIA: NON-WHOLLY OWNED SUBSIDIARIES

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

MALAYSIA: JOINT VENTURES

- PJ Midtown Development Sdn Bhd
- Seed Homes Lagenda 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

MALAYSIA: ASSOCIATE

- Shaw Brothers (M) Sdn Bhd

FOREIGN: WHOLLY-OWNED SUBSIDIARIES

- Sime Darby Property (Capital Holdings) Pte Ltd
- Sime Darby Property (Hong Kong) Limited
- Sime Darby Property (London) Limited
- Sime Darby Property (Vietnam) Pte Ltd
- Sime Darby Property Singapore Limited Group

FOREIGN: JOINT VENTURES

- Aster Real Estate Investment Trust I
- Battersea Power Station Development Company Limited Group
- Battersea Power Station Estates Limited
- Battersea Project Holding Company Limited Group
- SDPLOG – IDF 1 (JV Holdings) Pte Ltd
- Sime Darby Property – LOGOS Property Industrial Development Fund 1 LP Group

Note:

For full list of entities as at 31 December 2023, please refer to page 372 to 381, Note 44 List of Subsidiaries, Joint Ventures and Associates.

** Company incorporated after 31 December 2023*

2023 Significant Events

February

- The KL East Park officially opens its doors to visitors, cementing our efforts to improve urban biodiversity within our townships.
- Serasi Residences, the Group's latest Transit Oriented Development, achieves a landmark 100% take up-rate for all 507 units through the Online Booking System ("OBS").

March

- Sime Darby Property garners two major wins in the Master Plan and Residential Mid-Rise categories at the FIABCI Malaysia Property Awards 2022.

May

- SDPLOG, the joint venture between Sime Darby Property and LOGOS Property, signs J&T as its first tenant for Metrohub 2, the first industrial & logistic facility developed under SDPLOG's inaugural Industrial Development Fund located within the E-Metro Logistics Park in Bandar Bukit Raja.
- The Group bags a leading 13 wins at the Malaysia Landscape Architecture Awards, which honours excellence and ambition in various facets of the landscape architecture industry.

June

- Sime Darby Property is crowned as world's best with gold and silver wins at the FIABCI World Prix d'Excellence Awards 2023 in Florida, USA.

July

- Sime Darby Property announces the implementation of solar solutions at its townships in support of the Government's National Energy Transition Roadmap ("NETR") initiative to achieve 70% renewable energy capacity by 2050.

August

- The Group announces that its Sukuk Musharakah was oversubscribed by more than eight times, with orders breaching the RM4.8 billion mark and outpacing the initial target of RM600 million.

September

- Sime Darby Property solidifies its commitment to renewable energy by collaborating with Tenaga Nasional Berhad through a Memorandum of Understanding to explore and develop sustainable energy initiatives in support of NETR.

- Cantara Residences in Ara Damansara receives a Gold Rating in the Residential New Construction category by the Green Building Index ("GBI") Accreditation Panel.

October

- Sime Darby Property and Maybank announce partnership to offer instant home financing approval and competitive financing rates to homebuyers.

- Battersea Power Station welcomes over 11 million visitors in 2023 in its first 12 months since opening its doors to the public on 14 October 2022.

November

- Sime Darby Property announces pledge to achieve Net Zero carbon emissions across its operations and developments by 2050.

- Sime Darby Property is once again ranked a Top 10 Property Developer at The Edge Malaysia Top Property Developers Awards 2023, with other notable wins including Outstanding Property CEO Award for Group Managing Director, Dato' Azmir Merican; and Outstanding Contribution to the Real Estate Industry Award for our Senior Independent Non-Executive Director, Dato' Soam Heng Choon.

December

- The Bandar Bukit Raja Townpark is recognised by the Malaysia Book of Records with three accolades: Largest Recreational Park with Renewable Energy, Largest Crown Structure and Biggest Solar-Powered Signage.

- The Group's Sukuk Musharakah Programme is accorded AA+$_{IS}$ rating by MARC Ratings Berhad for the third consecutive year.

Our Approach to Value Creation

To achieve our Purpose to be a Value Multiplier for People, Businesses, Economies and the Planet, we need to ensure a robust business model and that our strategy is both responsive and progressive. This requires an integrated approach to value creation that takes into account the risks and opportunities presented by our operating environment, the needs of our stakeholders, as well as our own aspirations.

ASSESS OUR OPERATING CONTEXT

Our performance and ability to create value is influenced by the macroenvironment, particularly economic, regulatory, social, environmental and competitive dynamics. Subsequently, we continuously monitor our operating context and identify trends that could affect us.

IDENTIFY AND MANAGE RISKS

We identify and are aware of operational, financial, regulatory, market, digital and sustainability risks that could impact our businesses, and integrate them into our risk register. These risks are monitored and managed to ensure they remain within our risk appetite and therefore, enabling a smoother execution and attainment of our corporate objectives.

FACTOR IN STAKEHOLDER NEEDS

Each of our key stakeholder groups – namely our shareholders, investors, employees and the community – contributes to our sustainable growth. Recognising their importance, we build strong relationships with them, engage to understand their needs and expectations, and incorporate these into our strategies.

DEFINE OUR MATERIAL MATTERS

Taking into account our macroenvironment, risks, and the needs of our stakeholders, we define our material matters which are important to value creation for Sime Darby Property and our stakeholders.

BRINGING OUR SUSTAINABILITY AGENDA TO LIFE

We are guided by our four key imperatives to foster resilient communities.

- Championing Energy Transition and Low Carbon in Real Estate
- Enhancing Urban Biodiversity
- Creating Positive Community Experiences
- Building Climate Adaptive Communities

TAKE STOCK OF OUR CAPITALS

Our six capitals represent the resources that we have and use to drive our business and create value. Effective management and access to these six capitals are critical to managing every aspect of the business.

PLAN OUR STRATEGY

Consolidating our risks and opportunities, our material matters and capitals, we outlined our SHIFT25 Strategy to transform Sime Darby Property from a pure-play property developer to one of Malaysia's leading and most admired real estate players by 2025 with diversified income streams.

OUR INTEGRATED BUSINESS MODEL

Through our business model, we develop, own and manage a thriving asset portfolio that creates value for all stakeholders.

Leveraging upon our expertise and extensive land holdings, we focus on our core business in Property Development, Investment & Asset Management, and Leisure. Our approach is underpinned by robust governance, aimed at fulfilling both customer and market demand. In being a 'Force for Good', we are committed to the enviromental preservation and urban biodiversity conservation while striving to generate value for all stakeholders.

Our Value Creating Business Model

PURPOSE
To be a Value Multiplier for People, Businesses, Economies and the Planet

VISION
Advancing real estate as a force for collective progress, in harmony with the planet's resources

OUR CAPITALS... ... ENABLE VALUE-ADDING ACTIVITIES THAT CREATE...

INPUTS

MANUFACTURED CAPITAL

- Owns approximately 14,800 acres of available land bank in strategic locations with good connectivity
- 25 active townships and integrated developments
- 32 total number of assets owned/managed
- 4 leisure assets

FINANCIAL CAPITAL

- Prudent in protecting the Group's financial position through optimal liquidity management and efficient capital structure
- Shareholders' fund of RM10.1 billion
- Cash balances of RM602.6 million
- Total debt of RM2.9 billion

HUMAN CAPITAL

- 1,520 total number of employees across the organisation
- 662 female employees (44%) in the workforce
- 858 male employees (56%) in the workforce
- RM3.5 million invested in Learning & Development programmes
- A culture that is client-driven, people-centred, innovative & competitive

SOCIAL AND RELATIONSHIP CAPITAL

- Number of volunteers in 2023: 778 volunteers
- Total number of registered vendors: 2,959 vendors (as at 31 December 2023)
- Empowerment of local communities
- Embracing sustainable development as well as responsible ESG practices
- Responsible corporate citizenship
- High integrity, trust and transparent communication with our key stakeholders
- Strong brand and presence – a reputable ethical brand and trusted brand

NATURAL CAPITAL

- Announced our pledge to reduce Net Zero carbon emissions by 2050
- The KL East Park is home to rare, endemic species and beautiful geological formations, and is central for our biodiversity conservation efforts
- Encouraging the use of renewable energy, water-efficient fittings and energy-efficient equipment
- Preserving the environment through conservation efforts

INTELLECTUAL CAPITAL

- Introduced Robotic Process Automation ("RPA") for our Enterprise Resource Planning ("ERP") system
- Integrated both our ERP and e-Procurement systems for seamless payment processing
- Integrated our Online Booking System ("OBS") with Maybank's Home2u financing platform

GLOBAL MEGATRENDS

- Identifying Regional and National Trends
- Addressing the Need for Sustainable Urban Planning
- Recognising Evolving Societal Expectations
- Embracing Tools That Enhance Sustainability, Efficiency and the Customer Experience
- Tackling Heightened Stakeholder Expectations

KEY RISKS

- Market Risk
- Development and Product Strategy
- Project Development and Execution
- Safety and Health
- Cybersecurity
- Joint Ventures, Collaborations and Strategic Partnerships
- Talent and Resource Management
- Legal/Regulatory and Contractual Compliance
- Competition
- Climate Risk
- Supply Chain and Its Related Human Rights Risk

KEY MATERIAL MATTERS

- **Economic**
  - – Innovation
- **Environment**
  - – Energy and Carbon Management
  - – Urban Biodiversity
  - – Circularity
  - – Water Management
  - – Climate Adaptation
- **Social**
  - – Occupational Health and Safety
  - – Community Experience
  - – Diversity and Inclusion
  - – Labour Standards and Practices
  - – Responsible Supply Chain Management
- **Governance**
  - – Data and Cybersecurity
  - – Anti–Bribery and Corruption

GOVERNANCE Supported by strong governance and effective Board leadership

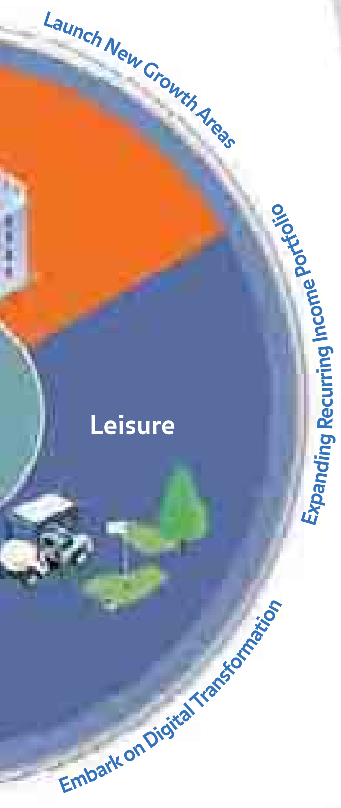
MISSION

To develop, own and manage a thriving asset portfolio that creates value for all stakeholders

VALUES

T	E	A	M
Together We Do What's Right	We Lead with **E**xcellence	We Embrace New **A**pproaches	We **M**ake things Happen

... VALUE FOR OUR STAKEHOLDERS



OUTPUTS

Our End Products

- Township & Integrated Development
- Investment & Asset Management
- Leisure Operations
- Active Land Bank Management
- Robust Capital Management
- Strong Financial Discipline
- Sustainable Talent & Performance Management
- Effective Governance
- Corporate Sustainability Strategy
- Sustainable Procurement
- Product & Digital Innovation

Waste and Emissions

- Total GHG emissions of 16,387 tCO_2-e (2022: 17,036 tCO_2-e)
- 14,402.01 tonnes of waste generated from internal operations in 2023

OUTCOMES

MANUFACTURED CAPITAL

- 3,440 units completed over 25 phases
- RM4.0 billion of GDV launched
- Total unbilled property sales of RM3.6 billion
- Achieved sales of RM3.3 billion (2022: RM3.7 billion)

FINANCIAL CAPITAL

- Revenue of RM3,436.9 million (2022: RM2,742.1 million)
- PATAMI of RM407.9 million (2022: RM315.8 million)
- 41.7% dividend payout ratio (2022: 43.1%)
- Net gearing ratio of 22.7% (2022: 21.8%)

HUMAN CAPITAL

- Conducted 4,217 learning programmes
- 74,072 total learning hours in 2023 (2022: 101,661.09)
- 36% female representation at the board, and 40% of women in C-suite positions
- Employees' salaries & benefits: RM267.7 million

SOCIAL AND RELATIONSHIP CAPITAL

- Approximately RM12 million worth of charitable contributions made benefitting close to 45,000 beneficiaries (2022: RM21.8 million)
- Contributed 2,941 hours to the community (2022: 2,219.5 hours)
- More than 5,000 beneficiaries benefited from 25 community programmes and initiatives (2022: 7,000 beneficiaries | 34 community programmes)
- More than 50 organisations supported through donations and sponsorships in 2023
- RM192.8 million tax to the Government
- Customer Net Promoter Score of 70%
- RM97.8 million gained in Public Relations ("PR") value

NATURAL CAPITAL

- 649 tCO_2-e in Operational carbon emissions reduction (2022: 489 tCO_2-e)
- 25% of waste diverted from landfill
- 26,085 Endangered, Rare & Threatened ("ERT") trees planted in 2023 (2022: 24,560)
- 143,679 trees planted across our townships and development since 2011 (2022: 125,161)
- 162 bird species from 52 families recorded, including 16 threatened species
- 3,764 energy-efficient homes built, equipped with water-efficient fittings
- Reduction of 32.76% in 2023 of waste generated against the 2020 baseline year

INTELLECTUAL CAPITAL

- Achieved a QLASSIC Score of 82%
- Seamless payment processing via the integration our ERP and eProcurement systems

Performance by Capitals

Our six capitals, encompassing financial, manufactured, intellectual, human, natural, and social and relationship capital, serve as the cornerstone of our business growth and operational excellence. Recognising their significance and interconnectedness enables us to make informed decisions, balancing trade-offs to enhance each capital's value and foster sustainable long-term value for the Group and our stakeholders.

MANUFACTURED CAPITAL

DEFINITION OF CAPITAL

Our land bank and property products under management that provide a sustained source of long-term revenue generation.

INPUTS

- Approximately 14,800 acres of land bank owned.
- 25 active townships and integrated developments.
- 32 assets owned/managed.
- 4 leisure assets.

ACTION TO ENHANCE OUTCOMES

- Conducted a comprehensive assessment and re-strategised new launch plans in response to evolving market conditions.
- Acquired new land for business expansion and future income generation.
- Transformed complementary businesses to add value to core property development business.
- Completed the first phase of homes designed to accommodate multi-generational living with senior-friendly, age-in-place features.

OUTPUTS / OUTCOMES

	2023	2022
Delivery of completed units	**3,440**	1,855
GDV of new launches	**RM4.0 billion**	RM2.6 billion
Total sales achieved	**RM3.3 billion**	RM3.7 billion
Total unbilled sales	**RM3.6 billion**	RM3.6 billion

TRADE-OFFS

Land acquisition for future developments and the transformation of complementary business necessitates short-term financial capital. However, in the long term, these initiatives will drive overall organisational growth and enhance financial stability. While the development of our land bank may have negative implications for natural capital, these can be mitigated by leveraging human capital and intellectual capital.

FINANCIAL CAPITAL

DEFINITION OF CAPITAL

Income generated from our core and recurring business segments, combined with strategic planning, monetisation, and fundraising initiatives, strengthens our cash flow position which enables the Group to capitalise on opportunities and new value propositions.

INPUTS

- Shareholders' fund of RM10.1 billion
- Total Equity of RM10.3 billion
- Cash balances of RM602.6 million
- Total debt of RM2.9 billion
- Prudent safeguarding of the Group's financial position through optimal liquidity management and an efficient capital structure.

ACTION TO ENHANCE OUTCOMES

- Continued to offer a diversified product mix of industrial and residential products.
- Planned market-driven launches that address fluctuating market preferences and changing demographics.
- Promoted aggressively via data-driven and omnichannel customer-focused marketing campaigns.
- Managed inventory prudently to minimise unsold inventories.
- Monetised non-core land and low-yielding assets as part of active land bank management strategy.
- Focused on income diversification strategy that unlocks synergies between our business segments and supports our recurring income objectives.
- Preserved a healthy balance sheet through effective capital, cashflow and cost management.
- Secured adequate funding lines, including the activation of SRI Sustainability Sukuk Musharakah, to finance projects aligned with Sime Darby Property's 2030 Sustainability Goals.

OUTPUTS / OUTCOMES

	2023	2022
Revenue	**RM3,436.9 million**	RM2,742.1 million
Profit Before Tax	**RM610.3 million**	RM458.9 million
PATAMI	**RM407.9 million**	RM315.8 million
Dividend declared	**RM170.0 million (2.5 sen)**	RM136.0 million (2.0 sen)
Dividend payout ratio	**41.7%**	43.1%
Net gearing ratio	**22.7%**	21.8%

TRADE-OFFS

Strengthening financial capital through measures like cost rationalisation may come at the expense of human capital and natural capital. Other strategies to bolster financial capital may require additional borrowings, which could elevate the gearing level. However, these steps are essential for achieving sustainable returns in the medium to long term.

Performance by Capitals

HUMAN CAPITAL

DEFINITION OF CAPITAL

The skills, capabilities and diversity of our employees are instrumental in driving our SHIFT25 strategy, ensuring the future resilience of Sime Darby Property as we pursue our strategic priorities and achieve positive business outcomes.

INPUTS

- 4,217 learning programmes organised in 2023, with 86% dedicated to functional, technical and sustainability programmes to support our 2023 objectives for a more skilled and capable workforce.
- RM3.5 million invested in learning & development programmes.

ACTION TO ENHANCE OUTCOMES

- Increased the number of face-to-face programmes in response to employee feedback, while maintaining LinkedIn Learning as a supplementary support for employees' learning needs.
- Implemented our Quality, Health, Security, Safety and Environment ("QHSSE") Policy together with HSSE Compliance Controls, HSSE Management Systems and Safety & Health Management Plans across our operations.
- Upheld an effective performance management, robust talent management and framework.
- Sustained inclusive and accessible employee engagement platforms to motivate performance, build competencies and deliver a positive employee experience.
- Empowered employees with continuously updated digital systems, ensuring better engagement and sharing of resources to facilitate heightened work efficiency.
- Increased number of employee engagement activities to instil teamwork and collaboration while fostering a healthy and happy work environment.

OUTPUTS / OUTCOMES

	2023	2022
Average training days per employee	**6.09 days**	8.72 days
Total training hours	**74,072 hours**	101,662 hours
Percentage of women in the workforce	**44%**	44%
Percentage of women in the Board	**36%**	30%
Percentage of women in C-suite positions	**40%**	36%

TRADE-OFFS

Investments in growing and nurturing our employees are essential towards building a culture of high performance and leading with excellence and innovation. We also continuously invest in our talent retention initiatives through employee engagement and recognition programmes. As our business is on a growing trajectory towards delivering our SHIFT25 strategy, attracting and onboarding the right talent is key in driving and sustaining our business. These initiatives reduce our financial capital in the short term but enhance our financial and social capitals in the longer term as more engaged and competent talents will increase our productivity and strengthen our stakeholder relationships.

SOCIAL & RELATIONSHIP CAPITAL

DEFINITION OF CAPITAL

Sime Darby Property's community enrichment initiatives are not solely altruistic; they represent a collaborative partnership that yields mutual long term benefits. The goodwill we cultivate fosters trust and enhances our brand's credibility, resulting in a win-win scenario for all involved parties.

INPUTS

- 778 volunteers rallied during 2023.
- Empowerment of local communities.
- Responsible corporate citizenship.

ACTION TO ENHANCE OUTCOMES

- Continued to actively engage in various community development programmes, donating resources and supporting initiatives that empower underprivileged communities.
- Continued to manage our dedicated employee volunteers through a comprehensive programme, delivering impactful activities that contributed to Target No. 7 of the Group's 2030 Sustainability Goals, which is to achieve 10,000 volunteer hours by 2030.

OUTPUT/OUTCOMES

	2023	2022
Number of CSR initiatives	**25**	34
Number of beneficiaries benefited from CSR initiatives	**>5,000**	>7,000
Number of volunteer hours	**2,941**	2,220
Total Amount of Donations, Sponsorships & Zakat	**RM12.2 million**	RM23.1 million
Total Amount of Community Investments	**RM3.4 million**	RM8.1 million

TRADE-OFFS

While we utilise Financial Capital to invest in open communication with communities, these initiatives strengthen our social license to operate, building trust and enabling the ongoing development of sustainable infrastructure that benefits all stakeholders, enhancing our Manufactured Capital. Similarly, the costs incurred and employee efforts exerted in collaborating with stakeholders on community and environmental initiatives are balanced by both Natural Capital and Human Capital benefits driven by more efficient processes, reduced environmental impact and a shared sense of ownership.

Performance by Capitals

NATURAL CAPITAL

DEFINITION OF CAPITAL

We aim to utilise land, water and energy efficiently and responsibly to preserve a thriving natural environment, which is essential for the well-being of both people and the planet.

INPUTS

- Our pledge to achieve Net Zero carbon emissions by 2050.
- Embedding sustainability initiatives across our value chain to enhance responsible resource management and optimise environmental performance.
- Enhancement of urban biodiversity efforts to create green spaces such as KL East Park.
- Our use of renewable energy, water-efficient fittings and energy-efficient equipment.
- Energy Consumption: *83,306 GJ
- Water Withdrawal: 985.996 ML

* *This data has been externally assured. Please refer to the Independent Assurance Report on page 388 to 391.*

OUTPUTS / OUTCOMES

	2023	2022
Operational carbon emission reduced	**649 tCO_2-e**	489 tCO_2-e
Waste diverted from landfill	**25%**	29%
Carbon sequestration	**16,622 tCO_2e- from planted trees across our developments** **10,394 tCO_2e- net removal until 2030 from 53 acres of KL East Park**	13,072 tCO_2-e
Total number of trees planted since 2011	**143,679 trees**	125,161 trees
Endangered, Rare & Threatened ("ERT") trees planted since 2011	**26,085 trees**	24,560 trees
Energy-efficient homes built	**3,764 homes**	5,560 homes
Carbon Disclosure Project rating	**B**	C

ACTION TO ENHANCE OUTCOMES

- Strengthened governance of sustainability matters with the establishment of Management Sustainability Committee and Board Sustainability Committee.
- Engaged constantly with stakeholders in the value chain, communicating the Group's climate change direction and our expectations for vendors to start their ESG journeys.
- Raised employee awareness on sustainability through communication programmes.
- Identified sustainability risks and opportunities in our enterprise risk framework.
- Enhanced the sustainability features of our homes by installing solar panels and water-saving fittings.
- Conducted biodiversity baselines for active townships.
- Maintained the Elmina Rainforest Knowledge Centre and Elmina Living Nursery Collection as ongoing urban biodiversity initiatives.
- Established embodied carbon baseline for double-storey link houses as part of Scope 3 study.
- Continued community engagement with NGOs to raise awareness on waste recycling.
- Announced the Group's pledge of achieving Net Zero carbon emissions by 2050.
- Implemented 2023 Playbook of 14 sustainability metrics, featuring scorecards for increasing energy efficiency initiatives, reducing one tonne of tCO_2-e for every phase in Design Review Meetings ("DRM") through the use of alternative low carbon materials, and a checklist of Sustainability Elements.
- Assessed the Group's urban biodiversity baseline for selected townships, with assessments conducted in accordance with the Sime Darby Property Biodiversity Index Manual.
- Improved biodiversity in township planning with our Tree-2-Tree ("T2T") 2.0 initiative, under which every township is required to plan, implement and monitor tree replacement activities to achieve a 1:1 planting replacement ratio.

TRADE-OFFS

While the protection and conservation of the natural environment may deplete our financial capital, it is crucial for long-term business sustainability, as these efforts ultimately support the availability of suitable areas and locations for property development. Our proactive stance on environmental stewardship further enhances our market reputation, positively impacting our social and relationship capital and supporting the growth of our manufactured and financial capitals.

INTELLECTUAL CAPITAL

DEFINITION OF CAPITAL

We leverage new technologies and industry insights to improve our operational performance and strengthen customer relationships. This strategy enables us to operate with greater efficiency, adapt quickly to market dynamics and consistently deliver high-quality service.

INPUTS

- Incorporated Robotic Process Automation ("RPA") within our Enterprise Resource Planning ("ERP") system.
- Integrated eProcurement system and ERP platform.
- Strategic integrations with major commercial banks.
- Sophisticated management dashboards that deliver real-time insights into construction progress.

ACTION TO ENHANCE OUTCOMES

- Collaborated with more commercial banks to drive greater integration for seamless loan applications.
- Conducted a cybersecurity maturity assessment to ensure our security measures sufficiently protect our customers' and other confidential data.
- Implemented targeted change management initiatives to facilitate a smooth transition to our upgraded digital processes, ensuring organisation-wide support and minimal disruptions.

OUTPUTS / OUTCOMES

- Seamless payment processing via the integration our ERP and eProcurement systems.
- Convenient loan processing experience for homebuyers through the integration of our Online Booking System with Maybank's Home2u financing platform.
- Achieved a QLASSIC score of 82% for 2023, compared to 79% in 2022.

TRADE-OFFS

The implementation of our 2023 digital initiatives, such as the development of management dashboards and the adoption of automation, required financial capital investment in new technologies and processes. However, these efforts are focused on maximising long-term gains, paving the way for enhanced manufactured capital in the form of operational efficiencies and more informed decision-making. Despite the initial focus on reshaping internal structures, the resultant streamlined internal workflow systems and improved stakeholder engagement will ultimately bolster our Human and Social & Relationship Capitals. Simultaneously, our commitment to robust cybersecurity, while requiring continuous injection of financial capital, is essential in maintaining the integrity and trust of our digital infrastructure, further bolstering our Social & Relationship Capital and shaping a future where technology drives growth and adds value across our business landscape.

Stakeholder Engagement & Value Creation

To comprehensively grasp the issues significant to our stakeholders, we engage our stakeholders regularly to better understand and respond to their concerns. These engagements foster stronger relationships and provide valuable insights into the diverse expectations of each stakeholder group. This enables us to accurately identify our material matters and align our strategies with stakeholder priorities, thereby maximising the value we generate for all parties with a vested interest in our business.

Frequency of Engagement

A Annually **Q** Quarterly **M** Monthly **W** Weekly **D** Daily **O** Ongoing **OR** On Request **R** Regularly **P** Periodically

CUSTOMERS

Our customers are our foremost stakeholders, and our success hinges on our ability to effectively cater to their needs.

ENGAGEMENT PURPOSE (WHY WE ENGAGE)

Engaging with both existing and potential customers is essential for understanding their needs and gaining insights into current and future market trends. By incorporating their input into our product designs, we can meet and exceed their expectations, ensuring sustained demand for our developments and homes.

CHANNEL & FREQUENCY OF ENGAGEMENT (HOW WE ENGAGE)

O	Online Booking System ("OBS") platform
O	Physical sales and marketing initiatives
O	Website, call centre and social media channels
O	High-5 and Quick-Fix initiatives (upon handover of keys)
O	Net Promoter Score ("NPS") surveys
P	Project launches
P	PRIME member events
P	Product launches and corporate events
P	Meetings with joint management bodies and residents' associations
P	Community events that promote sustainability such as tree-planting, urban farming and recycling efforts

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
Continuous engagement and effective resolution of any property-related issues that may arise.	• Regular meetings with management bodies and residents' associations. • Dedicated personnel for each township and development to serve as points of contact with the community. • Quick-Fix programme to resolve issues faced by residents upon moving into their new homes.
Provision of community facilities that promote healthy and sustainable lifestyles.	• Implementing placemaking features such as jogging and bicycle tracks, as well as community parks, among others. • Opened the KL East Park to the public, enabling visitors to enjoy a biodiverse park resplendent with thriving flora and fauna.

CUSTOMERS (continued)

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
Eco-efficient townships/homes and safe amenities.	• Use of green label construction materials, such as Forest Stewardship Council ("FSC") certified doors and timber flooring. • Enabled homebuyers the option to install solar panels and water-saving fittings in their units. • Tree-to-Tree replacement policy, with emphasis on planting endangered, rare and threatened ("ERT") species.

HOW WE MEASURE VALUE

- Monitoring the trend of positive or negative feedback gained from customers.
- Benchmarking against KPIs such as Net Promoter Score.
- Tracking customer footfall and their participation in our placemaking activities.
- Total number of bookings.

VALUE CREATED FOR STAKEHOLDER

- Safe and sustainable products that meet their lifestyle aspirations.
- Facilities and amenities that support a thriving community.
- Provision of a high level of service and quality.

VALUE CREATED FOR THE ORGANISATION

- Continuous and sustainable demand for our projects and new products.
- Heightened recognition as a trusted and reliable developer.
- Unlocking greater collaboration with customers in fostering sustainable communities.

RISKS

- Failure to keep up with changing market expectations and evolving demographic trends may place our business at risk of becoming irrelevant.

OPPORTUNITIES

- Catering to current and future trends helps to maintain our market share and leadership.
- The incorporation of elements that promote sustainability will influence communities to adopt sustainable lifestyles.

BUSINESS INITIATIVES

- Consistent promotion of the PRIME membership to enhance exposure of new deals and product launches.
- Established a strategic partnership with Maybank to offer a seamless home financing experience through the Online Booking System ("OBS") for potential homebuyers.
- Conduct regular engagements with both our potential and existing customers through project launches, community events, forums and customer satisfaction surveys.

VALUE CREATION INDICATORS

- Net promoter score.
- Volume of customer complaints.
- Number of available touchpoints.

Stakeholder Engagement & Value Creation

EMPLOYEES

Our employees serve as the backbone of our organisation, contributing their skills, dedication and commitment towards achieving the Group's strategic objectives and ambitions.

ENGAGEMENT PURPOSE (WHY WE ENGAGE)

We engage with employees to foster a sense of belonging within the Group and to promote ownership of roles and responsibilities, thereby cultivating a high-performance culture. Additionally, we gather important feedback on issues that matter to them, leveraging these insights to enhance our talent management approach.

CHANNEL & FREQUENCY OF ENGAGEMENT (HOW WE ENGAGE)

- **W** Intra - and interdepartmental meeting
- **D** Email announcements
- **Q** Newsletters
- **O** Viva Engage digital employee engagement platform
- **A** Individual performance reviews
- **O** Personal and professional development programmes
- **A** Focus group discussions
- **A** Townhalls
- **O** Volunteering opportunities
- **O** HR Business Partner engagements
- **O** Jalinan Nurani digital platform
- **O** Employee engagement activities
- **R** Skip-Level Meetings
- **R** New onboarding programme for new hires
- **R** Speak Up Forum

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
Fair and competitive career promotion opportunities.	• Provide training and project assignments that enhance employees' skills in line with business goals. • Establish an internal mobility framework.
Employee well-being and wellness.	• Continue to utilise the Jalinan Nurani platform to assist employees and their family members with mental or physical health concerns. • Provide monetary relief in the event of calamity. • Organise employee well-being programmes and webinars on topics such as healthy eating habits, taking the right supplements, battling burnout and reducing the risk of breast cancer, among others. • Introduce Group-wide sports events to promote an active lifestyle and healthy competition.
Preserving a healthy work-life balance.	• Introduce flexible work arrangements for all employees.
Better understanding of sustainability issues and how employees can add value.	• Introduce flexible work arrangements for all employees. • Educate employees about sustainability using internal channels. • Involve employees in sustainability-related programmes, such as Sustainability Day. • Roll-out of e-learning platforms on sustainability topics for all employees.

HOW WE MEASURE VALUE

- Promotion and transfer rates.
- Employee engagement scores (Employee Wellness/Health/Safety Dimension).
- Employee engagement scores (Work/Life Balance Dimension).

EMPLOYEES (continued)

VALUE CREATED FOR STAKEHOLDER

- Competitive remuneration and benefits.
- Professional development opportunities.
- Safe and conducive working environment with effective welfare management.
- Equal opportunities within an inclusive work culture.
- Opportunity to contribute towards a more sustainable environment.

VALUE CREATED FOR THE ORGANISATION

- Enhanced and sustainable pipeline of talent to drive a high-performance culture.
- Competent and engaged workforce equipped to deliver on our aspirations.

RISKS

- Without the right work culture and competencies, we may hamper our efforts to attain our SHIFT25 goals.
- Ability to attract high-quality talent.
- Employee satisfaction.
- Increased turnover rate.

OPPORTUNITIES

- By consistently engaging with our employees and embedding our TEAM Values, Purpose, Vision, and Mission, we inspire them to consistently excel in their performance, thus advancing our corporate and sustainability goals.
- Effective employee management and engagement will help us attract top talents from the industry.
- Adopting the digitalisation of HR processes will serve to improve productivity and efficiency.

BUSINESS INITIATIVES

- Employee engagement survey.
- Management associate programme.
- Employee engagement and wellness programmes.
- Flexible work arrangements and policy.
- Learning and development programmes.
- TEAM badges for recognition.
- TEAM Values workshops.
- Mental Health Support.
- Channels for employees to share feedback, such as our Speak Up Forum and Skip Level meetings.
- Onboarding programme for new hires.
- Scholarship for employees and their children.
- Flexible workspaces for collaboration.
- Employee recognition initiatives.
- Tailored talent and successors development programmes.
- Minimum living wage initiatives.

VALUE CREATION INDICATORS

- Employee retention rate.
- Employee engagement scores.
- Total training hours and spend on learning and development.
- Receipt of awards related to employee management. In 2023, we received the Talentbank's Graduates' Choice Award 2023, Linkedin Learning Champion 2023 and HR Asia's Best Companies to Work for in Asia 2023 Award.

Stakeholder Engagement & Value Creation

VENDORS

Our vendors play a crucial role in supporting our operational activities, encompassing contractors, consultants and suppliers for our construction projects, alongside other non-construction vendors.

ENGAGEMENT PURPOSE (WHY WE ENGAGE)

Open two-way communication with our vendors is essential for better understanding each party's needs. This fosters timely delivery of high-quality products, enhances efficiency and strengthens collaborative partnerships towards shared objectives.

CHANNEL & FREQUENCY OF ENGAGEMENT (HOW WE ENGAGE)

A	Annual dialogue
A	Safety and sustainability trainings
M	Procurement and appointment process
O	Vendor Performance Evaluation
O	Relationship-building and networking sessions
O	Data collection process
O	Meetings

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
High construction cost.	• Securing early appointment of contractors, as well as retaining them with Sime Darby Property. • Implementing a new contracting model – buy forward option and cost-led procurement. • Strategic sourcing initiatives – source for local products. • Labour supply – monitoring the status for key contractors and closely follow-up on their action plan.
Lack of capable contractors.	• Conduct dialogues, workshops with industry experts, knowledge sharing sessions and on-site learning activities. • Enforce Vendor Code of Business Conduct ("VCOBC") to align with Sime Darby Property's supply chain aspirations.
Lack of knowledge and implementation on sustainability practices.	• Adopt best practices in managing sustainable development within the supply chain. • Engage vendors on eco-efficiency programmes and improved data collection.

HOW WE MEASURE VALUE

- Quality product by contractors based on QLASSIC Score by each project.
- Cost saving or avoidance achieved as compared to the project's budget.
- Number of vendors participated in the Vendor Development Programme ("VDP").
- Vendor acknowledgement on VCOBC requirements to be complied by vendors during vendor registration.
- Number of new technology, innovation and sustainable products and services introduced by vendors.

VENDORS (continued)

VALUE CREATED FOR STAKEHOLDER

- Compliance and governance adherence.
- Enhanced business continuity for vendors.
- Competitive terms of contract supported by safe work standards.
- More business opportunities.

VALUE CREATED FOR THE ORGANISATION

- Good and capable pool of contractors.
- More competitive pricing from contractors.
- Reliable fulfilment of contractual obligations.
- Quality project delivery.
- Timely delivery of project targets.
- Meeting safety and sustainability criteria and objectives.

RISKS

- Dependence on preferred vendors may lead to supply disruptions during unforeseen circumstances.
- ESG issues within our supply chain could result in non-compliance and affect progress towards the Sime Darby Property 2030 Sustainability Goals.
- Outdated vendor information in the Vendor Management System could lead to inappropriate vendor selection or appointments.

OPPORTUNITIES

- Synergistic partnerships present the opportunity to facilitate innovation and the adoption of advanced construction methods or technology.
- Developing collaborative vendor relationships will support improved pricing and enhanced cost optimisation.

BUSINESS INITIATIVES

- Engagement with vendors.
- Vendor Development Programme.
- Annual Partners Dialogue with vendors.
- Sime Darby Property's Vendor Code of Business Conduct.

VALUE CREATION INDICATORS

- Cost saving and avoidance.
- Quality, safety and timely completion of projects.
- ESG readiness in meeting the target objectives.

Stakeholder Engagement & Value Creation

INVESTORS & ANALYSTS

Investors contribute crucial financial capital for the Group’ business activities, while analysts assess and disseminate information regarding our performance and future prospects.

ENGAGEMENT PURPOSE (WHY WE ENGAGE)

By keeping our investors and analysts well-informed about our financial and operational performance, business developments, strategies and direction, we can ensure they make sound investment decisions and recommendations. Through our engagements, we are further able to effectively address their queries and concerns, while clarifying the Group’s position on key issues and announcements.

CHANNEL & FREQUENCY OF ENGAGEMENT (HOW WE ENGAGE)

P	Investor conferences
A	Annual General Meetings and annual reports
P	Extraordinary General Meetings
Q	Investor briefings
R	One-on-one/group meetings
P	Non-deal roadshows
R	Email or phone communication
R	Investor Relations webpage and news updates
P	Site visits

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
Delivery of a sustainable financial and operational performance, announced on a quarterly basis.	• Organise quarterly briefings on financial and operational results, alongside updates on key developments and strategies.
Implementation of growth strategies with a clear emphasis on long-term shareholder returns.	• Communicate clear strategic direction, expected goals and outcomes, broad risk exposure and mitigation controls, as well as performance targets of the Group via: – One-on-one/group meetings. – Investor conference calls. – Non-deal roadshows. – Informative, accurate, timely and transparent quarterly results announcements and annual reports.
Prospects of the property sector and response to macroenvironment factors relating to the Group’s operating landscape.	• Provide direct access to Board members and Executive Leaders during Annual General Meetings. • Offer prompt responses to queries from investors and analysts.

INVESTORS & ANALYSTS (continued)

HOW WE MEASURE VALUE

- The value of dividends declared: in 2023, we declared dividends amounting to RM170 million (2.5 sen per share; 41.7% payout ratio).
- Tracking our market capitalisation growth: the Group achieved a market capitalisation of RM4.3 billion as at 31 December 2023.
- Share Price Performance: based on FY2023 performance, analysts' evaluation indicate a prevailing market consensus, with an average target price of RM0.886. Our current share price valuation also stands at a considerable discount of 57% to the Revalued Net Asset Value.
- Our share price valuation has been positively recognised by analysts, who have accorded an ESG Premium, reflecting the acknowledgement of our commitment to environmental, social, and governance principles in our business practices.

VALUE CREATED FOR STAKEHOLDER

- Attractive short and long-term returns on investments.
- Sustainable results driven by sound corporate governance and risk management, a robust growth strategy plan, and transparent disclosures on financial and non-financial performance.

VALUE CREATED FOR THE ORGANISATION

- Transparent financial reporting and strategic disclosure to stakeholders, which will in turn bolster trust, mitigate risks, and showcase our values, enhancing our reputation and driving long-term value.

RISKS

- Inaccurate financial analysis and/or forecasts reported by analysts may impact our stock ratings and share price performance.

OPPORTUNITIES

- Transparent and timely disclosures provide investors with opportunities to make informed and sound investment decisions.

BUSINESS INITIATIVES

- Continuous engagement with shareholders and investors.
- Timely and transparent corporate, financial and non-financial disclosures.
- Communication of our ESG practices through our Sustainability Report and corporate website.

VALUE CREATION INDICATORS

- Share price.
- Dividend payout ratio.
- Return on equity.
- Earnings per share.
- Market capitalisation.

Stakeholder Engagement & Value Creation

MEDIA

Members of the media collectively serve as a vital conduit through which the Group communicates and engages with external stakeholders and the broader community.

ENGAGEMENT PURPOSE (WHY WE ENGAGE)

Our close engagement with the media allows us to leverage their wide reach in disseminating accurate and timely information about the Group's performance, outlook, and business developments to the general public. By fostering mutually beneficial partnerships with the media, we can effectively manage and enhance the Group's credibility, reputation, visibility and positioning with the public sphere.

CHANNEL & FREQUENCY OF ENGAGEMENT (HOW WE ENGAGE)

O	Press releases & statements and notes to editors
P	Festive gatherings & media events
A	Annual reports
P	Participation in feature/news articles
P	Product launches and corporate events
OR	Joint campaigns and advertising

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
Regular, accurate and transparent updates on performance, developments, financial statements and crisis management.	• Work closely with Executive Leadership to provide timely and comprehensive financial and non-financial updates to the media. • Share information accurately and transparently via holding statements and/or media responses during crisis. • Provide regular Group updates on product launches, sales campaigns, CSR activities, sustainability initiatives and key appointments, among others.
Market and industry insights.	• Provide media members with access to our leadership team's perspective on the market and industry.
Updates on business strategies and tactics.	• Disseminate news and updates on our business strategies, market insights and future outlook.
Prompt responses to issues raised by media members.	• Respond promptly to media enquiries and requests through the Group Corporate Communications.

HOW WE MEASURE VALUE

- Amount of media mileage gained and calculated through brand monitoring tools.
- Tracking of brand sentiment encompassing earned and social media.
- Share of Voice measurement through social listening.

MEDIA (continued)

VALUE CREATED FOR STAKEHOLDER

- Convenient access to reliable and timely information and updates on our performance.
- Regular updates and insights into industry developments and trends.

VALUE CREATED FOR THE ORGANISATION

- Improved ability to address public concerns about Group initiatives, campaigns or crises.
- Enhanced transparency in our reporting.
- Promotion of Sime Darby Property as a leading voice for the industry.
- Improved status and standing as a reputable lifestyle master developer.
- RM98.1 million in PR value gained during FY2023.

RISKS

- Negative, incorrect or insufficient media coverage may tarnish our brand reputation.
- Discrepancies highlighted by the media may influence investor sentiments and reputation.

OPPORTUNITIES

- We can leverage on close media relationships to enhance our brand positioning and reputation.
- Having a reliable media network will boost our ability to rapidly circulate vital business information.
- Accurate and transparent communication will increase public confidence in our brand.

BUSINESS INITIATIVES

- Consistent and transparent news and information sharing through media interviews, press releases, Q&As, media briefings and our website.
- Frequent utilisation of social media platforms for dissemination of news and driving media engagement.

VALUE CREATION INDICATORS

- PR Value calculated via reputable media monitoring tools.
- Likes, comments and sharing of social media postings.

Stakeholder Engagement & Value Creation

DEBT PROVIDERS

Debt providers and lenders play a pivotal role in providing the Group with access to capital, enabling the implementation of our strategies and initiatives.

ENGAGEMENT PURPOSE (WHY WE ENGAGE)

Close engagement with debt providers and lenders is essential to maintain their commitment to continue to lend to the Group. Keeping them updated on our financial, operational and strategic performance, as well as communicating our governance and risk management framework and practices, fosters robust relationships based on transparency and trust.

CHANNEL & FREQUENCY OF ENGAGEMENT (HOW WE ENGAGE)

R	Email communication
Q	Meetings
Q	Events hosted by debt providers
P	Site visits
A	Annual General Meetings and Annual Reports

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
Ability to service debt obligations and adherence to covenants.	• Deliver transparent disclosures of operational, financial and strategic performance and updates.
Governance practices and risk management framework.	• Provide details and insights into our corporate governance and risk frameworks.

HOW WE MEASURE VALUE

- Credit score rating.
- Availability of standby facility lines and other loans at competitive rates.

VALUE CREATED FOR STAKEHOLDER

- Steady returns anchored by reliable principal and interest payments, sound governance and risk management, compliance with terms of borrowing.
- New potential financing opportunities while building long-term relationships.

VALUE CREATED FOR THE ORGANISATION

- Access to debt markets to support our business growth.
- Available market updates and key updates on monetary policy regulations.
- Access to green financing on projects which have positive impact on the environment and communities that we operate in.

RISKS

- Inability to obtain timely financing to support the Group's business growth objectives.

OPPORTUNITIES

- The Group has the ability to access different debt providers, given its financial strength.
- Future potential debt upsizing including green financing.

DEBT PROVIDERS (continued)

BUSINESS INITIATIVES

- Frequent and transparent communication and engagement with financiers to ensure that they understand our business.
- Ensure comprehensive and clear reporting of the Group's financial performance is done through quarterly briefings and annual reports.
- Ensure that the debt providers understand our growth plan and strategic focus.

VALUE CREATION INDICATORS

- Improved credit score rating.
- Competitive interest rates.
- Shorter approval timeline on additional financing.

REGULATORS

Regulators dictate the standards and practices within our industries, with our ongoing compliance to these regulations vital in ensuring the stability and longevity of our business operations.

ENGAGEMENT PURPOSE (WHY WE ENGAGE)

Regular and active engagement with regulators allows us to stay abreast of changes and updates in the regulatory environment, driving continuous compliance with existing and new requirements across all spectrums of our business.

CHANNEL & FREQUENCY OF ENGAGEMENT (HOW WE ENGAGE)

P	Meetings
Q	Industry forums
O	Email communication
Q	Government consultations
P	Seminars/webinars
Q	Advisory groups

KEY CONCERNS RAISED	RESPONSES/OUR APPROACH
Compliance with rules and regulations, including newly updated requirements.	• Participate in industry and national-level forums to keep abreast of changes in the regulatory environment. • Ensure adherence to all relevant requirements via the Group's compliance function.
Share, contribute and co-create industry best practices or new policies and regulations.	• Lend our industry perspective and experience to help shape new policies and regulations. • Share knowledge and best practices in industry forums.
Support for national agenda.	• Contribute to national development through products and initiatives such as affordable housing, biodiversity inventories, as well as wetland construction and maintenance guidelines.

Stakeholder Engagement & Value Creation

REGULATORS (continued)

HOW WE MEASURE VALUE

- Track record of regulatory compliance and performance in regulatory assessments.
- Upholding of regulatory commitments, such as payable income tax.
- Monitoring feedback from regulatory bodies during engagement sessions.

VALUE CREATED FOR STAKEHOLDER

- Their expectations for compliance with rules and regulations are consistently met or surpassed.
- Provision of support and contributions towards national and industry development.

VALUE CREATED FOR THE ORGANISATION

- Enhanced guidance on rules and regulations from regulators.
- Improved access to support from industry peers and authoritative bodies.

RISKS

- Non-compliance with new or existing regulations could result in fines and impact our reputation.
- Operational disruptions caused by non-compliance can further impact the efficiency and timeliness our of projects.

OPPORTUNITIES

- By engaging closely with regulators and industry bodies, we are able to deepen existing relationships and foster strategic collaborations.

BUSINESS INITIATIVES

- Continuously drive and promote compliance towards the Group's Anti-Corruption and integrity-related management frameworks.
- Actively engage in various government and authorities' discussions related to our businesses to discuss government policies and regulatory requirements.

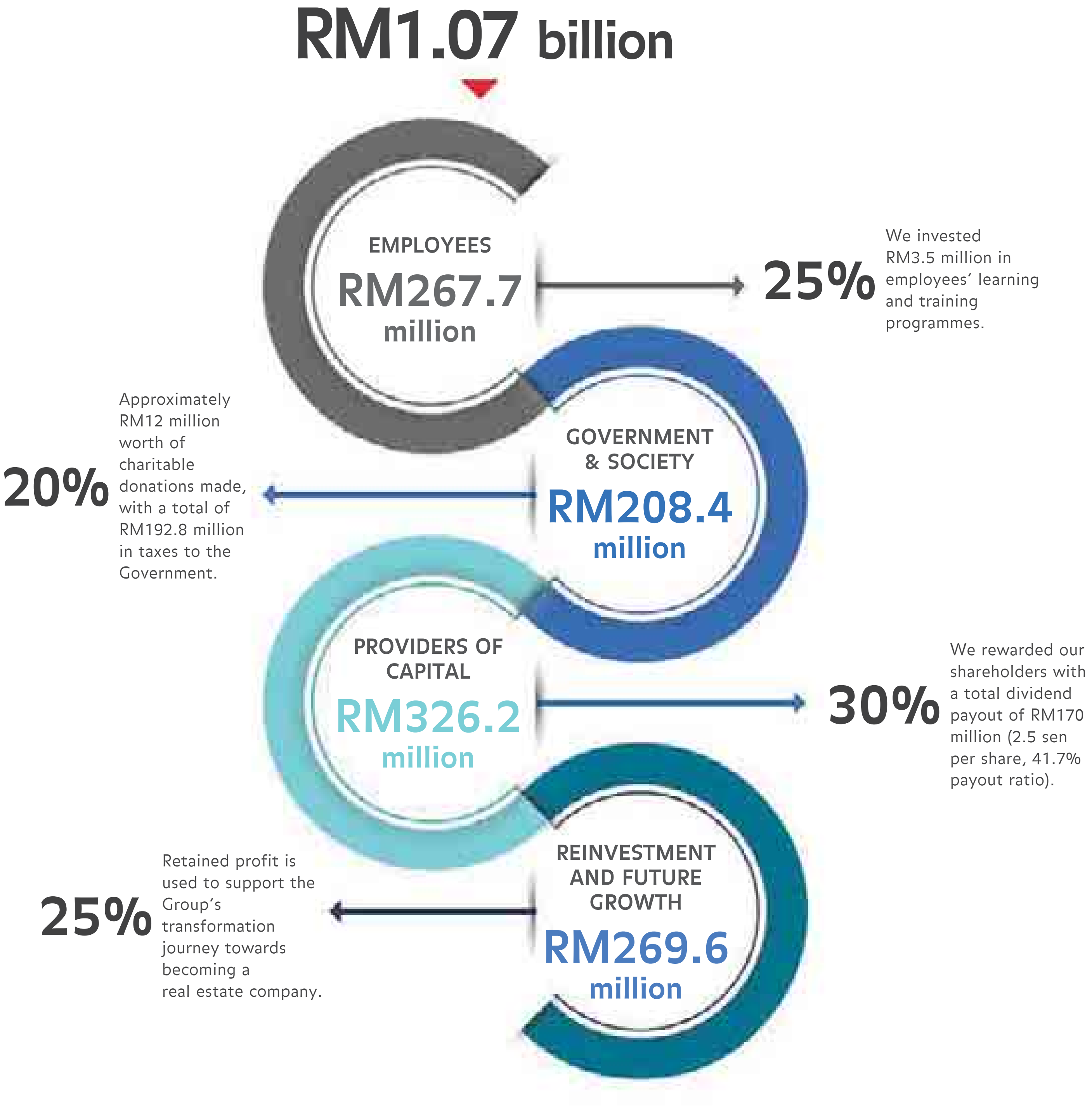
VALUE CREATION INDICATORS

- Compliance to regulatory requirements.
- Amount of tax contributed to the government.
- Ratings received by regulatory bodies and indices.

How We Distribute Value

In ensuring that we continue to deliver positive results to our stakeholders, Sime Darby Property distributes value created through numerous channels, some of which go beyond financial means, ranging from training and learning programmes for our employees to diverse community initiatives, in our efforts to create a more sustainable future for all our stakeholders.

Value created in FY2023 was distributed as follows:



RM1.07 billion

EMPLOYEES
RM267.7 million

25% We invested RM3.5 million in employees' learning and training programmes.

GOVERNMENT & SOCIETY
RM208.4 million

20% Approximately RM12 million worth of charitable donations made, with a total of RM192.8 million in taxes to the Government.

PROVIDERS OF CAPITAL
RM326.2 million

30% We rewarded our shareholders with a total dividend payout of RM170 million (2.5 sen per share, 41.7% payout ratio).

REINVESTMENT AND FUTURE GROWTH
RM269.6 million

25% Retained profit is used to support the Group's transformation journey towards becoming a real estate company.

Stakeholder Scorecard

STAKEHOLDER	INDICATOR	VALUE DRIVERS How it links to value creation
EMPLOYEES	Salaries & Benefits (RM mil)	Remuneration and benefits to employees
	Training Spend (RM mil)	Investment in employee development
	Diversity: Women in Senior Management (%)	Progress of women in leadership positions
	Diversity: Senior Management (%)	Diverse and inclusive employees in leadership roles
CUSTOMERS & COMMUNITIES	Net Promoter Score (%)	Overall satisfaction with our products and services
	Total Socioeconomic Spend (RM mil)	Contribution to society
INVESTORS & SHAREHOLDERS	Revenue (RM mil)	Business performance
	Return on Shareholders' funds (%)	Business performance
	Dividend Payout (%)	Business performance and efficiency
	Total Shareholder Return (%)	Wealth creation for shareholders
	Share Price Performance (%)	Share price appreciation
	Full-year Dividend Per Share (cents)	Dividends for shareholders
REGULATORS	Corporate Taxes (RM mil)	Contribution to government funds
VENDORS	Local Procurement Spend (RM bil)	Supporting local vendors

2023	2022	2021
267.7	236.4	178.2
3.5	2.8	0.7
36	34	29
8.5	7.9	8.1
70	69	68
15.6	31.1	22.3
3,436.9	2,742.1	2,216.6
4.2	3.3	1.6
41.7	43.1	46.3
45.4	-27.0	2.2
40.0	-26.2	-10.4
2.5	2.0	1.0
192.8	147.2	118.2
2.2	1.6	1.4

STRATEGIC REVIEW

Material Matters

Our Material Matters serve as focal points for sustainability issues that hold significant potential to affect our operations and stakeholders. Through our rigorous double materiality assessments, we delve deeply into each matter, assessing associated risks, opportunities, and impacts amidst evolving regulatory and operational landscapes. Subsequently, we are empowered to refine our sustainability strategy to closely align our business goals with environmental and societal responsibilities. This approach enhances our market adaptability and agility while reinforcing our sustainability commitments in line with the rising expectations of our discerning stakeholders.

For further details on our methodology and the prioritisation of our material matters, please refer to pages 18 to 19 of our Sustainability Report 2023.

INNOVATION

Description

We drive our business competitiveness, enhance customer experiences, and improve work efficiency through technology and digitalisation.

Why it is important

Creating and adopting new innovations ensure that the Group is able to meet the ever-growing demands of our stakeholders, drive business growth and promote continuous resilience and sustainability.

Risks

- Companies that lag behind in innovative adoption will be financially disadvantaged as narrowing margins demand optimum cost and operational efficiencies.
- Inability of employees to adapt to rapidly changing digital/technology landscape.

Opportunities

- Reskill and upskill employees for greater comfort in using new technologies optimally.
- Integrate the most effective technologies into all operations to ensure the fastest, most cost-effective and sustainable developments of consistently high quality.

Links

Capitals

Stakeholders

UN SDG 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

ENERGY & CARBON MANAGEMENT

Description

We manage our greenhouse gas emissions by reporting across various scopes, setting reduction targets, and initiating strategies such as improving energy efficiency and adopting renewable energy sources, including rooftop solar panels.

Why it is important

Properly managing energy and carbon is crucial to a business as it enables an organisation to improve its energy use systematically, as well as track and report on its emissions.

Risks

- Degradation of environment quality caused by the Group's operations.
- Financial and reputational loss due to legal non-compliance to laws and regulations.
- Environmental pollution causing negative impact to the community.

Opportunities

- Reduce operational expenditures through the implementation of energy and carbon management solutions.
- Minimise energy spending using tools such as smart metering, real-time power usage monitoring, and data-driven predictions to eliminate energy wastage points.
- Comply with energy and carbon regulations set by the government and relevant authorities.

Links

Capitals

Stakeholders

UN SDGs

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

URBAN BIODIVERSITY

Description

We evaluate the impact of our urban development on biodiversity and mitigate these impacts through conservation and restoration efforts, including on-site conservation to avoid impacts and off-site offsets.

Why it is important

Putting emphasis on urban biodiversity avoids the risks of fragmented landscapes and keep biodiversity systems intact, which in turn, allows for an area's natural flora and fauna to flourish.

Risks

- Erosion of biodiversity would damage the ecosystem of an area.
- Increased dependence of nature such as the availability of a stable and arable land for development.

Opportunities

- Promote ecological resilience which can withstand environmental changes such as extreme weather events.
- Contribute to environmental education, community inclusion and opportunities for urban reforestation research and development.

Links

Capitals

Stakeholders

UN SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

15 LIFE ON LAND

STRATEGIC REVIEW

Material Matters

CIRCULARITY

Description

We embed circular principles throughout our value chain by designing for recycling, procuring recycled materials, designing low-waste construction processes, and managing waste to minimise landfill contributions.

Why it is important

Embedding circular plans into a business ensures that resources are planned and managed accordingly to reduce waste to very minimum and enable continuous value creation.

Risks

- Erosion of biodiversity would damage the ecosystem of an area.
- Increased dependence of nature such as the availability of a stable and arable land for development.

Opportunities

- Reusing and recycling products would slow down the use of natural resources, reduce landscape and habitat disruption and help to limit biodiversity loss.
- Reduce raw material dependence for our products, developments and townships.
- Enhance R&D capabilities through new, innovative tools and processes.

Links

Capitals

Stakeholders

UN SDGs

11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

WATER MANAGEMENT

Description

We optimise water usage by incorporating water considerations into our designs, reducing water intensity, ensuring proper treatment, and providing adequate access to water for our employees, contractors, and tenants.

Why it is important

Water management is essential as it allows a business to implement conscious, positive changes and practices to combat climate change.

Risks

- Inability to access adequate water supplies or services to effectively manage a company's operations due to flooding, drought or long-term water scarcity.
- Non-compliance to regulatory requirements pertaining to efficient water management.
- Occupational health & safety risk to stakeholders posed by contaminated water supply.

Opportunities

- Enhance operational efficiency through optimising water usage and reducing operational costs.
- Mitigate potential water-related risks across our townships and developments, as well as ensuring business continuity.
- Improve supply chain resilience by working closely with vendors to implement sustainable water practices throughout the supply chain.

Links

Capitals

Stakeholders

UN SDGs

6 CLEAN WATER AND SANITATION | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION

CLIMATE ADAPTATION

Description

We assess and mitigate risks from the physical impacts of climate change (e.g., floods, sea-level rise) in our project design, development, and management.

Why it is important

Climate adaptation strengthens an organisation's resilience towards combatting climate change through proactive measures and practices.

Risks

- Potential worsening of global warming.
- Potential business disruption due to severe weather conditions.
- Threats to human health, including our physical and psychological well-being.
- Erosion of biodiversity would damage the ecosystem.

Opportunities

- Contribute to environmental education, community inclusion and opportunities for urban reforestation research and development.
- Announced the Group's pledge to become a net zero emission business by 2050.
- Greater adoption of renewable energy in products and assets to establish Sime Darby Property as a sustainable property developer.

Links

Capitals

Stakeholders

UN SDGs

OCCUPATIONAL HEALTH AND SAFETY

Description

We commit to providing a safe and healthy work environment by adhering to health and safety laws, regulations, and standards to prevent job-related injuries and aim for zero fatalities.

Why it is important

Occupational safety and health ensure a safe and conducive working environment for employees, vendors and other stakeholders.

Risks

- The nature of construction poses safety hazards that need to be monitored constantly.
- Threats to employees' mental health due to work stress, job security and other personal issues.
- Possible legal action being taken by authorities due to negligence.

Links

Capitals

Stakeholders

UN SDGs

Opportunities

- Unrelenting emphasis on HSSE to establish Sime Darby Property as a champion of safety.
- Ensuring leadership commitment in enhancing safety awareness and health standards.
- Providing support to improve health and well-being for a sustainable work-life balance.

STRATEGIC REVIEW

Material Matters

COMMUNITY EXPERIENCE

Description

We foster positive community engagement by collecting and addressing feedback, ensuring adequate infrastructure and employment opportunities, and prioritising the health and safety of our tenants.

Why it is important

Continuous engagements allow an organisation to gain invaluable feedback from communities towards ensuring that the necessary initiatives and programmes meet their demands and expectations.

Risks

- Public criticism which could adversely impact brand reputation.
- Possible legal action being taken by communities/customers due to negligence/unsatisfactory service and experience.
- Impedes market leader position due to intensifying competition and disruption to business trends.

Links

Capitals

Stakeholders

UN SDGs 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES

Opportunities

- Increase brand awareness making an organisation more visible to an even wider audience, creating a reliable, trustworthy, and generous business image.
- Enhance community development that fosters deeper ties and create a more harmonious social environment.

DIVERSITY AND INCLUSION

Description

We champion diversity and inclusion as core aspects of our corporate identity, embracing talents of different ages and ethnicities to enrich perspectives and contribute to our success.

Why it is important

Embracing diversity and inclusion at the workplace brings new perspectives and experiences, allowing innovation, connectivity, and encouraging a wider mindset.

Risks

- Pose a threat to implementation of a strategy due to the lack of diversity and inclusion in the Board and senior management team.
- Reputational damage to an organisation that lacks diversity and inclusion.

Links

Capitals

Stakeholders

UN SDG 5 GENDER EQUALITY

Opportunities

- Widen talent pool and improve recruitment for more diverse talents.
- Increase employee engagement and trust.
- Create stronger business results and profits due to a wider pool of talent and ideas.

LABOUR STANDARDS AND PRACTICES

Description

We uphold high labour standards and practices, ensuring the fair treatment and well-being of all our employees.

Why it is important

Complying with labour standards and practices is crucial in helping safeguard the rights and safety of all employed workers of an organisation.

Risks

- Failure to prevent reputational damage due to perceived violation of labour practices.
- Non-compliance to regulations.

Links

Capitals

Stakeholders

UN SDG 8 DECENT WORK AND ECONOMIC GROWTH

Opportunities

- Implement good grievance mechanism and practices.
- Enhance productivity and employee retention.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Description

We ensure our supply chain partners advance on ESG imperatives, including reducing GHG emissions and upholding human rights throughout the procurement process.

Why it is important

Complying with labour standards and practices is crucial in helping safeguard the rights and safety of all employed workers of an organisation.

Risks

- Potential conflict of interest, corruption and unethical practices.
- Jeopardise the quality and safety of products and services.
- Overdependence on foreign workers may result in cost increase.

Links

Capitals

Stakeholders

UN SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Opportunities

- Create healthy collaborations with vendors.
- Create a database of reputable and reliable vendors.
- Enhance local vendors' ESG and OSH practices at worksites.

STRATEGIC REVIEW

Material Matters

DATA PRIVACY & CYBERSECURITY

Description

We prioritise our stakeholders' data privacy, continuously strengthening our cybersecurity measures and elevating our information technology security standards.

Why it is important

Cybersecurity is vital to protect sensitive data, prevent financial losses, ensure business continuity, safeguard intellectual property, meet regulatory requirements, maintain customer trust, and defend against evolving cyber threats.

Risks

- Pose a threat to the Group's data security.
- Financial loss for recovery of system.

Links

Capitals

Stakeholders

UN SDG

Opportunities

- Engage with stakeholders such as employees to create awareness on data protection and accountability.
- Create awareness on network and data protection to minimise cyber risks.

ANTI-BRIBERY AND CORRUPTION

Description

We adopt a zero-tolerance policy towards bribery and corruption in all our business dealings, mitigating risks through promoting good governance and ethical practices among our employees, partners, and suppliers.

Why it is important

Anti-bribery and corruption prevent people and organisations from misconduct and unethical practices.

Risks

- Increased legal, regulatory and reputational risks.
- Business disruption due to lack of preparedness to face a crisis/emergency.
- Lack of control and strategic alignment resulting in corruption, negligence, fraud, and lack of accountability.

Links

Capitals

Stakeholders

Opportunities

- Promote good governance practices that contribute towards growth and management stability.
- Engage shareholders on investment decisions and promoting management transparency.
- Ensure business continuity and resiliency.

Operating Landscape

Market Review and Outlook

THE MALAYSIAN ECONOMY AND GENERAL OPERATING LANDSCAPE

According to Bank Negara Malaysia ("BNM"), the Malaysian economy continued its expansionary mode, with gross domestic product ("GDP") growth normalising to 3.7% in 2023 (2022: 8.7%). This growth was driven by continued household spending, improved labour market conditions, further recovery in tourism activities and sustained investment activity amid slower global growth.

BNM anticipates Malaysia's GDP to grow between 4.0% and 5.0% in 2024, underpinned by continued expansion in domestic expenditure and improvement in external demand. Stronger-than-expected tourism activity, faster implementation of existing and new investment projects by both the private and public sectors would provide upside risks to the domestic growth. Nevertheless, domestic growth remains susceptible to downside risks from external factors such as weaker-than-expected global growth and escalating geopolitical conflicts, as well as domestic shocks like severe disruptions in commodity production and subsidy rationalisation.

Headline inflation, as measured by the Consumer Price Index ("CPI"), moderated in 2023 after reaching its peak in 2022, averaging 2.5% for the year (2022: 3.3%). The moderation was driven by broad-based easing in both core and non-core inflation. Lower inflation for fuel (2023: -1.6%; 2022: 5.1%) as well as food and non-alcoholic beverages (2023: 4.8%; 2022: 5.8%) were among the main drivers contributing to softer headline inflation. Core inflation, on the other hand, averaged 3.0% for 2023 (2022: 3.0%), mainly driven by a relaxation in service-related items such as food away from home and the repair and maintenance of personal transport. Both headline and core inflation are expected to remain modest in 2024, ranging between 2.0% - 3.5% and 2.0% – 3.0%, respectively. This reflects the potential upside from domestic subsidy rationalisation and stable cost and demand conditions.

Malaysia's labour market conditions continued to improve in 2023, with the unemployment rate declining to 3.4% reaching pre-pandemic levels (2022: 3.8% and 2019: 3.3%). Employment grew by 2.8% (+439,200 persons; 2022: 3.1%, +472,400 persons). Notably, the labour participation rate reached a historic high of 70.0% in 2023 (2022: 69.3%).

The Malaysian Institute of Economic Research ("MIER") revealed that the Consumer Sentiment Index ("CSI") for 4Q2023 showed a positive trend at 89.4 points (3Q2023: 78.9 points), however remained below the 100-point threshold. This improvement is attributed to positive consumer sentiment, improved current and expected finances, a rise in expected employment, persistent inflation concerns and a rebound in spending plans.

Similarly, the Business Conditions Index ("BCI") increased to 89.0 points in 4Q2023 (3Q2023: 79.7%). This indicates a recovery in confidence among local manufacturers, with companies expressing continued confidence in the business environment.

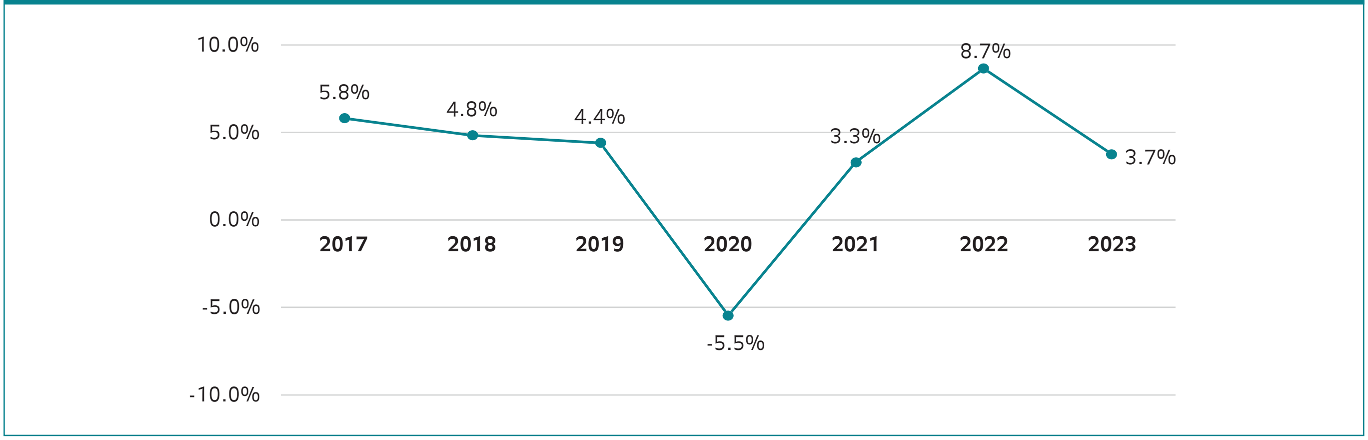
On the lending front, BNM increased the Overnight Policy Rate ("OPR") by 25 basis points from 2.75% to 3.00% in May 2023 and has maintained it since then. At the current OPR level, the monetary policy continues to provide support to the economy and aligns with the present evaluation of inflation and growth prospects. Both the base lending rate ("BLR") and average base rate ("BR") increased to 6.6% (2022: 5.9%) and 3.6% (2022: 3.2%) respectively, in 2023. Financial institutions continued to operate with strong capital and liquidity buffers, with domestic financial conditions remaining conducive to sustaining credit growth.

STRATEGIC REVIEW

Operating Landscape

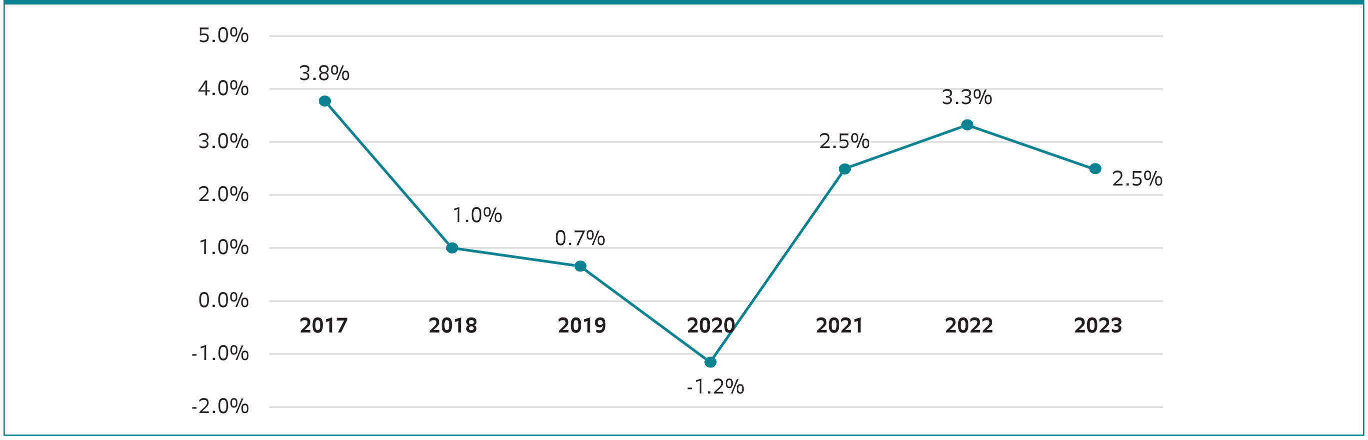
Market Review and Outlook

Gross Domestic Product (GDP) Growth



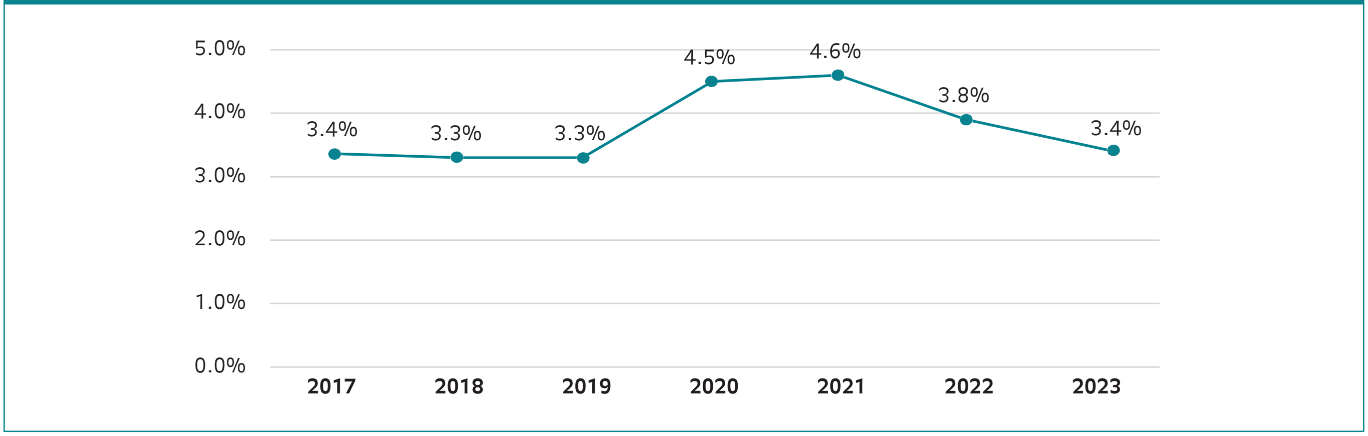
Source: Bank Negara Malaysia (BNM)

Consumer Price Index (Y-o-Y changes)



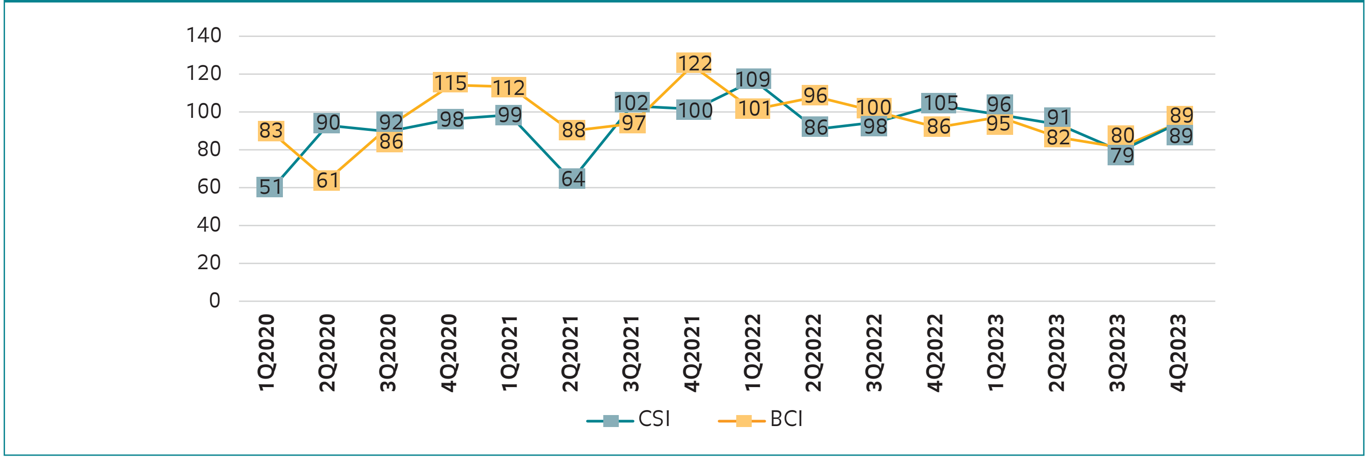
Source: Bank Negara Malaysia (BNM)

Unemployment Rate



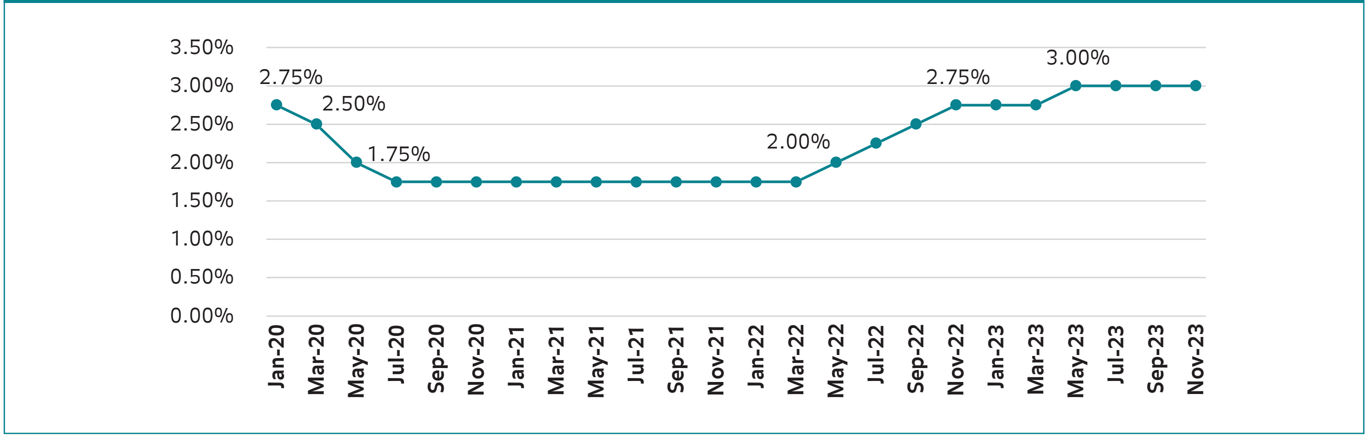
Source: Bank Negara Malaysia (BNM)

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



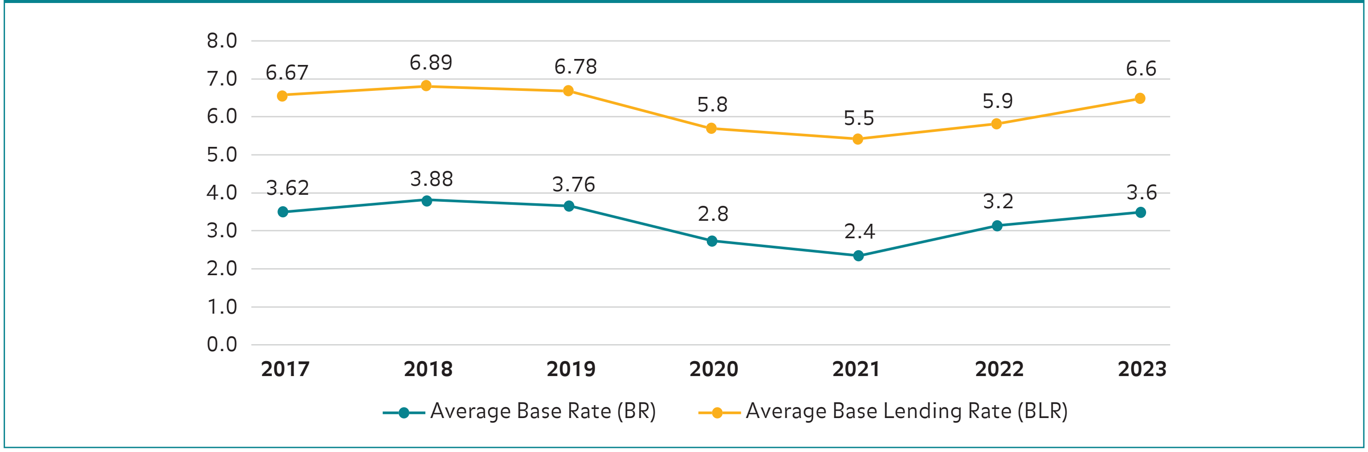
Source: Malaysia Institute of Economic Research (MIER)

Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia (BNM)

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



Source: Bank Negara Malaysia (BNM)

STRATEGIC REVIEW

Operating Landscape

Market Review and Outlook

According to JUBM & Arcadis Construction Cost Handbook for 2021 and 2022, the range of construction costs (including building costs, services costs and preliminaries but excluding site formation works, external works, land cost, professional fees, finance, legal expenses and contingencies) for selected development components (high-rise residential, retail, office, industrial and car parks) in the selected states/key cities of Kuala Lumpur and Johor Bahru showed an increasing trend from 2021 to 2022. The growth ranged between 5.7% and 9.1%, as shown in the table below. Additionally, according to Building Cost Information Services Malaysia ("BCISM") Costbook 2023, the average building prices for luxury apartments, 3-storey offices and light duty factories/warehouses categories range from RM267 to RM334, RM146 to RM288 and RM141 to RM237 per sq ft respectively.

Meanwhile, according to the Department of Statistics Malaysia ("DOSM"), the unit price index for selected materials such as cement, bricks & wall, sand and aggregates in most areas of Peninsular Malaysia recorded an increase in 2023 on a y-o-y basis, ranging from as low as 0.5% to as high as 18.9% while for steel, the unit price index showed a decreasing trend in 2023 by circa -3.0% to -0.9% y-o-y. On the other hand, the Building Material Cost Index ("BCI") (with steel bars) for all building categories in Peninsular Malaysia grew from a marginal of 0.1% to a high of 8.8% y-o-y for the full year of 2023.

Additionally, the Real Estate and Housing Developers Association ("REHDA") expects property prices to rise significantly in the first half of 2024 (1H2024) due to building material cost hikes. According to REHDA's Property Industry Survey for the second half of 2024, construction costs are anticipated to increase by 15% in 1H2024, as developers have reported more than a 10% annual increase in the average price for sand and concrete as of 31 December 2023.

Total Construction Costs for Selected Development Components in Kuala Lumpur, 2021 to 2022

Property Development	Estimated Total Construction Costs (RM per sq ft)						
	Kuala Lumpur						
	2021			2022			% Growth
	min	max	average	min	max	average	
High-Rise Residential							
Detached houses (mass housing)	222	306	264	236	331	284	7.4%
Terraced houses	84	134	109	89	146	118	7.8%
Average standard apartments, high-rise	116	225	171	124	248	186	9.1%
Luxury apartments, high-rise	271	539	405	283	592	438	8.0%
Retail							
Shopping centres	259	388	324	275	423	349	7.9%
Office							
Average standard offices, high-rise	221	289	255	236	317	277	8.4%
Industrial							
Single storey conventional factory of structural steelwork	122	167	145	128	183	156	7.6%
Owner operated factories, low-rise	165	203	184	170	219	195	5.7%
Car Parks							
Basement car parks (<3 levels)	119	206	163	124	222	173	6.5%
Elevated car parks (<4 levels)	84	134	109	86	145	116	6.0%

Source: JUBM & Arcadis Construction Cost Handbook 2021 & 2022

Total Construction Costs for Selected Development Components in Johor Bahru, 2021 to 2022

	Estimated Total Construction Costs (RM per sq ft)						
	Johor Bahru						
	2021			2022			% Growth
Property Development	min	max	average	min	max	average	
High-Rise Residential							
Detached houses (mass housing)	218	288	253	239	320	279	10.4%
Terraced houses	93	137	115	89	146	118	2.4%
Average standard apartments, high-rise	144	195	170	128	246	187	10.2%
Luxury apartments, high-rise	282	367	324	298	427	363	11.7%
Retail							
Shopping centres	261	334	298	277	390	334	12.2%
Office							
Average standard offices, high-rise	211	269	240	239	302	270	12.6%
Industrial							
Single storey conventional factory of structural steelwork	124	156	140	128	183	156	11.3%
Owner operated factories, low-rise	167	189	178	175	218	196	10.3%
Car Parks							
Basement car parks (<3 levels)	121	158	140	130	206	168	20.2%
Elevated car parks (<4 levels)	80	106	93	84	131	107	15.4%

Source: JUBM & Arcadis Construction Cost Handbook 2021 & 2022

STRATEGIC REVIEW

Operating Landscape

Market Review and Outlook

RESIDENTIAL PROPERTY SECTOR

MARKET OVERVIEW

Malaysia: Urbanisation Rate

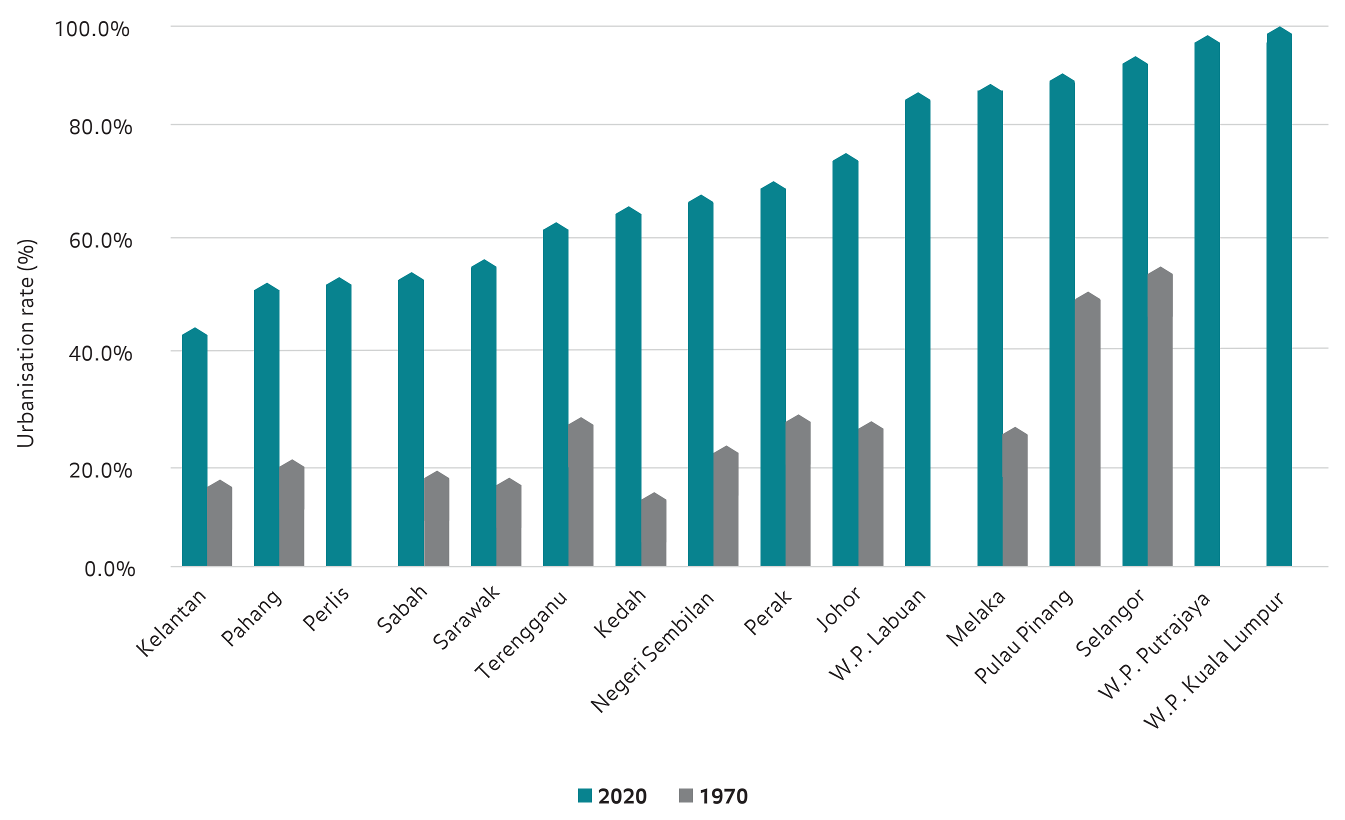
Based on the key findings from the Population and Housing Census of Malaysia 2020: Urban and Rural publication by the Department of Statistics Malaysia ("DOSM"), Malaysia's urbanisation rate has tripled from 28.4% in 1970 to 75.1% in 2020 due to natural population growth, migration and boundary changes.

The urbanisation rate in Malaysia has significantly increased, with the Klang Valley, particularly Kuala Lumpur and Putrajaya, exhibiting 100% urbanisation, followed by Selangor at 95.8%. Conversely, Kelantan has the lowest urbanisation rate at 44.1%, followed by Pahang, Perlis, Sabah and Sarawak. Labuan experienced a notable rise in urbanisation from 81.9% in 2010 to 88.9% in 2020.

Negeri Sembilan's urbanisation rate has also tripled, reaching 69.0% in 2020, with significant contributions from projects in areas such as the Seremban-KLIA corridors, Nilai and developments like the Malaysian Vision Valley 2.0 ("MVV 2.0"). Moving forward, other notable projects such as Seremban 2, Hamilton Nilai City, MVV Parcel B (Labu), smart AI container port and Techpark Phase 3 @ Enstek are expected to drive economic growth and further enhance urbanisation in the near to mid-term.

According to the Population & Housing Census of Malaysia 2020, migration trends from rural to urban areas are anticipated to escalate the urban population rate to 81.2% in 2030, 85.0% in 2040 and 88.8% in 2050.

Urbanisation Rate by State, 1970 – 2020

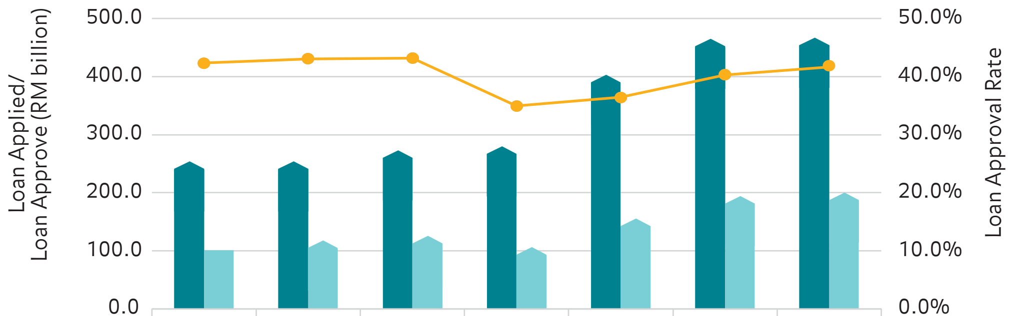


Sources: Department of Statistics Malaysia (DOSM), Knight Frank Research

MALAYSIA: LOAN APPROVAL RATES

Approved housing loans in 2023 rose to RM186.9 billion, reflecting a 3.9% increase y-o-y. There was a marginal increase of 0.3% in housing loan applications to RM446.7 billion, with an approval rate of 41.8%.

Residential Loan Approval Rates



	2017	2018	2019	2020	2021	2022	2023
▬ Loan Applied (RM Billion)	239.8	240.9	260.8	266.4	389.9	445.2	446.7
▬ Loan Approved (RM Billion)	101.5	103.7	112.6	93.1	141.0	179.9	186.9
—●— Loan Approval Rate	42.3%	43.1%	43.2%	34.9%	36.2%	40.4%	41.8%

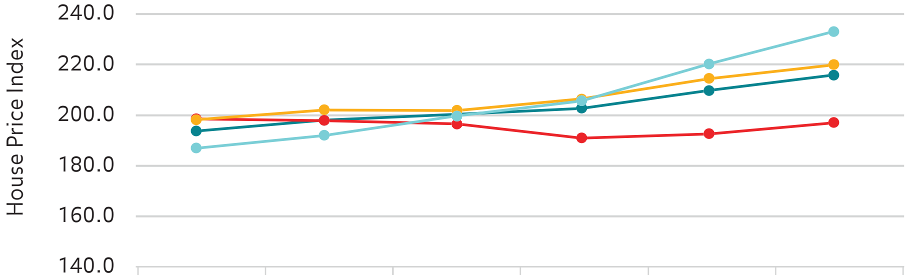
Sources: Bank Negara Malaysia (BNM), Knight Frank Research

MALAYSIA HOUSE PRICE INDEX

The Malaysia's All House Price Index (HPI) displayed a Compounded Annual Growth Rate ("CAGR") of 2.3% between 2018 at 193.7 points and 2023 at 216.5 points. Subsequently, the country's HPI marked a 3.2% y-o-y increase (2022: 209.8 points).

Negeri Sembilan saw a 6.5% y-o-y increase to 234.5 points in 2023 (2022: 220.2 points), while Kuala Lumpur experienced marginal gains in HPI with 1.8% y-o-y increase recording at 196.1 points during the same period (2022: 192.7 points). On the other hand, Selangor's HPI also increased by approximately 2.9% to 220.7 points in 2023 (2022: 214.5 points).

All House Price Index ("HPI") by State, 2018 – 2023



	2018	2019	2020	2021	2022	2023
—●— Malaysia	193.7	198.0	200.3	202.7	209.8	216.5
—●— Kuala Lumpur	198.5	197.9	196.5	190.9	192.7	196.1
—●— Selangor	198.2	202.1	201.9	206.4	214.5	220.7
—●— Negeri Sembilan	186.9	192.0	199.7	205.6	220.2	234.5

Sources: NAPIC, Knight Frank Research

Operating Landscape

Market Review and Outlook

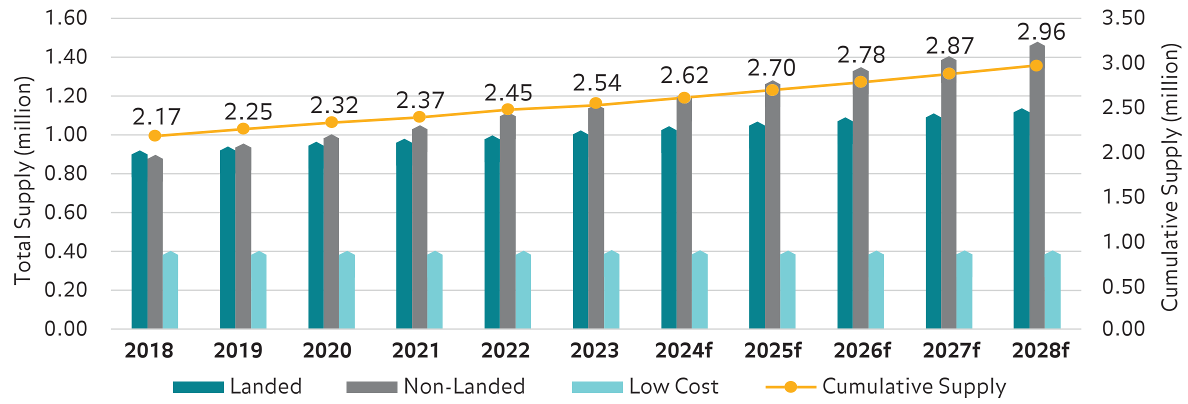
EXISTING & FUTURE SUPPLY

Klang Valley

The year 2023 saw a steady uptick in the cumulative supply of residential properties, with a modest 3.5% increase reaching 2.54 million units. These properties are classified into 3 distinct categories: 45.1% as non-landed properties, 39.7% as landed properties and 15.2% as low-cost properties.

Over the next five years, preliminary forecasts project that the total residential supply in the Klang Valley is expected to reach 2.96 million units, with non-landed properties contributing 49.4% to this growth.

Cumulative Residential Supply in Klang Valley, 2018 – 2028f



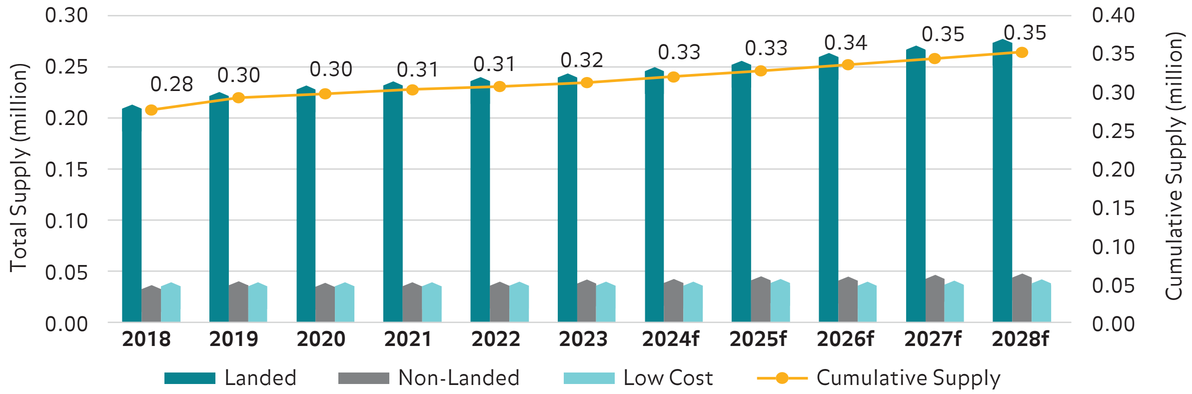
Sources: NAPIC, Knight Frank Research
Note: The cumulative residential supply includes Serviced Apartment and Soho

Negeri Sembilan

In 2023, the cumulative supply of residential properties in Negeri Sembilan experienced a 3.1% increase, reaching 318,804 units. Landed properties dominated the landscape, accounting for 75.6%, followed by non-landed properties at 13.0%, and low-cost properties at 11.4%.

Looking ahead, over the next five years, the total residential supply is expected to expand to approximately 353,789 units, with landed houses being the primary contributor at 77.8% of the total future supply.

Cumulative Residential Supply in Negeri Sembilan, 2018 – 2028f



Sources: NAPIC, Knight Frank Research
Note: The cumulative residential supply includes Serviced Apartment and Soho

TRANSACTION VOLUME AND VALUES

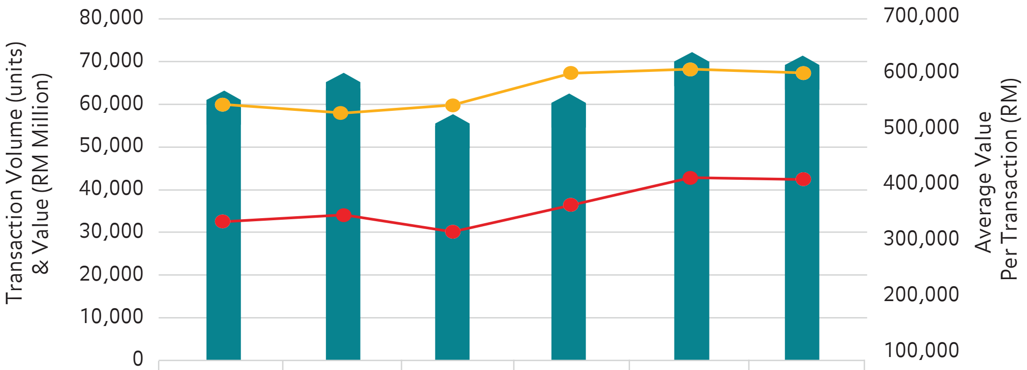
Klang Valley

Residential Transaction Volume and Values

In 2023, the residential property market in the Klang Valley displayed resilience, recording 69,117 residential transactions totaling RM42.1 billion. However, this marks a slight decline in both transaction volume and value by 1.3% and 1.6% respectively, compared to the previous year, thus indicating market moderation from the 2022 bumper year. Nonetheless, the performance in 2023 still outstripped that of 2019. Consequently, the average value per residential transaction saw a marginal decrease from RM611,357 per unit in 2022 to RM609,366 per unit in 2023, reflecting a year-on-year decrease of 0.3%.

The slight decline in transaction volume and value in the Klang Valley's residential property market can be attributed to external factors including economic uncertainties, policy changes and variations in interest rates. The marginal decrease in average transaction value suggests a shift towards more affordable housing options or a correction in certain market segments. Nevertheless, the Klang Valley's residential market remains dynamic with potential for growth and recovery driven by urbanisation, infrastructure development and demographic trends.

Residential Transaction Volume and Value in Klang Valley, 2018 – 2023



	2018	2019	2020	2021	2022	2023
▬ Transaction Volume (units)	59,156	63,633	54,912	60,140	70,035	69,117
─●─ Transaction Value (RM Million)	32,519	34,019	30,126	36,388	42,816	42,118
─●─ Average Value Per Transaction (RM)	549,709	534,613	548,616	605,047	611,357	609,366

Sources: NAPIC, Knight Frank Research
Note: Excludes Serviced Apartment and Soho

Landed houses made up the majority of the total transactions in Klang Valley in 2023, at 50.7%. Nonlanded properties accounted for about 32.5%, with the remaining 16.8% being low-cost houses. The majority of transactions were for 2- to 3-storey terraces (30.1%), condominiums/apartments (22.2%), and serviced apartments (10.3%), highlighting them as key properties in high demand in the current market.

In terms of growth, serviced apartments experienced the highest CAGR at 19.1% during the review period, with transaction volumes in 2023 more than doubling from those in 2018. This is followed by 2- to 3-storey semi-detached houses at 7.2% and 2- & 3-storey terraces at 5.5%.

All residential types experienced modest growth in 2023, except for serviced apartments, which saw a remarkable increase in transaction volume by 41.9%, reaching 7,451 units from 5,252 units in 2022.

STRATEGIC REVIEW

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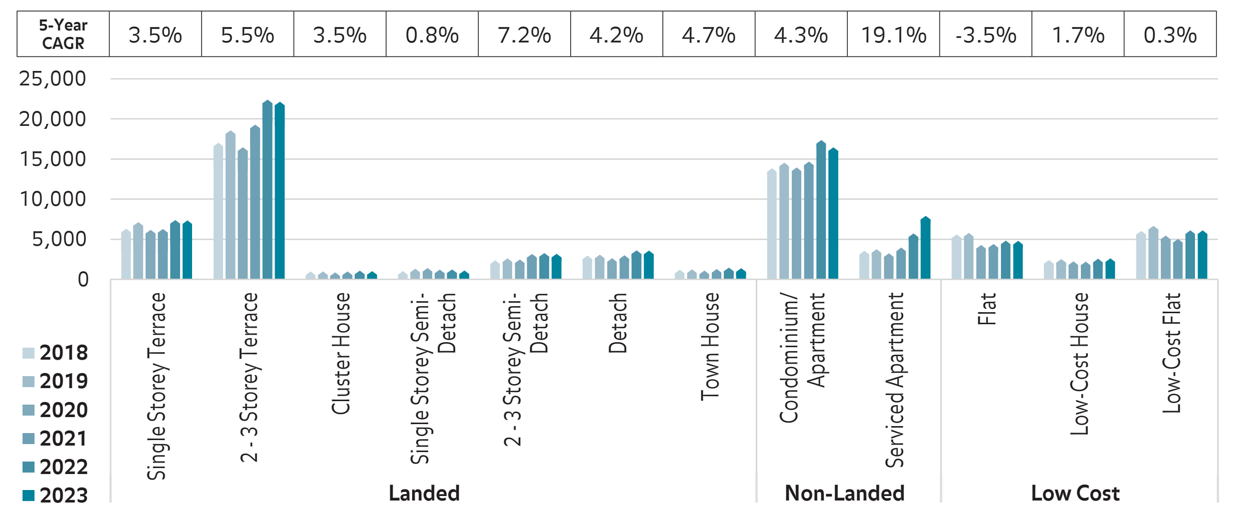
Transaction Volume by Property Type in Klang Valley, 2018 – 2023



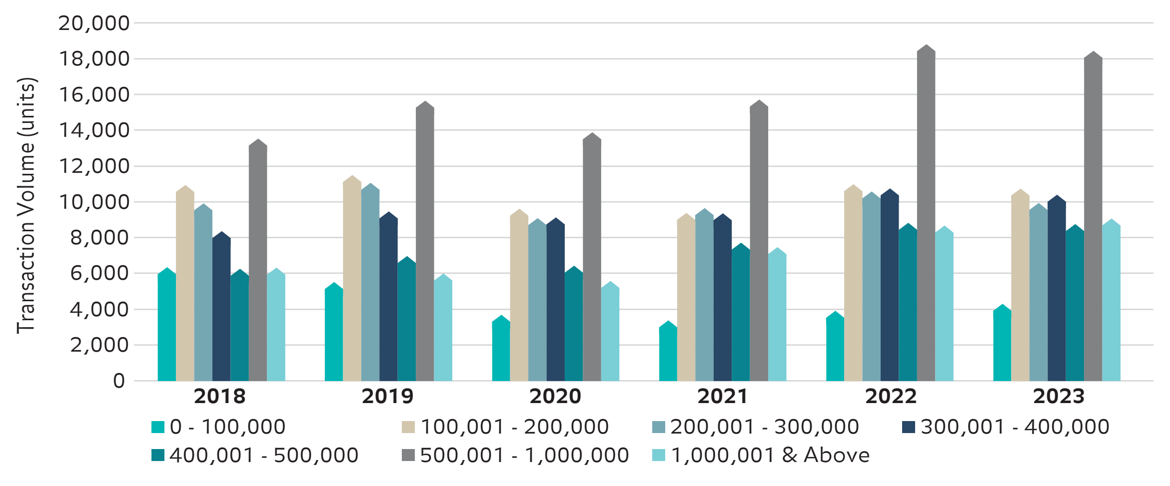
Sources: NAPIC, Knight Frank Research
Note: Include Serviced Apartment and exclude Others and Vacant Lots

In Klang Valley, a total of 69,117 residential transactions were accounted for. Among these, 61.2% (42,312 units) were priced below RM500,001 while residential units priced above RM500,001 made up 38.8% (26,805 units) of the total transactions.

The price segment between RM500,001 and RM1,000,000 is notably the most active, contributing the highest percentage to the overall transaction volume at 26.2%. This segment also demonstrates a significant CAGR of 6.6% throughout the review period.

In contrast, the residential price segment of RM1,000,000 and above accounts for approximately 12.6% of the total transaction volume. Within this segment, the majority consist of 2-3-storey terraces at 36.4%, followed by 2-3-storey semi-detached properties at 19.7%, condominiums/apartments at 19.5% and detached houses at 15.3%. This price segment boasts a higher CAGR of 7.9%, the highest among all price segments. Notably, it is the only segment among the significant price segments to record an increase in transaction volume between 2022 and 2023, with a growth rate of 4.8%, while others experienced negative growth.

Transaction Volume by Price Range in Klang Valley, 2018 – 2023

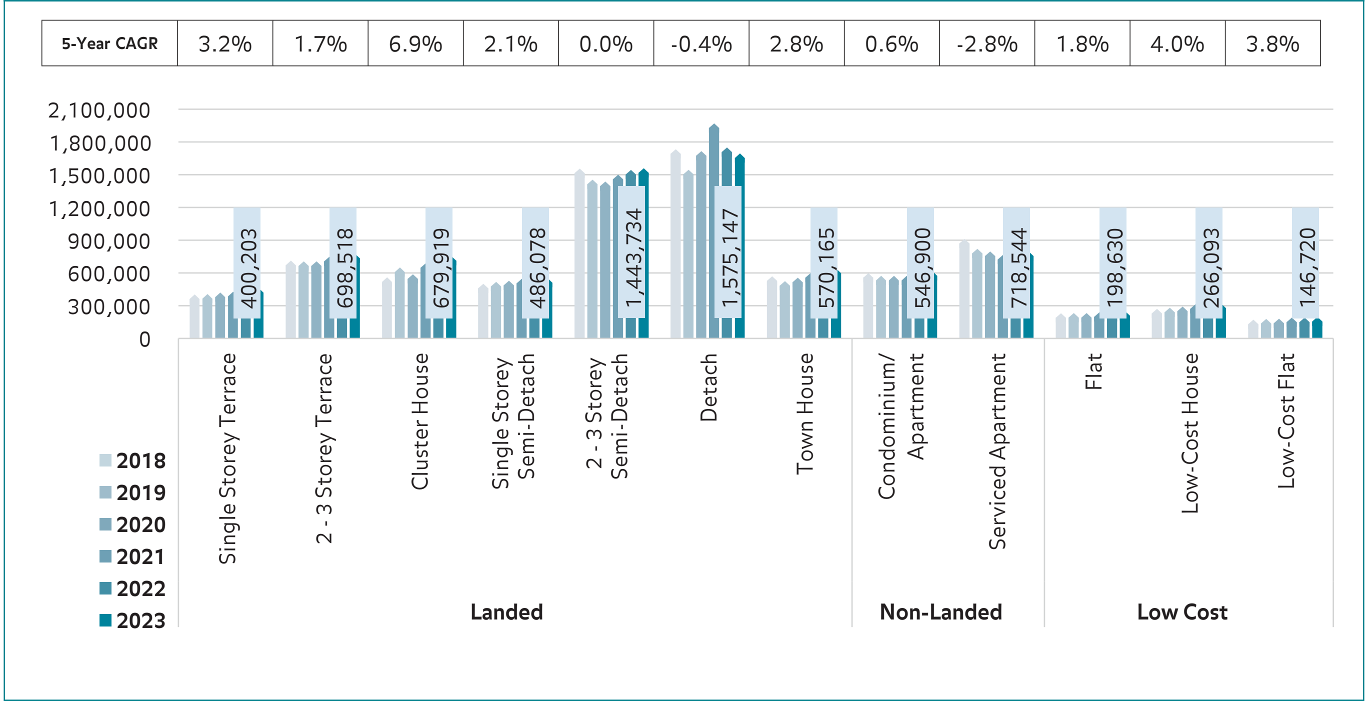


Sources: NAPIC, Knight Frank Research
Note: Excludes Serviced Apartment and Soho

The average value of residential transactions for cluster houses recorded the highest CAGR at 6.9%, primarily due to the limited supply in the Klang Valley over the review period. Conversely, traditionally high-demand residential properties such as 2- to 3-storey terraces and condominiums/apartments have shown more modest price appreciation, with CAGRs of 1.7% and 0.6%, respectively, over a five-year span.

This trend is likely due to a well-supplied market which tempers price escalation, in conjunction with a competitive environment. In contrast, the serviced apartments segment has experienced a downward trend, with a negative CAGR of -2.8%, reflecting a decrease in the average value per transaction from RM826,623 in 2018 to RM718,544 in 2023. This shift could indicate a swift development pace within this market segment.

Average Value Per Residential Transaction ("AVPT") by Property Type in Klang Valley, 2018 – 2023



Sources: NAPIC, Knight Frank Research
Note: Include Serviced Apartment and exclude Others and Vacant Lots

When comparing the primary and secondary markets, the average value per residential transaction in 2023 for the primary market was recorded at RM786,330, whereas for the secondary market, it stood at RM577,557. This indicates that the average value per residential transaction in the primary market is 1.36 times higher than that in the secondary market.

In terms of growth, the average value per residential transaction in the primary market exhibited a higher CAGR of 2.3% over the review period, compared to 1.7% in the secondary market. Furthermore, in 2023, the primary market experienced notable growth of 9.1%, while the secondary market observed a decline of 2.2% compared to 2022.

This trend underscores the robust demand and resilience of the primary market, possibly driven by preferences for newer construction, modern amenities and strategic locations. The decline in the secondary market might reflect challenges such as aging property concerns which include additional renovation costs to be incurred, less competitive pricing, the need for a higher downpayment and changing buyer priorities.

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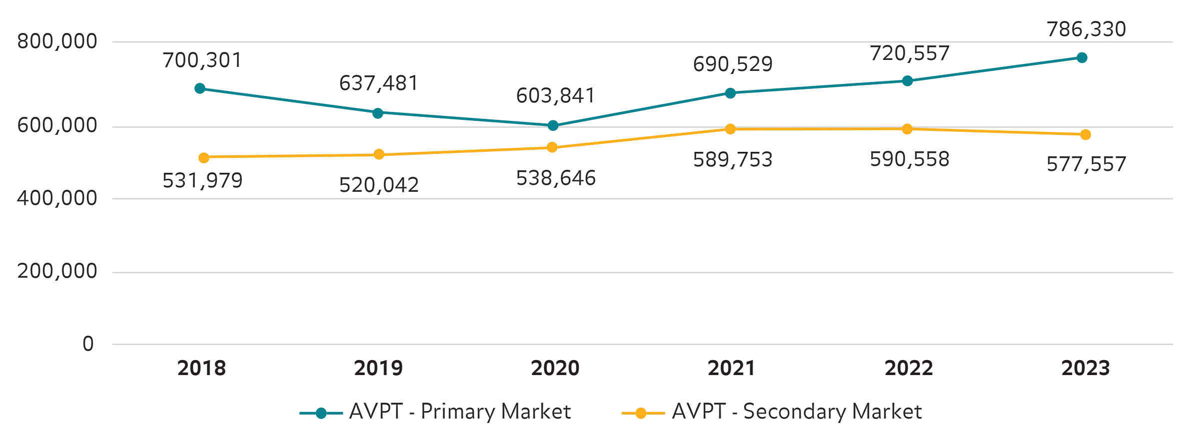
Average Value Per Residential Transaction (AVPT) in the Primary and Secondary Markets in Klang Valley, 2018 – 2023



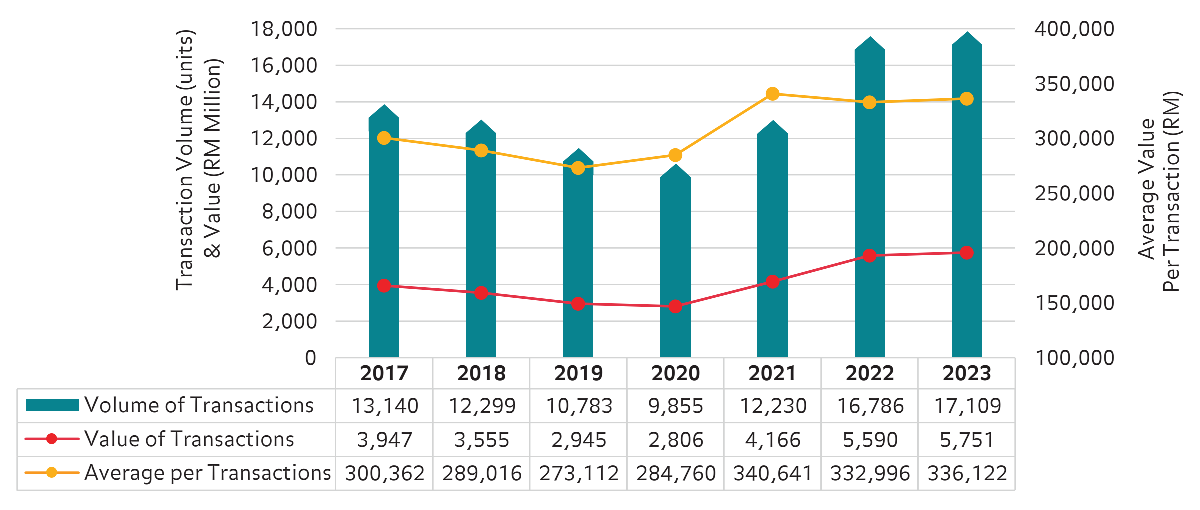
Sources: NAPIC, Knight Frank Research
Note: Excludes Serviced Apartment and Soho

Negeri Sembilan

Residential Transaction Values and Volume

In 2023, Negeri Sembilan reported 17,109 residential transactions, amounting to a total of RM5.8 billion. This represents a y-o-y growth of 1.9% in transaction volume and 2.9% in transaction value, respectively. Consequently, the average value per residential transaction in 2023 experienced a slight increase to RM336,122, marking a growth of 0.9% from RM332,996 in 2022.

Residential Transaction Volume and Value in Negeri Sembilan, 2018 – 2023



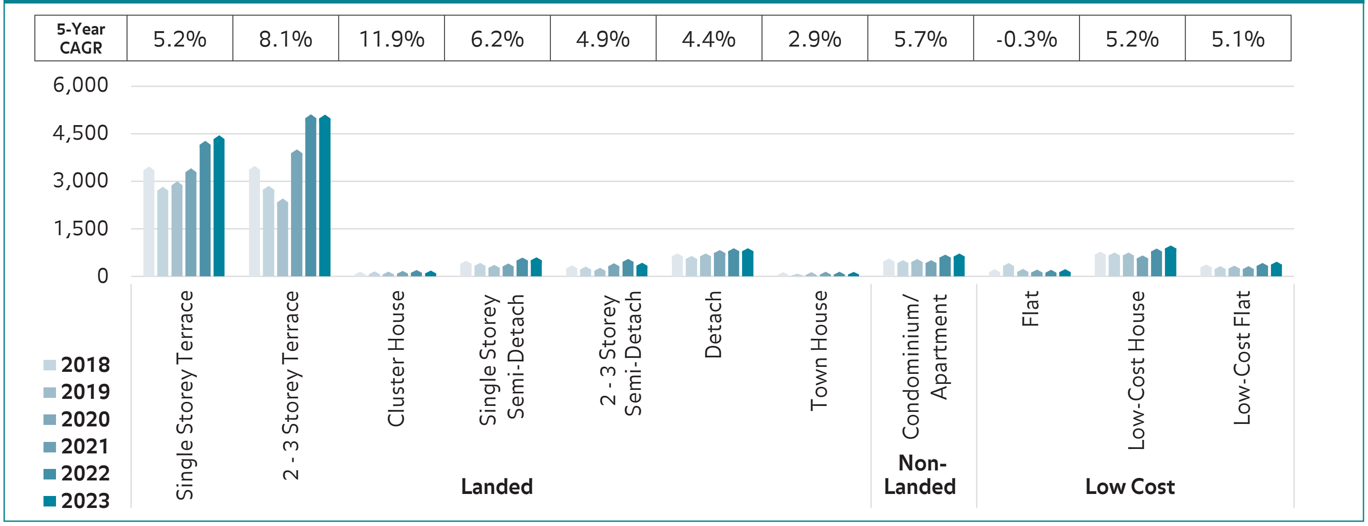
	2017	2018	2019	2020	2021	2022	2023
Volume of Transactions	13,140	12,299	10,783	9,855	12,230	16,786	17,109
Value of Transactions	3,947	3,555	2,945	2,806	4,166	5,590	5,751
Average per Transactions	300,362	289,016	273,112	284,760	340,641	332,996	336,122

Sources: NAPIC, Knight Frank Research
Note: Excludes Serviced Apartment and Soho

In Negeri Sembilan, the majority of residential transactions are landed houses, which account for approximately 84.3% of the market. Within this category, 2- to 3-storey terraces and 1- to 2-storey terraces are the predominant contributors, with 37.9% and 32.9% of the transactions respectively. This predominance is primarily due to the concentration of supply in these two segments.

In terms of growth, cluster houses and 2- to 3-storey terraces have registered the highest CAGRs at 11.9% and 8.1%, respectively. Notably, the transaction volume for cluster houses has seen an uptick, despite this property type contributing the least to overall transactions.

Transaction Volume by Property Type in Negeri Sembilan, 2018 – 2023



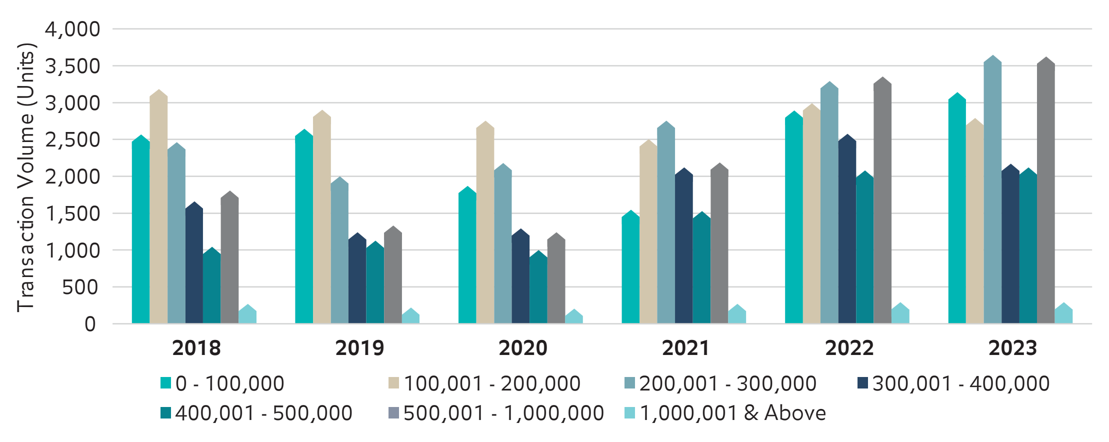
Sources: NAPIC, Knight Frank Research
Note: Include Serviced Apartment and exclude Others and Vacant Lots

In 2023, among the total residential transactions in Negeri Sembilan, 78.2% (13,386 units) were priced below RM500,001, while residential units priced above RM500,001 constituted 21.8% (3,723 units) of the total transactions. The significant volume of transactions for residential properties priced below RM500,001 in Negeri Sembilan indicates a strong demand for more affordable housing.

The price segment between RM200,001 and RM300,000 accounted for the highest transaction volume at 20.8%, closely followed by the segment between RM500,001 and RM1,000,000 at 20.6%. These segments witnessed among the highest growths in transaction volume in 2023 compared to 2022, at 11.2% and 8.5%, respectively. This indicates that properties within these price segments are highly sought after, from the affordability range to mid- to high-range properties, reflecting an upgrading trend among homeowners or investment interest in more premium properties.

In terms of CAGR, the price segments between RM400,001 to RM500,000, and RM500,001 to RM1,000,000, notably experienced double-digit growths of 16.4% and 15.7%, respectively, followed by the segment between RM200,001 and RM300,000 at 8.5%. This signifies a rapidly growing interest and perceived value in these price ranges.

Transaction Volume by Price Range in Negeri Sembilan, 2018 – 2023



Sources: NAPIC, Knight Frank Research
Note: Excludes Serviced Apartment and Soho

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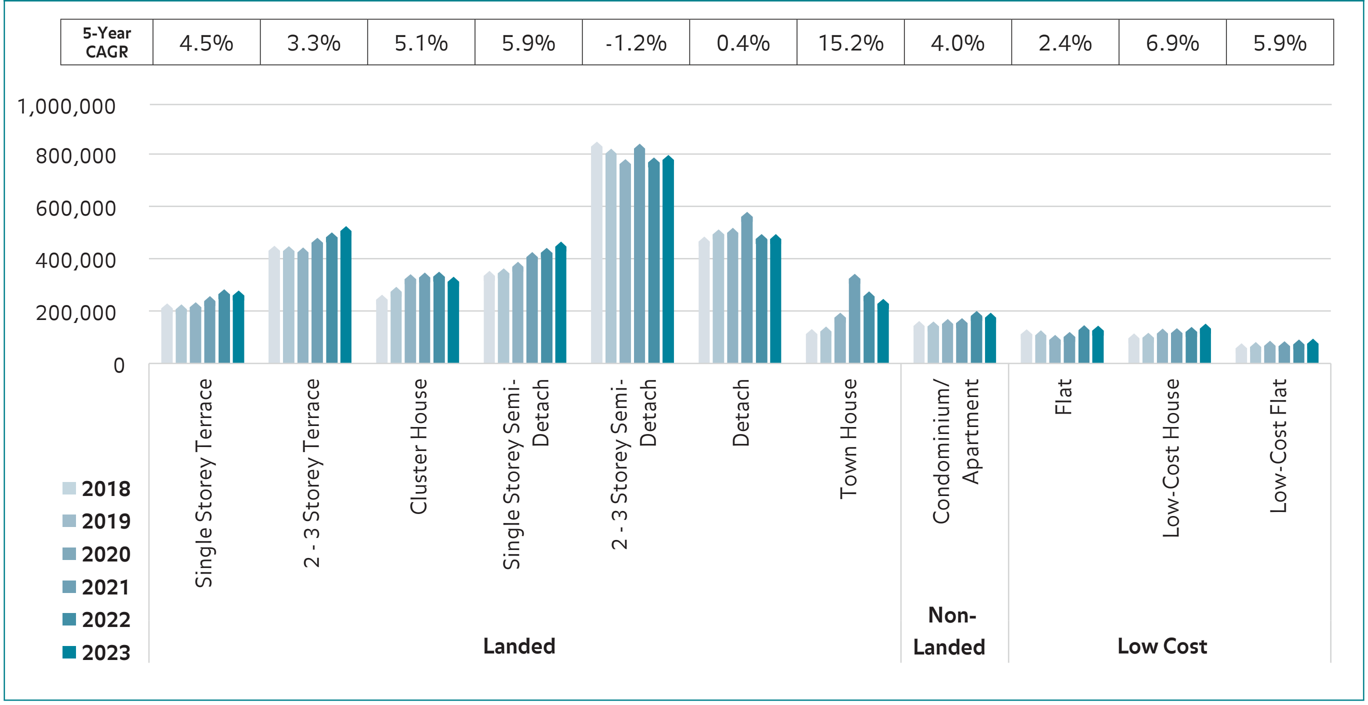
Over the review period in Negeri Sembilan, townhouses experienced the highest CAGR in average transaction value at 15.2%, primarily attributed to their limited supply. In comparison, properties traditionally in high demand, such as 1- to 2-storey terraces and 2- to 3-storey terraces, saw more modest price appreciations, with CAGRs of 4.5% and 3.3%, respectively, over five years. This trend likely stems from a well-supplied market that moderates price growth, amidst a competitive landscape. Condominiums/ apartments also exhibited a CAGR of 4.4%.

Conversely, the 2- to 3-storey semi-detached house segment witnessed a downward trend, with a negative CAGR of -1.4%, reflecting a decrease in the average value per residential transaction from RM828,645 in 2018 to RM778,759 in 2023. This reduction might suggest a shift in buyer preferences or concerns over affordability.

Average Value Per Residential Transaction ("AVPT") by Property Type in Negeri Sembilan, 2018 – 2023



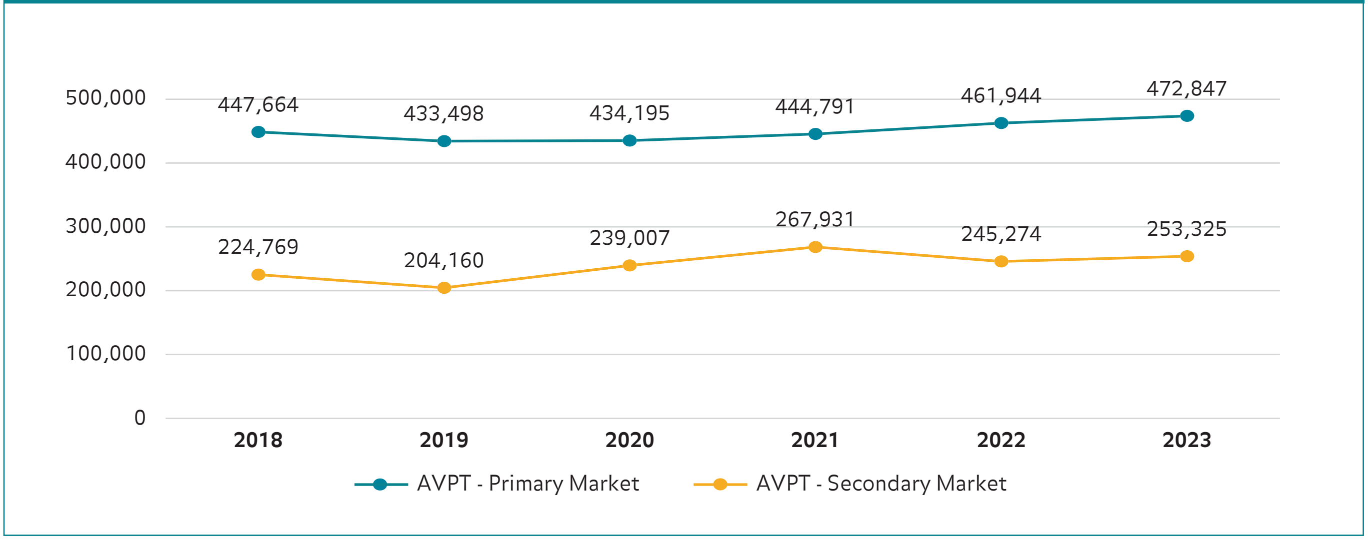
Sources: NAPIC, Knight Frank Research
Note: Include Serviced Apartment and exclude Others and Vacant Lots

When comparing the primary and secondary markets, the average value per residential transaction in 2023 for the primary market was recorded at RM472,847, whereas, in the secondary market, it stood at RM253,325. This indicates that the average value per residential transaction in the primary market is 1.87 times higher than in the secondary market.

In terms of growth, the average value per residential transaction in the secondary market exhibited a higher CAGR of 2.4% over the review period, compared to 1.1% in the primary market. Moreover, in 2023, the secondary market experienced higher growth of 3.3%, while the primary market observed lower growth of 2.4% compared to 2022.

This suggests buyers are willing to pay a higher price for new constructions while the secondary market's higher growth indicates increasing interest in more affordable, existing properties. The trends imply a market where both sectors appeal to different buyer segments, driven by factors like affordability, location and property features.

Average Value Per Residential Transaction ("AVPT") in the Primary and Secondary Markets in Negeri Sembilan, 2018 – 2023



Sources: NAPIC, Knight Frank Research
Note: Excludes serviced apartments and SOHO

RESIDENTIAL PROPERTY OVERHANG

Klang Valley

The year 2023 marked a clear improvement in the housing market overhang in Klang Valley. It recorded an upturn across all categories, with declines of 4.8% for landed residential, 3.2% for condominiums/apartments and a sharp 22.2% for serviced apartments, cumulating in a total reduction of 13.8% in overhang units.

From 2018 to 2023, the overhang in the housing market in Klang Valley showed an overall increase, peaking in 2021 with 17,213 units. The rise was especially significant in the condominium/apartment and serviced apartment sectors, which consistently grew until 2021. The highest numbers for condominium/apartment overhang were recorded in 2021 with 8,104 units, while serviced apartments peaked at 8,938 units in 2022. The landed residential sector followed a more fluctuating path, ultimately showing a general downward trend, decreasing from 2,850 units in 2018 to 1,017 units in 2023.

From 2018 to 2021, the percentage of total overhang units compared to the total units launched in the market showed an increasing trajectory, going from 17.6% to a high of 20.4%, which indicated a slowing absorption rate. Post-2021, this pattern shifted with the overall overhang percentage dipping to 17.7% in 2022 and further to 15.8% in 2023, reflecting an improved absorption rate, especially within the condominium/apartment and serviced apartment segments. Conversely, the landed residential segment exhibited an opposite trend with an overhang percentage rising from 20.6% in 2022 to 24.1% in 2023. Despite a decrease in new unit launches in 2023, the overhang for landed residences rose, pointing to a slower pace of absorption in this category.

Moreover, a significant portion of the overhang units is concentrated in specific districts: 44.3% of Kuala Lumpur's total overhang units are in the Kuala Lumpur Town Centre, while 38.2% of Selangor's total overhang units are located in the district of Gombak. The overhang units mostly consist of condominium/apartment.

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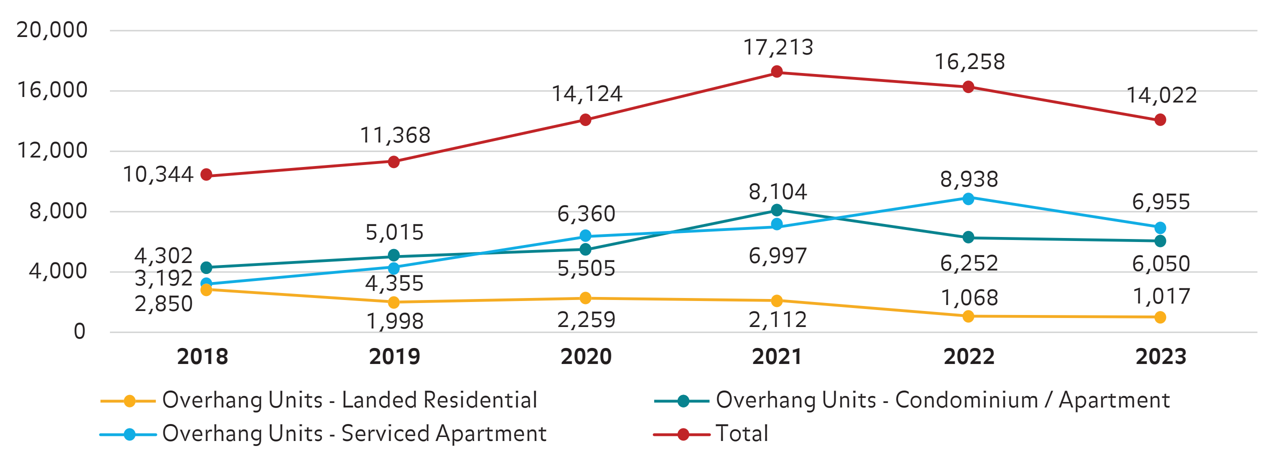
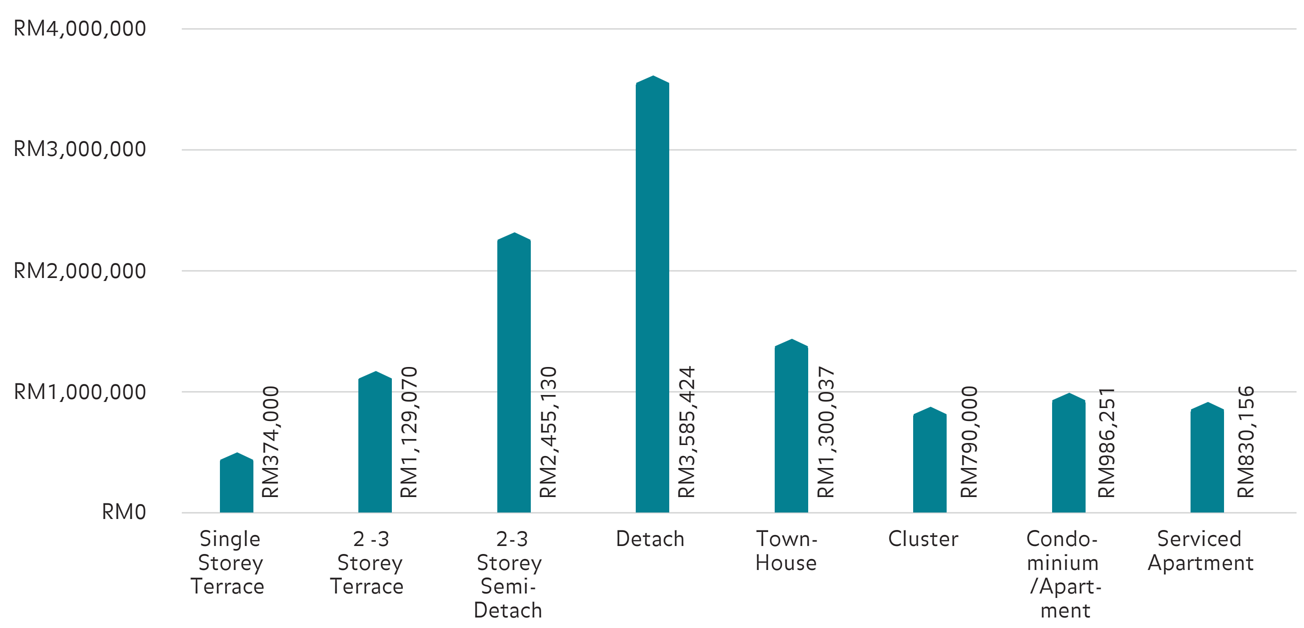
Residential Properties and Serviced Apartment Overhang in Klang Valley, 2018 – 2023



Sources: NAPIC, Knight Frank Research
Note: Exclude low-cost housing

In 2023, within the Klang Valley, condominium/apartment and serviced apartment overhang units command average overhang values at RM986,251 and RM830,156, respectively. Additionally, 2- to 3-storey terrace homes, which represent the most common residential supply in the region, have an average overhang value of RM1,129,070. These values indicate that overhang units are priced on the higher end of the market spectrum, as compared to the average transaction price at RM546,900, RM718,544 and RM698,518, respectively.

Average Value Per Transaction of Residential Properties and Serviced Apartment Overhang in Klang Valley, 2023



Sources: NAPIC, Knight Frank Research

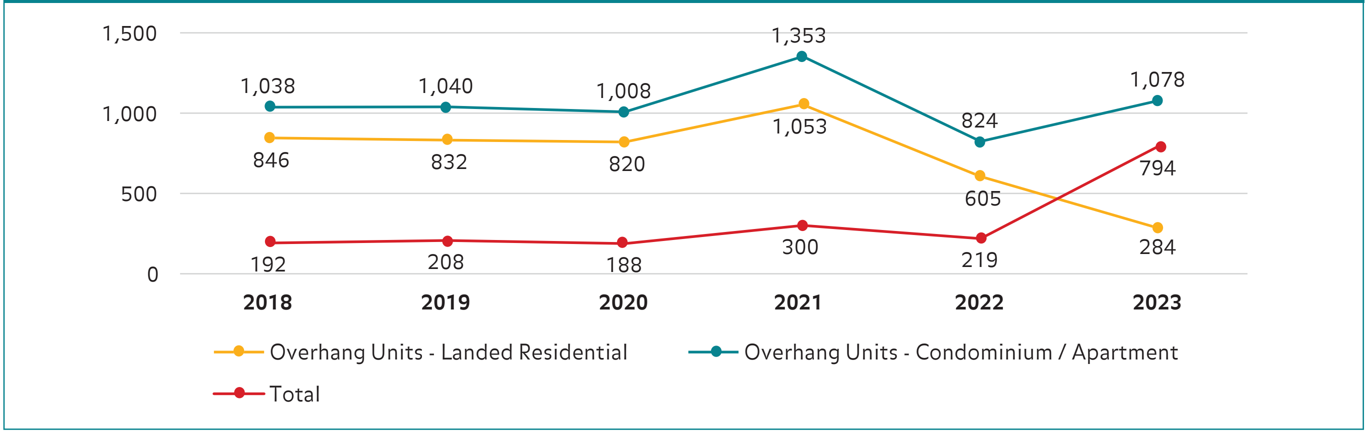
Negeri Sembilan

The total overhang of residential properties in Negeri Sembilan was relatively stable from 2018 to 2020, followed by a peak in 2021 at 1,353 units. In 2022, the total overhang sharply decreased to 824 units. The year 2023 saw an increase to 1,078 units, largely driven by the surge in condominium/apartment overhang.

Over the past six years, the Negeri Sembilan market has efficiently absorbed the overhang of landed residential units. However, 2023 saw a significant surge in condominium/apartment overhang units. Specifically, the overhang percentage in relation to the launched units for landed properties modestly increased from 11.8% in 2022 to 17.1% in 2023. In contrast, the overhang for condominiums/apartments jumped from 10.6% to 23.8% during the same period, leading to an overall increase in overhang from 11.4% to 21.6% across the residential property market.

Additionally, a considerable majority of Negeri Sembilan's overhang units are located in the Seremban district, accounting for 81.6%. Within this, condominiums and apartments make up just over half at 50.4%, while terrace houses represent 42.9%.

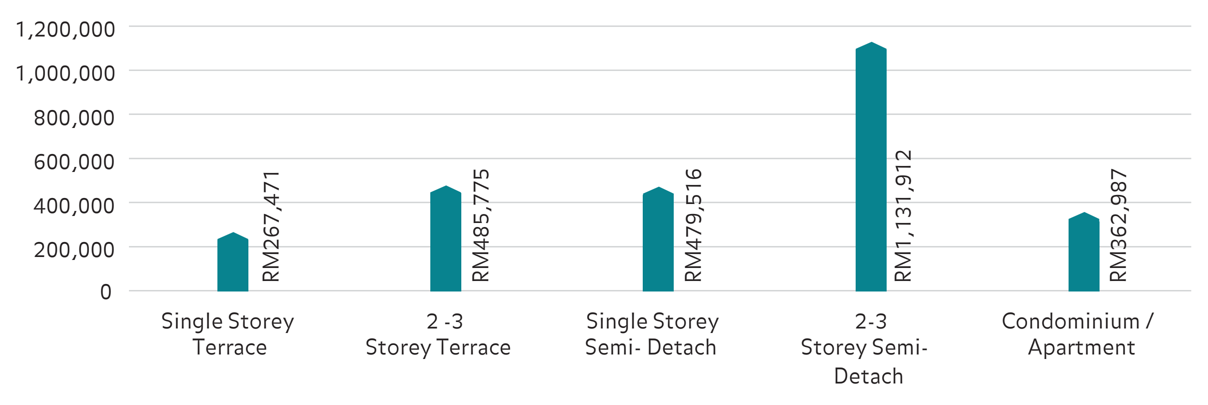
Residential Properties Overhang in Negeri Sembilan, 2018 – 2023



Sources: NAPIC, Knight Frank Research

In 2023, Negeri Sembilan's property overhang data revealed that condominiums/apartments, having the highest number of overhang units, were valued at an average of RM362,987. Meanwhile, the most sought-after residential properties, the 1- to 2-storey and 2- to 3-storey terrace houses, had average values of RM267,471 and RM485,775, respectively.

Average Value of Residential Properties Overhang in Negeri Sembilan, 2023



Sources: NAPIC, Knight Frank Research

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RESIDENTIAL MARKET OUTLOOK

The residential market activity in the Klang Valley has shown resilience in 2023 compared to the corresponding period in 2022, while the residential market activity in Negeri Sembilan has witnessed an increase in both transaction volume and value. The overhang inventory within the Klang Valley has seen a substantial contraction of 13.9% compared to the last year (factoring in serviced apartments while excluding low-cost housing). This reduction signifies a notable decline in the overhang ratio (to total launched units), from 17.7% in 2022 to 15.8% in 2023, indicative of strengthened market absorption. Conversely, Negeri Sembilan's residential market has witnessed a 30.8% surge in overhang units, mainly in condominiums and apartments, possibly indicating a sustained preference for landed houses. However, it's noteworthy that despite the increase in overhang percentage, the actual number of additional overhang units is relatively small.

The residential market presents a nuanced landscape, balancing potential risks with positive trends that shape the industry's trajectory. With the steep increase in the prices of building materials translating to higher construction costs, prices for residential properties are set to increase moving forward. This, coupled with the increase in the Overnight Policy Rate ("OPR") from 2.75% to 3.00% on 3 May 2023, is anticipated to present headwinds in the property market due to the higher borrowing cost.

Nonetheless, REHDA's Property Industry Survey for 2024 anticipates optimism for the second half of 2024 despite the current challenges facing the industry. Developers remain confident that the market will improve, driven by improved consumer purchasing power and residential sector expansion. More developers are also expected to unveil attractive campaigns to boost sales of unsold inventories and new property products. Additionally, there is a growing demand for a more focused approach, such as sustainable living, which incorporates green initiatives and the integration of renewable energy elements.

Under Budget 2024, tabled in October 2023, the government announced several significant initiatives related to housing and development. One key highlight was the imposition of a flat 4.0% stamp duty on the Memorandum of Transfer ("MOT") for non-citizens and foreign-owned companies, effective from 1 January 2024, potentially helping control land and property prices for locals. Additionally, a fixed stamp duty fee of RM10 will replace the previous variable rate for real estate transfer documents when beneficiaries relinquish their rights to eligible beneficiaries as per a will, Faraid, or the Distribution Act 1958. The government has allocated RM2.5 billion for public housing projects ("PPRs") in 2024 to enhance homeownership, particularly in the B40 category. Furthermore, the allocation for the Housing Credit Guarantee Scheme has doubled from RM5 billion in 2023 to RM10 billion in 2024, expected to benefit 40,000 borrowers.

Meanwhile, Sime Darby Property Bhd and Maybank have partnered to integrate Maybank's Home2u financing platform into Sime Darby Property's Online Booking System ("OBS"). This integration aims to facilitate swift home financing approval and offer competitive financing rates for prospective homebuyers, ultimately making homeownership more accessible.

The pandemic has indeed brought about a shift in buyers' preferences for residential property. Given affordability considerations, there is a growing inclination towards landed properties or low-density developments with more extensive and spacious layouts. Many developers are now incorporating extra rooms or study rooms that can be converted into home offices, to align with the increasing trend of remote/hybrid work lifestyles.

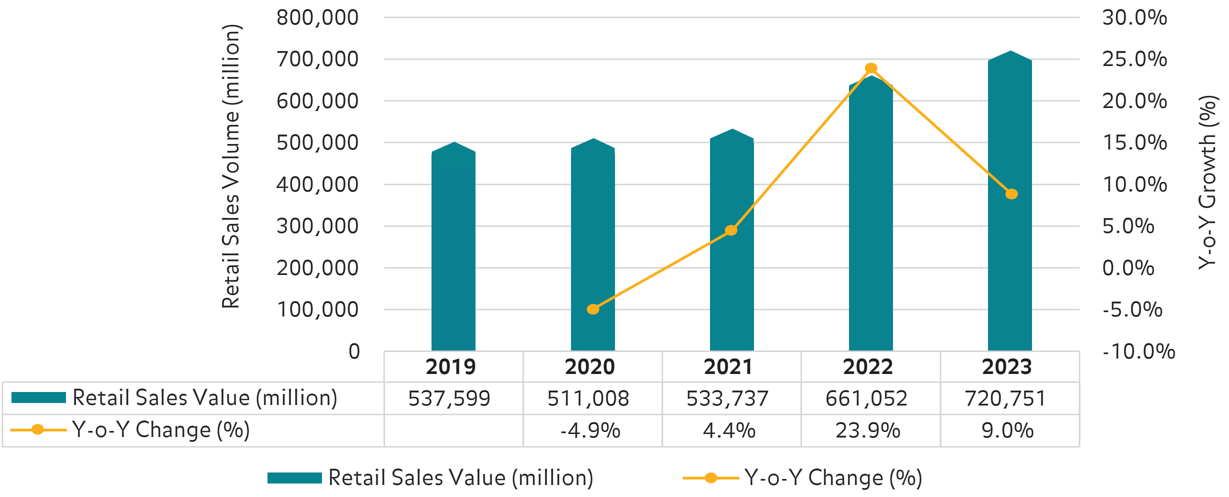
The gradual recovery of the property market is expected to continue into 2024, supported by firmer economic growth and an improving job market as well as favourable government policies and incentives. The completion of recent infrastructure projects and the well-connected train lines will further support market activities in the development sector.

RETAIL PROPERTY SECTOR

MARKET OVERVIEW

The retail sales in Malaysia, as recorded by the Department of Statistics Malaysia ("DOSM"), increased by 9.0% year-on-year in 2023, reaching RM720.7 billion compared to RM661.0 billion in 2022. This commendable growth rate is mainly attributed to the double-digit year-on-year growth of retail sales in specialised stores, including automotive fuel (14.0%), food, beverages & tobacco (13.3%), and non-specialised stores such as supermarkets/hypermarkets, department stores, and convenience stores (12.0%). Among these, non-specialised stores accounted for the majority of total retail trade sales in 2023, contributing 38.1%.

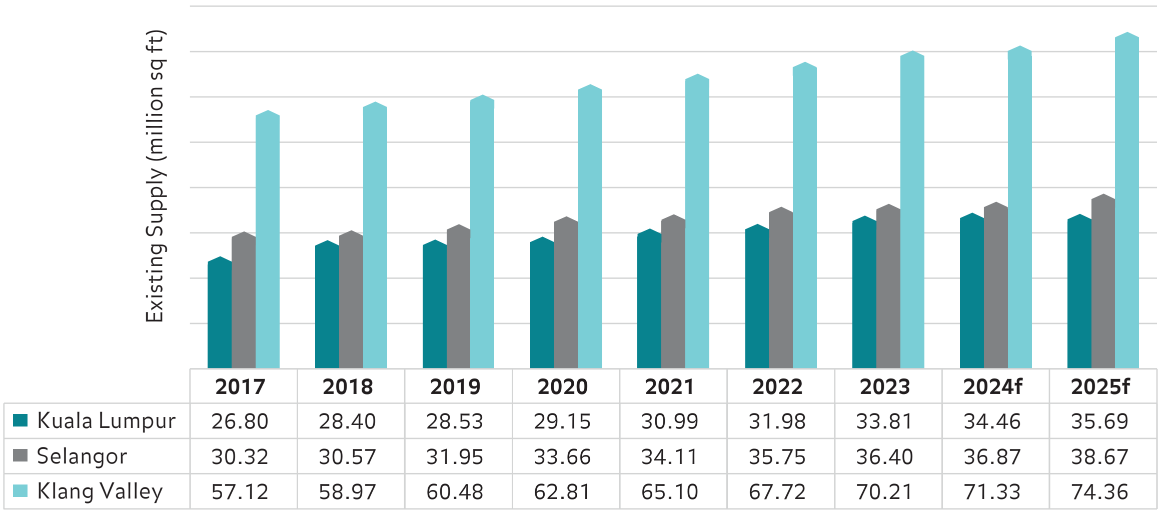
Malaysia Retail Sales Growth, 2019 – 2023, Y-o-Y change (%)



	2019	2020	2021	2022	2023
Retail Sales Value (million)	537,599	511,008	533,737	661,052	720,751
Y-o-Y Change (%)		-4.9%	4.4%	23.9%	9.0%

Sources: Department of Statistics Malaysia (DOSM), Knight Frank Research

Cumulative Supply of Retail Space in Klang Valley, 2017 - 2025 (f)



	2017	2018	2019	2020	2021	2022	2023	2024f	2025f
Kuala Lumpur	26.80	28.40	28.53	29.15	30.99	31.98	33.81	34.46	35.69
Selangor	30.32	30.57	31.95	33.66	34.11	35.75	36.40	36.87	38.67
Klang Valley	57.12	58.97	60.48	62.81	65.10	67.72	70.21	71.33	74.36

Source: Knight Frank Research
(f) = Forecast

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The cumulative retail space supply in Klang Valley has grown at a CAGR of 3.5% per annum, from 57.1 million sq ft in 2017 to 70.2 million sq ft in 2023, following the recent completions of Pavilion Damansara Heights Phase 1 (Net Lettable Area ("NLA"): 530,000 sq ft) and The Exchange TRX (NLA: 1.3 million sq ft) in Kuala Lumpur as well as KSL Esplanade Mall (NLA: 650,000 sq ft) in Klang, Selangor. Collectively, these retail projects added a total of 2.5 million sq ft of retail space to the market in 2023.

The Exchange TRX is set to become Kuala Lumpur's new social hub with a committed occupancy rate of circa 95% upon its opening in November 2023. Redefining the luxury retail landscape, the mall will house over 500 experiential stores with Seibu, one of Japan's largest department stores anchoring the retail stores. The centerpiece of The Exchange TRX, its 10-acre park is also the largest rooftop public park in Kuala Lumpur.

Phase 1 of Pavilion Damansara Heights Mall is part of the larger integrated development which also comprises luxury residences, corporate office towers and a proposed 5-star hotel. It opened on 9 October 2023 with a committed occupancy rate of 80.0%, offering options for fashion, food and beverage, beauty and urban leisure as well as an event gallery and entertainment hub.

KSL Esplanade Mall is planned as a "third space" with a landscaped park, a 10,000 sq ft event space, outdoor dining terrace and children's play area. Envisioned to become Klang's one-stop shopping destination, the mall achieved approximately 75% occupancy upon its opening.

Looking ahead, three more retail developments with a total NLA of circa 1.7 million sq ft are anticipated to enter the Klang Valley retail market in 2024, namely Pavilion Damansara Heights (Phase 2) and 118 Mall in Kuala Lumpur as well as Elmina Lakeside Mall in Selangor.

New and Expected Completions of Retail Malls in 2023 and 2024

New Completions in 2023	Net Lettable Area ("NLA")
Kuala Lumpur	
Pavilion Damansara Heights Phase 1 The Exchange TRX	1.8 million sq ft
Selangor	
KSL Esplanade Mall	0.7 million sq ft

Expected Completions in 2024	Net Lettable Area ("NLA")
Kuala Lumpur	
Pavilion Damansara Heights (Phase 2) 118 Mall	1.5 million sq ft
Selangor	
Elmina Lakeside Mall	0.2 million sq ft

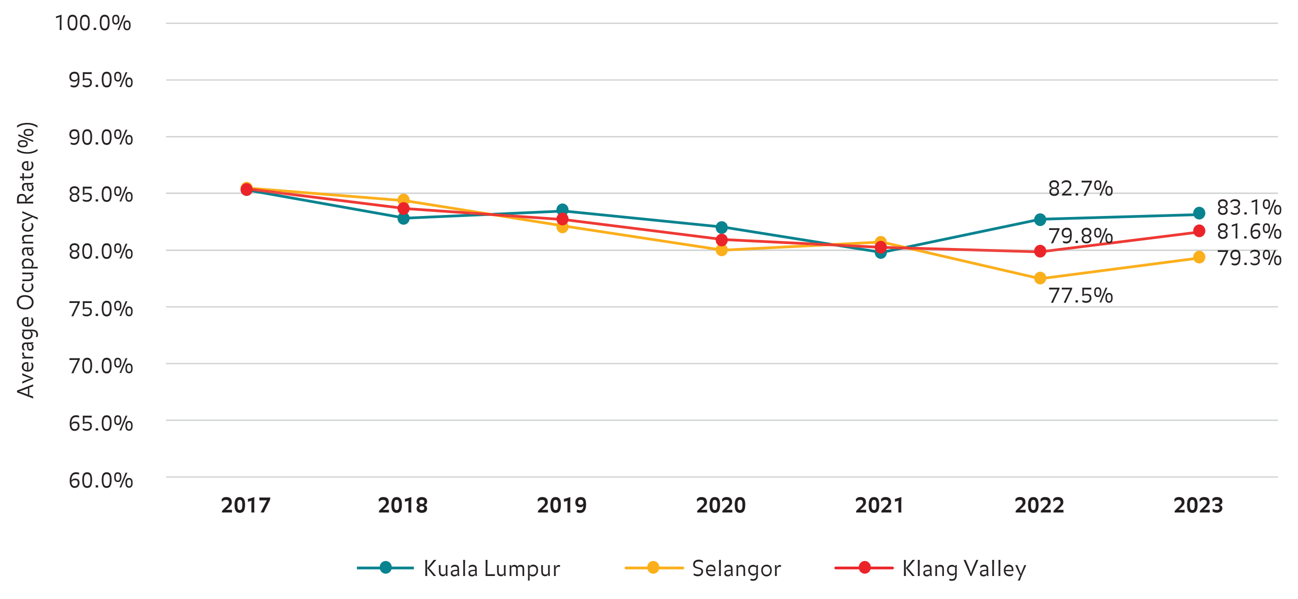
Source: Knight Frank Research

The average occupancy rates of shopping complexes (including shopping centres, hypermarkets, and arcades) in Kuala Lumpur and Selangor increased marginally by 0.5% and 2.3% y-o-y in 2023, registering at 83.1% and 79.3% respectively. This resulted in an overall occupancy increase of 2.2% in the Klang Valley.

With the changing landscape in consumer attitudes, behaviours and purchasing habits, retailers are continuously creating and introducing immersive experiences to drive sales and strengthen their commitment in embracing sustainability and ESG (environmental, social, and governance) principles.

Meanwhile, local and foreign brands continue to debut in prime shopping centres while existing retailers continue to strategise for expansions. Uniqlo's first coffee kiosk in Malaysia has made its debut following the revamp of its flagship store at Fahrenheit 88. The remodeled three-storey shopping haven spans nearly 34,000 sq ft and features a dining area on the upper level. Adidas, a fusing sports, lifestyle and sustainability brand, has also unveiled Malaysia's first 'Home of Sports' concept in Mid Valley Megamall.

Average Occupancy Rate of Shopping Complexes, 2017 – 2023



Sources: NAPIC, Knight Frank Research

In 2023, MTrustee Bhd, the trustee of Pavilion REIT, signed a sale and purchase agreement to acquire Pavilion Bukit Jalil Mall from Malton's subsidiary, Regal Path Sdn Bhd, for RM2.2 billion. A more recent transaction includes Sunway Real Estate Investment Trust (SunREIT) announcing the acquisition of 163 Retail Park in Mont Kiara, Kuala Lumpur, for RM215 million.

Meanwhile, in Selangor, MRCB Sentral Properties Sdn Bhd, a wholly-owned subsidiary of MRCB had entered into a sale and purchase agreement with PKNS for the proposed disposal of Plaza Alam Sentral Mall and the adjoining land to PKNS for a cash consideration of RM178 million. Pacific Trustees Berhad, trustee for and on behalf of KIP REIT, had also entered into a conditional sale and purchase agreement with Cahaya Serijaya Sdn Bhd for the proposed acquisition of KIPMall Kota Warisan for a purchase consideration of RM80 million.

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RETAIL MARKET OUTLOOK

The increasing retail space supply, particularly in the Klang Valley, indicates a highly competitive retail real estate market. The surge in retail space, outpacing population growth, raises concerns about oversupply and heightened competition among mall owners for tenants. This is likely to lead to a dilution of the tenant mix as mall owners vie for the same retailers, impacting market differentiation. It becomes crucial for mall owners to focus on strategic planning, unique value propositions and effective tenant curation to stand out in the crowded market.

The anticipated growth from 70.2 million sq ft in 2023 to 74.3 million sq ft by 2025 further underscores potential challenges in maintaining high occupancy rates and rental values. This trend could shift leasing dynamics, providing tenants with increased negotiation leverage.

In 2022, Malaysia's retail industry rebounded strongly with a 33.3% growth in retail sales. However, with retailers generally less optimistic about the spending power of consumers due to the higher cost of living, the country's retail sales growth for the full year of 2023 was at 2.2%. Nevertheless, in 2024, the retail sales growth is forecasted to be at 4.0%, particularly supported by the expected higher retail sales growth in the first half of 2024.

Since the start of last year, the local retail sector has been faced with a more challenging environment, with local businesses across all sectors, including retail, grappling with labour shortages, mirroring the global scene. Coupled with higher electricity cost, the increase in the national minimum wage which led to rising manpower cost has also affected retailers' sales and operation costs.

The rising cost of living and high inflation, which continued to persist throughout the year, continued to exert pressure on the purchasing power of consumers. Despite the inflation rate declining in the past quarter, it remains elevated compared to the long-term average. The depreciation of the Malaysian Ringgit also leads to higher import prices, placing a burden on consumers as the country is a net food importer. With weaker currency and elevated inflation, private consumption declines as purchasing power is reduced.

Ongoing policy support by the government, including the 'Payung Rahmah' initiative was launched to cushion the impact of the rising cost of living. The government is allocating RM200 million for the 'Payung Rahmah' initiative in its commitment to ease the rising cost of living. The government also continues to allocate cash assistance and incentives to boost consumer spending, increasing 25% from the previous year to RM10 billion.

Driven by Malaysia's steady growth of digital consumers as well as the high penetration of e-wallets and digital payments, e-commerce is indispensable. Physical stores remain vital; however, consumers have come to expect a seamless shopping experience, online and offline. Driven by younger consumers, particularly the millennials and Gen Z, digital payments services/e-wallet is projected to gather further momentum. With continuing labour shortages, retailers are likely to turn to automation, investing more heavily and strategically in digital infrastructure.

With the ever-evolving retail landscape, retailers and mall operators are increasingly re-configuring their spaces and embarking on asset enhancement initiatives to incorporate ESG principles in their business strategies. These efforts aim to differentiate from a saturated market apart from promoting experiential retail, thematic stores and promotional events, while also distinguishing the shopping experience from online retail and luring consumers to physical stores.

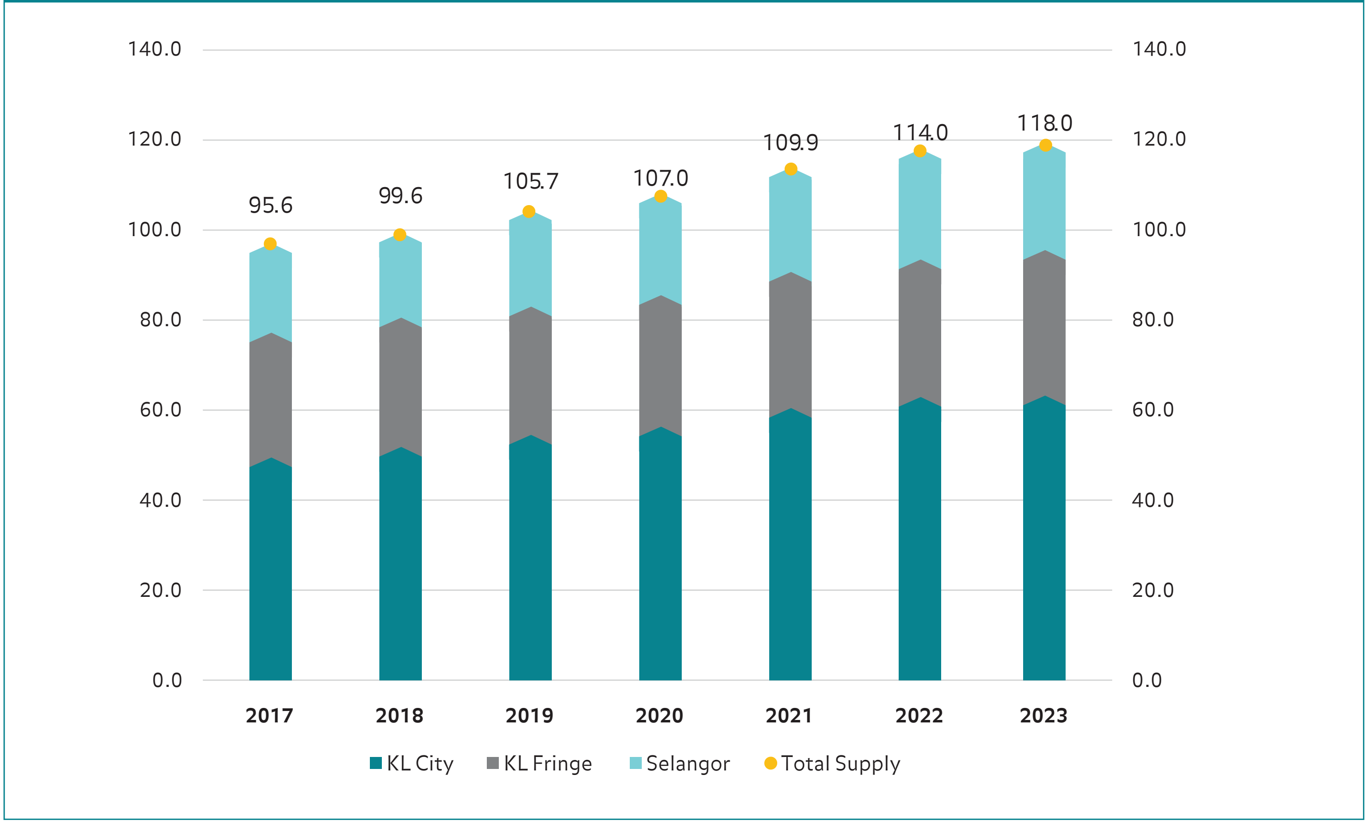
The overall outlook for shopping malls remains positive in terms of retail sales, particularly during the first half of 2024, with the recent Chinese New Year celebration and the upcoming Ramadan and Hari Raya Celebrations. Retail sales in the first quarter of 2024 is anticipated to increase by 7.1%, as reported by the Retail Group Malaysia. However, it is crucial to closely monitor the impact of recent regulatory changes, including the increase in the Sales and Services Tax (SST) from 6% to 8% and the introduction of a luxury tax ranging from 5% to 10%, all implemented swiftly in the first quarter of 2024. The industry will be keenly observing how these changes may affect operating costs, consumer behaviours, product pricing, and the overall economy.

OFFICE PROPERTY SECTOR

MARKET OVERVIEW

From 2017 to 2023, the cumulative supply of purpose-built office space in Klang Valley grew at a CAGR of 3.5%, from 95.6 million sq ft to 117.7 million sq ft. Following the completion of seven buildings in 2023, a total of 3.7 million sq ft of office space was added to the market in Klang Valley.

Cumulative Supply of Purpose-Built Office Space in Klang Valley, 2017 - 2023



Source: Knight Frank Research
Note:
1. *KL City: New Central Business District (formerly Golden Triangle), Old Central Business District (formerly Central Business District), KL City Centre Peripheral*
2. *KL Fringe: Decentralised localities of Damansara Heights, KL Sentral, Taman Tun Dr Ismail (TTDI), Mont' Kiara, Dutamas, Mid Valley City, KL Eco City, KL Gateway, Bangsar South, Kerinchi, Pantai and Bangsar*
3. *Selangor: Refers to all zones in Selangor*

This follows the completions of Sunway V2 (Velocity 2) Office Tower, PNB 1194 and Merdeka 118 Tower in KL City, totaling 2.2 million sq ft; as well as Senada Corporate Tower, Pavilion Damansara Heights Corporate Towers 3, 3A, 5, 6, 7, 8 & 9 (Phase 1), Pavilion Damansara Heights Corporate Tower 2 (Phase 1) and Aspire Tower in KL Fringe, totaling 1.8 million sq ft. As for Selangor, there were no notable new completions in 2023.

By the end of 2024, six office buildings or circa 1.7 million sq ft of supply pipeline is scheduled to come on-stream– three in KL City, two in KL Fringe and another one in Selangor.

The three upcoming office buildings in the capital city include Felcra Tower, The Exchange TRX and Oxley Tower (totaling 0.7 million sq ft) while in KL Fringe, they are TNB Gold @ Bangsar and Pavilion Damansara Heights Corporate Tower 1 (Phase 1), totaling 0.7 million sq ft. The only upcoming building in Selangor is Office Towers @ Atwater (0.3 million sq ft).

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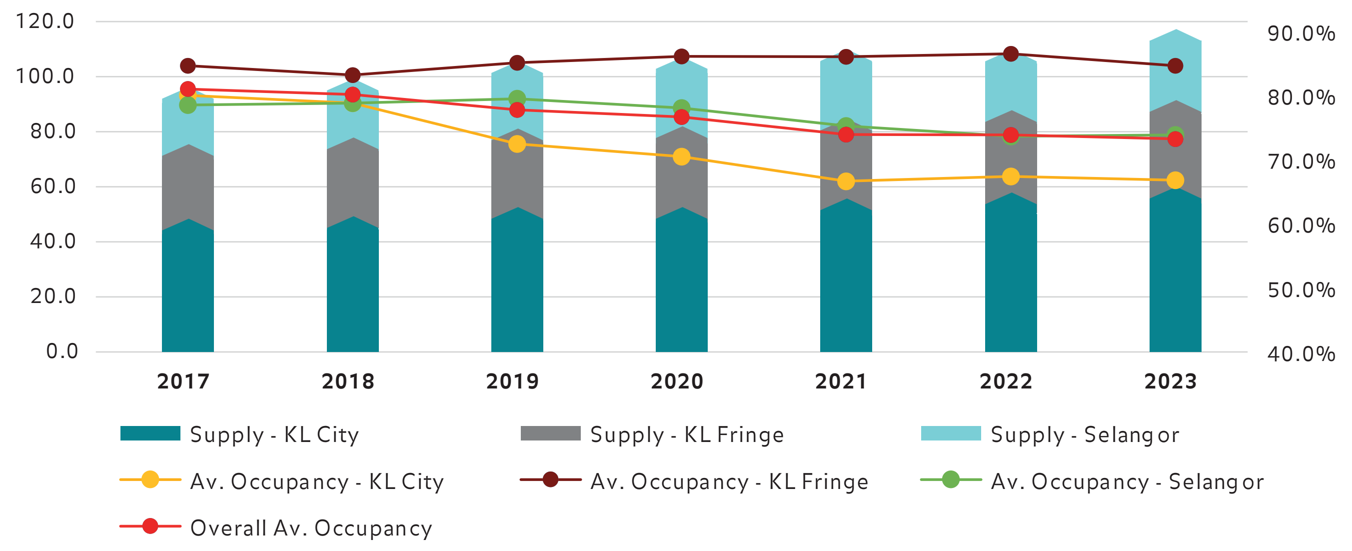
New and Expected Completions of Purpose-built Office Space in 2023 and 2024

New Completions in 2023	Net Lettable Area ("NLA")
Kuala Lumpur City	
Sunway V2 (Velocity 2) Office Tower PNB 1194 Merdeka 118 Tower	2.2 million sq ft
Kuala Lumpur Fringe	
Senada Corporate Tower Pavilion Damansara Heights Corporate Towers 3, 3A, 5, 6, 7, 8 & 9 (Phase 1) Pavilion Damansara Heights Corporate Tower 2 (Phase 1) Aspire Tower	1.8 million sq ft

Expected Completions in 2024	Net Lettable Area ("NLA")
Kuala Lumpur City	
Felcra Tower (Lot 391) The Exchange TRX Oxley Tower	0.7 million sq ft
Kuala Lumpur Fringe	
TNB Gold, Bangsar Pavilion Damansara Heights Corporate Tower 1 (Phase 1)	0.7 million sq ft
Selangor	
Two office towers @ Atwater	0.3 million sq ft

Source: Knight Frank Research

Purpose-built Office Space and Average Occupancy Trend in Klang Valley, 2017 – 2023



Source: Knight Frank Research

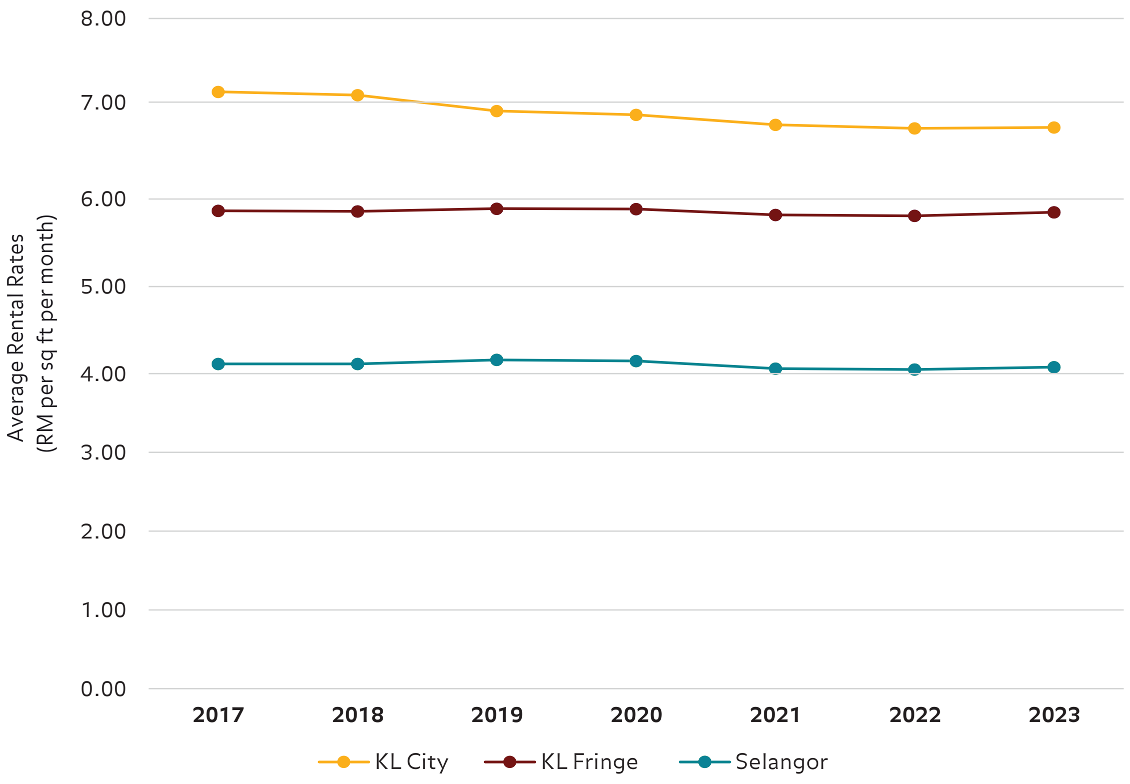
The purpose-built office space in Klang Valley continued to record a declining trend in occupancy rates reaching 73.2% in 2023, due to a substantial increase in new supply for the past six years. In specific areas, KL City and KL Fringe saw a slight decline in average occupancy rates, with variations of 0.8% and 2.1% y-o-y, respectively.

In contrast, the average occupancy rate of office space in Selangor improved slightly to record 73.8% in 2023 (2022: 73.6%).

The average rental rates of office space in KL City and KL Fringe were marginally higher at RM6.44 per sq ft per month and RM5.70 per sq ft per month in 2023 respectively (2022: KL City – RM6.42 per sq ft per month; KL Fringe – RM5.63 per sq ft per month). This follows the completion of new buildings with improved specifications such as Merdeka 118 Tower which command higher average rental rates. Moving forward, the scheduled completion of more office buildings in the next one to two years will further widen the supply–demand gap. With existing and newly completed buildings competing for the same pool of tenants, this will heighten competition, resulting in a tenant-led office market.

Similarly, the average office rent in Selangor was also higher at RM4.15 per sq ft per month during the review period (2022: RM4.09 per sq ft per month).

Average Rental Rate of Office Space, 2017 – 2023



Source: Knight Frank Research

In 2023, three office buildings in KL City, namely Menara HSBC Leboh Ampang, Menara TM Semarak and Tower 3 @ Oxley Towers KLCC, were sold at a total consideration of circa RM532.8 million. There was no notable transaction in KL Fringe during the year while for Selangor, there were six notable office transactions, namely Qi Tower, Bangunan KWSP Damansara Fairway, Menara CelcomDigi, 3 Damansara, Menara Serba Dinamik and Tower 2 of PJ Sentral, with total consideration estimated at RM922.8 million.

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OFFICE MARKET OUTLOOK

The Klang Valley office market is anticipated to remain stable with modest recovery in the near to mid-term, underpinned by sustained demand for office spaces from various sectors such as technology, finance, and professional services – driven by the flight-to-green trend and growing awareness of ESG factors.

Moving forward, the KL City office market is expected to face challenges given the increase in office supply by 2.2 million sq ft during 2023, exerting downward pressure on both occupancy and rental levels. Nevertheless, with the newly completed Merdeka 118 reported to be almost 70% tenanted, the effective new supply from the new completions is expected to provide some relief on current downward supply pressure.

Meanwhile, the market demand for office space in KL Fringe is anticipated to remain stable, attributed to its established location, comprehensive infrastructure and limited incoming supply of Grade A offices. Similarly, selected decentralised office locations in Selangor continue to grow in popularity due to the availability of good-grade office space at attractive rental rates coupled with improved infrastructure providing easy accessibility and good connectivity via the fully operational MRT Line 1 and Line 2 as well as the existing LRT and KTM Komuter lines. In particular, Grade A office buildings with green certifications and MD (Malaysia Digital) Status are anticipated to experience better demand. Thus, both rental and occupancy levels within KL Fringe and Selangor are expected to be insulated by the presence of sustained demand.

The government has also introduced various subsidies and incentives under the revised Budget 2023 and Budget 2024 to support the business industry. Highlights include the designation of TRX as Malaysia's international financial hub and special economic zone to attract high-quality foreign investment; the extension of Green Investment Tax Allowance ("GITA") and Green Income Tax Exemption ("GITE") until December 2025 to encourage sustainable initiatives; and the Global Services Hub ("GSH") incentive to boost Malaysia's competitiveness as a leader in the global services sector.

Selected REITs or landlords of well-located buildings, which are dated and older, continue to shift their focus on asset management and enhancement initiatives by refurbishing/revamping their office buildings. They are also motivated to offer attractive leasing packages that are centred on tenant retention to improve their market competitiveness and attract new occupiers.

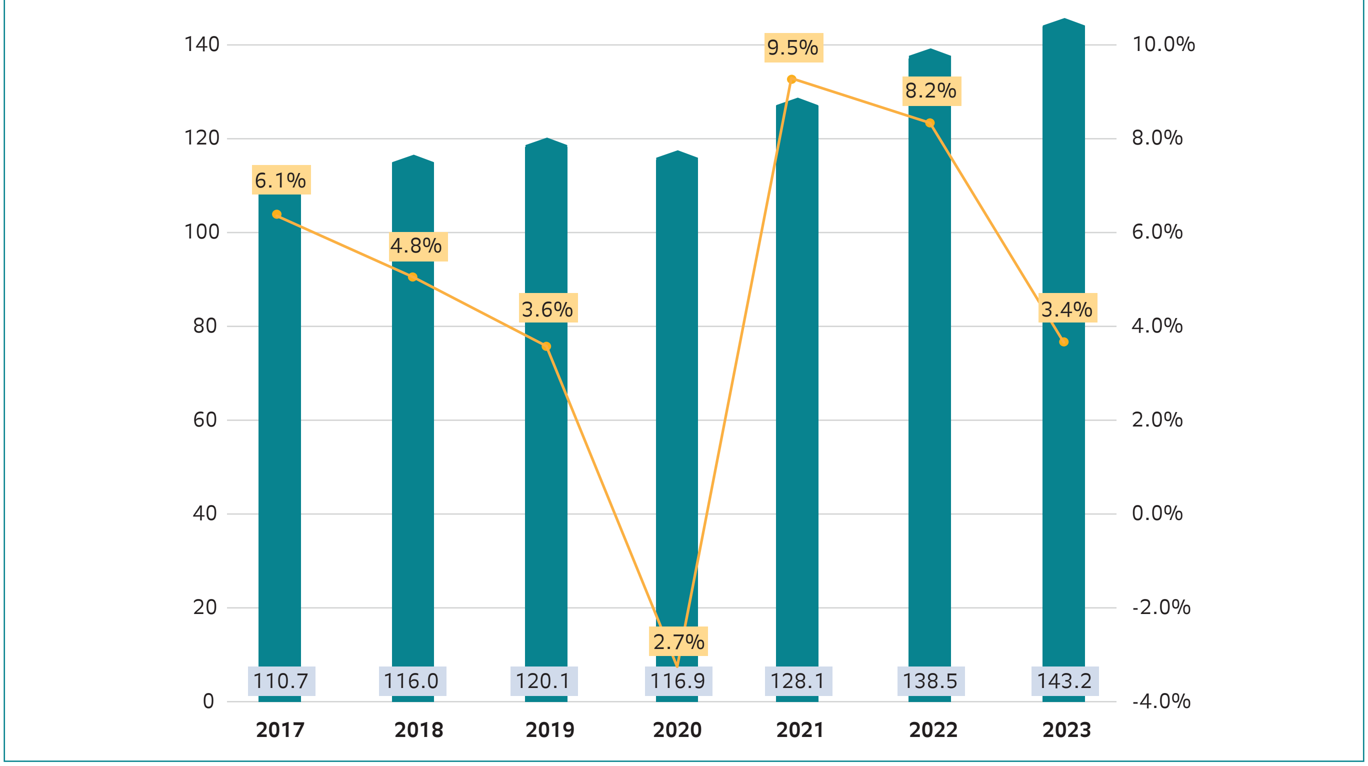
Co-working spaces continue to gain popularity amongst larger corporate clients as organisations continue to adopt hybrid workstyles, in addition to traditional clientele such as independent professionals, micro, small, and medium enterprises ("MSMEs") and some multinational corporations ("MNCs"). Demand for co-working and flexible spaces will continue to be sustained, accommodating evolving work models, primarily due to the flexibility they provide in terms of scalability and cost-effectiveness, which is highly valued in the post-COVID era. In response to the rising demand, co-working operators are expanding their presence and offering comprehensive and hybrid work solutions that appeal to both SMEs and MNCs.

INDUSTRIAL PROPERTY SECTOR

MARKET OVERVIEW

Malaysia's manufacturing sector recorded continuous growth in 2023, with the Industrial Production Index (IPI) rising from 138.5 to 143.2 points. This growth was primarily attributed to the categories of 1) food, beverage & tobacco, 2) petroleum, chemical, rubber and plastic products and 3) electrical and electronic products.

Industrial Production Index ("IPI") For Manufacturing Sector, Malaysia



Sources: Department of Statistics Malaysia ("DOSM"), Knight Frank Research

In 2023, the pace of global trade expansion slowed, influenced by several factors including diminished commodity prices, geopolitical tensions, rising inflation and a downturn in the semiconductor industry. Notably, the lower prices of commodities such as crude palm oil, crude petroleum and liquefied natural gas ("LNG") impacted trade performance. Additionally, geopolitical uncertainties, such as tensions between the United States and China, the Russia-Ukraine conflict, and Middle East disputes, adversely affected the global economy, including reduced demand for products. High inflation worldwide also diminished the purchasing power of consumers in importing countries.

As a result, Malaysia's total exports, imports, and trade balance for the year stood at RM1,425.7 billion, RM1,211.6 billion, and RM214.1 billion, respectively. Compared to 2022, there was a decline of 8.0% in total export value and a 6.4% decrease in total import value. Consequently, the trade balance experienced a 16.4% negative growth.

Despite these global economic challenges, Malaysia's trade performance remained strong, with the trade balance surpassing the RM2 trillion mark for the third consecutive year since 2021. Exports exceeded RM1 trillion for the third consecutive year, while imports also achieved a significant milestone by crossing the RM1 trillion threshold for the second time. Furthermore, the nation's trade outcomes aligned closely with the Ministry of Finance's Economic Outlook 2024 forecasts, achieving 100.1%, 99.7%, and 100.5% of the projected trade, exports, and imports figures, respectively.

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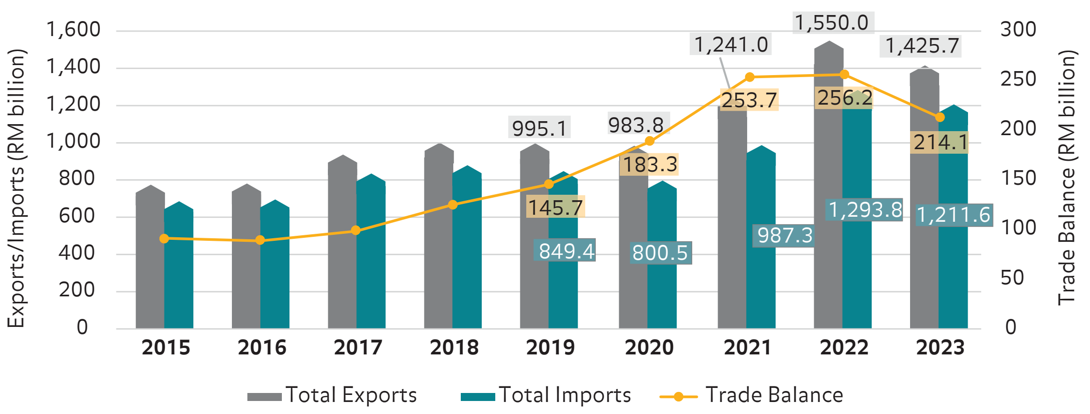
External Trade in Malaysia, 2015 to 2023



Sources: Department of Statistics Malaysia (DOSM), Knight Frank Research

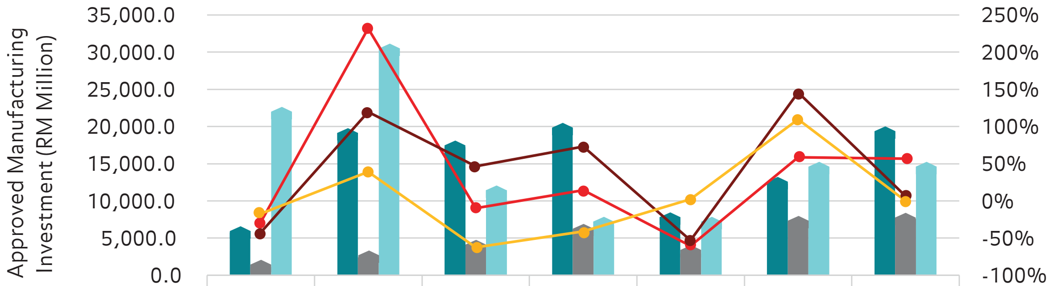
APPROVED MANUFACTURING INVESTMENT

The approved manufacturing investments in the three selected states have shown a y-o-y increasing trend in 2023. In the Klang Valley, particularly in Selangor, investments have surged by 58.2% to RM19.31 billion, marking the highest increase among the states. Selangor's investment growth contributed 12.7% to Malaysia's total approved manufacturing investments, owing to its well-developed infrastructure supporting major industry clusters and strategic locations.

On the other hand, Negeri Sembilan experienced a growth of 6.6% to RM7.60 billion, marking the highest investment achieved in the state. Johor, following a remarkable growth in approved manufacturing investment in 2022 with a surge of 110% or slightly more than two-fold, saw a slight increase of 0.2%.

The majority of approved manufacturing investments are contributed by foreign direct investment. Selangor accounted for 70.8% of such contributions, Negeri Sembilan 79.1% and Johor 64.5%.

Approved Manufacturing Investments in Klang Valley, Negeri Sembilan and Johor



	2017	2018	2019	2020	2021	2022	2023
Klang Valley	5,758.0	19,114.5	17,214.4	19,731.7	7,789.4	12,347.1	19,379.0
Negeri Sembilan	1,106.5	2,430.8	3,565.7	6,178.6	2,901.2	7,132.0	7,601.7
Johor	21,927.8	30,514.7	11,455.2	6,784.3	6,953.2	14,582.5	14,617.3
Y-o-Y Growth (Klang Valley)	-28.6%	232.0%	-9.9%	14.6%	-60.5%	58.5%	57.0%
Y-o-Y Growth (Negeri Sembilan)	-42.3%	119.7%	46.7%	73.3%	-53.0%	145.8%	6.6%
Y-o-Y Growth (Johor)	-17.0%	39.2%	-62.5%	-40.8%	2.5%	109.7%	0.2%

Sources: MIDA, Knight Frank Research

CUMULATIVE SUPPLY OF READY-BUILT FACTORY IN KLANG VALLEY, NEGERI SEMBILAN & JOHOR

In 2023, the total number of ready-built factory units in the Klang Valley, Negeri Sembilan, and Johor reached 71,925. Selangor accounted for the largest share at 58.5% (42,008 units), followed by Johor at 26.7% (19,205 units), Negeri Sembilan at 7.7% (5,574 units), and Kuala Lumpur at 7.1% (5,138 units).

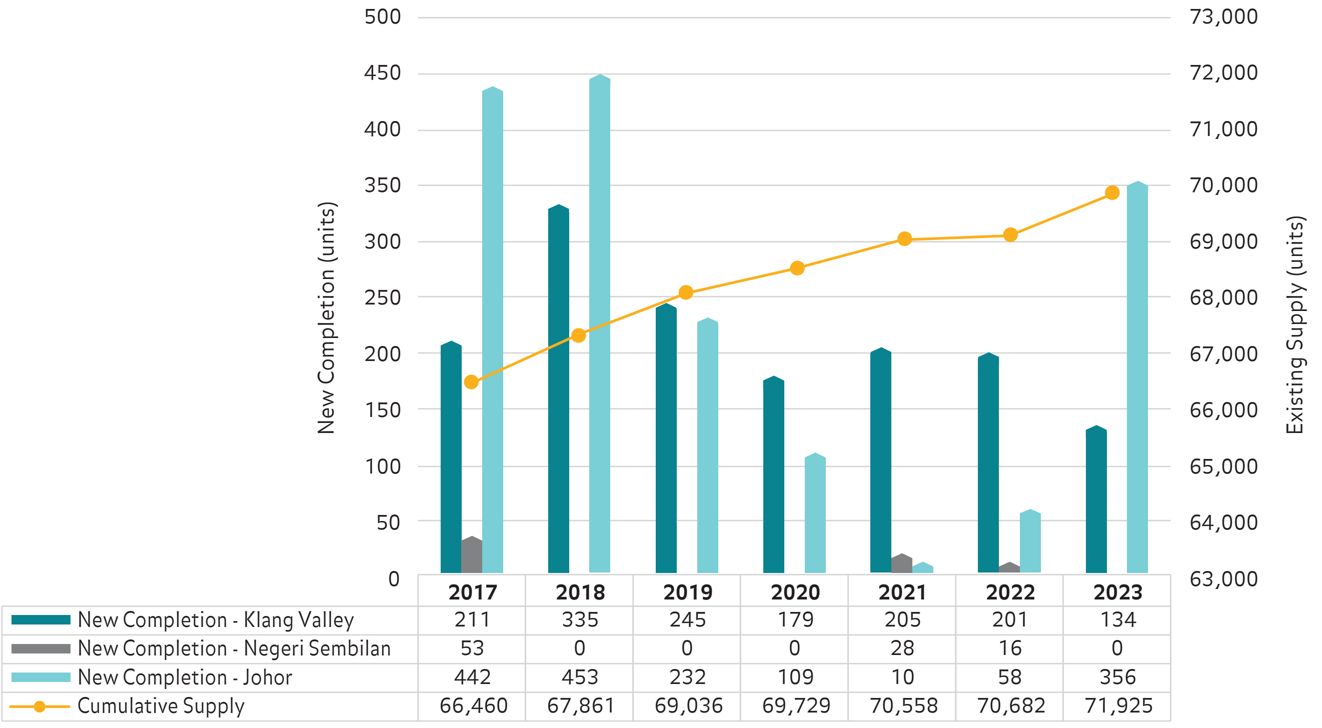
Since 2017, the industrial property market in the Klang Valley has shown strength, with an increase of 1,510 ready-built factory units by 2023. Johor, similarly, has seen a significant rise in industrial property availability, with an additional 1,660 units during this period. Negeri Sembilan, on the other hand, has seen more modest growth, adding only 97 industrial properties.

In the Klang Valley, the bulk of incoming developments are in Selangor, totaling 3,643 units, while Kuala Lumpur has 37 units. Within Selangor's incoming units, 41.7% (1,518 units) are under construction, and 58.3% (2,125 units) are in the planning stage, with a significant concentration in the Klang district, which represents 46.4% (1,708 units) of the total.

Negeri Sembilan is expecting 184 ready-built factories, with an additional 659 units under planning, predominantly in the Seremban District. Johor's future industrial property supply is estimated at 578 units, with 508 units currently in the pipeline and 70 units in the planning stages. The majority of this future supply is located in the districts of Johor Bahru, holding a 44.1% share (255 units), and Kulai, with a 19.4% share (112 units).

Some of the notable upcoming industrial projects include Sime Darby Property's E-Metro Logistics Hub (Metro Hub 1 & 2) in Bandar Bukit Raja 2, COMPASS industrial park in Kota Seri Langat, Mah Sing Business Park in Serenia City, Eco Business Park V in Kuala Selangor, Sunsuria Kejora Business Park in Puncak Alam and NCT Smart Industrial Park in Sepang.

Cumulative Supply of Ready-Built Factories in Klang Valley, Negeri Sembilan & Johor



	2017	2018	2019	2020	2021	2022	2023
New Completion - Klang Valley	211	335	245	179	205	201	134
New Completion - Negeri Sembilan	53	0	0	0	28	16	0
New Completion - Johor	442	453	232	109	10	58	356
Cumulative Supply	66,460	67,861	69,036	69,729	70,558	70,682	71,925

Sources: NAPIC, Knight Frank Research

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TRANSACTION VOLUME & VALUE

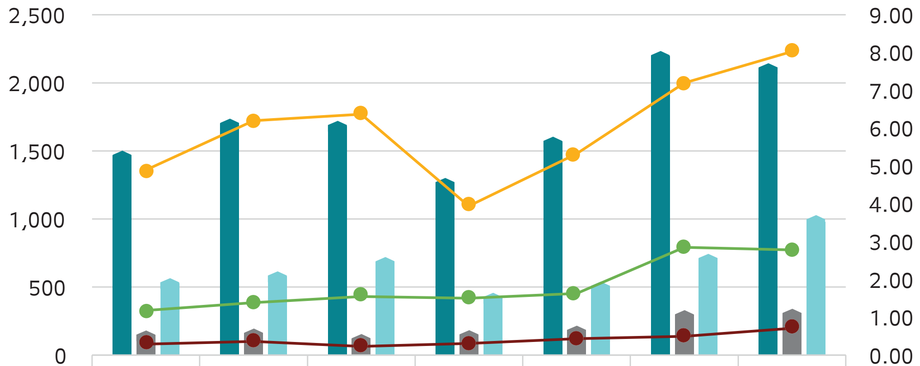
Since 2017, Klang Valley has witnessed a steady demand for ready-built factories, with annual sales varying between 1,270 and 2,233 units. By 2023, the region achieved a cumulative sale of 12,217 units, totaling RM41.9 billion in value. The total transaction volume in 2023 experienced a slight decrease of 4.0%, although the value increased by 11.5%. Terraced factories/warehouses dominated the market, accounting for 60.8% of the transactions, followed by semi-detached (23.8%) and detached factories/ warehouses (14.0%), with industrial complexes contributing 1.4%. Klang and Petaling districts emerged as the most significant areas for industrial activity.

In Negeri Sembilan, there were 1,599 transactions of ready-built factories over the review period, with a total value of RM2.8 billion. In 2023, the transaction volume and value were recorded at 341 units and RM0.71 billion, respectively, marking increases of 3.0% and 41.9% compared to 2022. Terraced factories/warehouses represented 62.5% of these transactions in 2023, mostly located in Seremban.

Johor saw 4,668 transactions of ready-built factories valued at RM12.88 billion during the same period. In 2023, Johor's industrial property transactions surged remarkably by 38.3% from 744 units in 2022 to 1,029 units, with the highest demand observed for semi-detached (45.5%) and terraced (33.6%) units. Johor Bahru was the district with the most industrial activity. This uptick aligns with the increase in approved manufacturing investments in 2022, which doubled the investment received in 2021.

The industrial sector has garnered significant interest in recent years, driven by the expansion of e-commerce and the logistics industry. Interest remains high, particularly in integrated and managed industrial parks as well as logistics hubs. Despite the sector attracting considerable attention over the past three years, there is a risk of oversupply. However, niche industrial developments tailored to specific needs, such as managed industrial parks with centralised labour quarters or data center technology parks, are becoming increasingly popular, diverging from generic industrial offerings.

Transaction Volume & Value of Ready-Built Factories in Klang Valley, Negeri Sembilan & Johor



	2017	2018	2019	2020	2021	2022	2023
▬ Volume-Klang Valley	1,507	1,737	1,722	1,270	1,604	2,233	2,144
▬ Volume-Negeri Sembilan	180	192	155	183	217	331	341
▬ Volume-Johor	565	614	724	458	534	744	1,029
●― Value-Klang Valley	4.89	6.20	6.37	3.94	5.33	7.20	8.03
●― Value-Negeri Sembilan	0.29	0.36	0.23	0.31	0.43	0.50	0.71
●― Value-Johor	1.18	1.39	1.55	1.50	1.63	2.85	2.78

Sources: NAPIC, Knight Frank Research

OVERVIEW OF READY-BUILT, BUILT-TO-SUIT FACTORY DEVELOPMENT AND THE LOGISTIC SUB-SECTOR

Malaysia attracted RM329.4 billion worth of approved investments in the manufacturing, services and primary sectors, expected to generate 127,322 new job opportunities, representing a record-high increase of 23.0% y-o-y (2022: RM267.7.0 billion) in 2023. Malaysia continues to attract high-quality investments in the manufacturing sector, with approved investments in the sector accounting for RM151.9 billion or 46.1% share of the total approved investment across various economic sectors in 2023 (2022: RM84.2 billion). The government's dedicated efforts in enhancing the capacity of high-value and technology-advanced industries have also positioned the country as the ideal destination for attracting foreign and domestic investments.

InvestKL achieved a groundbreaking milestone in 2023 by attracting a record setting RM8.7 billion in foreign direct investments. This impressive figure marks an astounding increase of over 300% from the RM2.8 billion recorded in 2022, demonstrating solid confidence among foreign investors in Malaysia's economic potential. The surge in investments was driven by twelve leading global corporations from the Americas, Europe, and Asia regions. From the Americas, technology and consulting services took the lead, reflecting a strong interest in Malaysia's digital economy. European investments encompassed healthcare technologies, financial services, and infrastructure, showcasing the region's focus on innovation and sustainable development. Asian contributions were notably diverse, with investments spanning automotive, environmental services, healthcare devices, as well as travel and tourism. Overall, these investments generated 8,329 high-skilled jobs, marking a substantial increase from the 2,805 positions created in 2022.

The volume and value of industrial properties in Malaysia had risen since 2017, before dipping in 2020, and rebounding in 2021 to subsequently record at 8,082 transactions in 2022. In 2023, the transaction volume of industrial properties in Malaysia continued to increase to 8,157 units with Selangor, the country's most industrialised state, continued to be the significant contributor, accounting for 31.8% of the nation's industrial transaction volume.

Transaction Volume and Value for Industrial Properties in Malaysia, 2017 – 2023

Year	2017	2018	2019	2020	2021	2022	2023
Volume (units)	5,725	6,032	6,261	4,758	5,595	8,082	8,157
Value (RM bil)	11,642.37	15,012.61	14,845.67	12,763.30	16,964.38	21,164.22	23,937.7

Sources: NAPIC, Knight Frank Research

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Several notable projects were approved in the manufacturing sector, including the notable investment amounting to RM1.3 billion from China's Tenpower to construct a manufacturing plant in Banting across 48 acres of industrial land in November 2023. DHL Supply Chain is looking to invest up to £350 million (RM1.74 billion) in Southeast Asia, of which Malaysia will receive the biggest investment of up to £131 million (RM666.59 million). Shanghai-listed LONGi Green Energy Technology Co is setting up a solar photovoltaic ("PV") manufacturing facility in Selangor, with a total of RM1.8 billion capital investment as part of its Malaysian expansion plan. Dialog Group Bhd and Hong Kong-listed Morimatsu International Holdings Co Ltd will spend RM250.0 million for the expansion of their joint venture company's engineering and fabrication facilities in Pengerang, Johor.

Real estate investment trusts ("REITs") continued to expand their portfolio into the thriving industrial segment. This includes CapitaLand Malaysia's acquisition of a single-storey detached warehouse in Hicom-Glenmarie Industrial Park, Shah Alam, to be transformed into a temperature-controlled distribution center via a convert-to-suit exercise. Additionally, the REIT company marked its entry into Malaysia's industrial segment with the acquisition of three freehold industrial factories in Johor's Nusajaya Tech Park for a purchase consideration of RM270.0 million. Atrium REIT is also acquiring five blocks of single-storey factories and a double-storey office building in Klang. Meanwhile, Sunway REIT has also expanded into the industrial segment with its acquisition of an industrial property located at Bukit Tengah Industrial Park, Prai, Penang, for a purchase consideration of RM66.8 million.

Logistics/Warehousing plays a pivotal role in facilitating the movement of goods both domestically and internationally, serving as a crucial element in the modern economy. In addition to fostering trade relationships with other nations, it serves as a vital catalyst for economic sectors like manufacturing, agriculture, and retail. This, in turn, generates positive ripple effects, including enhanced market reach and increased employment opportunities. Looking ahead, as trade continues to expand, the logistics sector is anticipated to experience growth, supported by strong demand for warehouse and distribution facilities as well as capitalising on the surge in the e-commerce market and rapid digital adoption.

There were several completions of warehouses/distribution centres during 2023, namely Symphony Warehouse in Shah Alam, LYL Logistic Park @ U10 Shah Alam (Phase 2), Bukit Raja International Industrial Complex (Phase 1) in Klang and the redevelopment of Bukit Raja Distribution Centre 2 in Shah Alam.

There are also several notable logistics-related announcements during 2023 that showcase the attractiveness of the country as a strategic investment destination. IJM Corp Bhd's wholly-owned subsidiary IJM RE Sdn Bhd has inked a joint-venture ("JV") agreement with FMM Elmina Sdn Bhd to develop two logistics hubs on a 22-acre freehold site in City of Elmina via a special purpose vehicle ("SPV"), Exio Logistics Sdn Bhd. The SPV is responsible for the construction and development of the hubs, scheduled to commence in early 2024. Upon completion, the hubs to be known as Storio Hub 1 and Storio Hub 2 with a combined floor space of 500,000 sq ft and a capacity of 110,000 pallet positions, will be fully leased to Storio Sdn Bhd. The hubs, which incorporate technology and Environmental, Social and Governance ("ESG") principles, will employ automated storage and retrieval system ("ASRS") alongside automated guided vehicles ("AGVs") to reduce carbon footprint through optimised operations.

Daiso Malaysia, in collaboration with Kajima-Suncon, will be investing RM1 billion to build its largest global distribution centre ("GDC") in Port Klang, which will also be Daiso's second international hub after China. The distribution hub is expected to commence construction in May 2024 and be operational in January 2027.

The demand for ready-built industrial properties is there to grow, with more and more launches seen in recent years. SDPLOG, a joint-venture between Sime Darby Property Bhd and LOGOS SE Asia Pte Ltd, has signed J&T Distribution Solutions Sdn Bhd as the first tenant for Metrohub 2. It is one of the first two facilities at E-Metro Logistics Park - Metrohub 1 and Metrohub 2 with 1.1 million sq ft and 824,000 sq ft in gross lettable area respectively. Metrohub 2 will consist of two ready-built 2-storey blocks, offering a versatile and multi-tenanted logistics facility with 7 warehouse spaces that range from 75,000 sq ft. to 230,000 sq ft. The state-of-the-art facility will offer an utility capacity of 300 Amps to cater for automation, a 12m width ramp access, loading bays with dock leveler, NFPA standards, ESFR sprinkler system and other state-of-the-art facilities. It is expected to be completed in 1H2024. NCT Smart Industrial Park ("NSIP"), Selangor's first certified managed industrial park is located in Sepang within the state's Integrated Development Region. Spread over 300 hectares, the GreenRE-certified development has an estimated GDV of RM10 billion and will be developed over three phases. The first phase, with expected completion by early 2025, has a GDV of about RM2 billion and will offer a mix of semi-detached factories, detached factories and link-detached factories as well as 27 vacant industrial lots (total of 101 units/plots). The first phase has reportedly achieved circa 40% bookings as of June 2023. With the support of Invest Selangor, Malaysian Investment Development Authority ("MIDA") and Ministry of Investment, Trade and Industry ("MITI"), NSIP has successfully secured its first foreign investor, YP Technology Development Co Ltd (Yue Pu), for the purchase of a 48.05-acre land plot.

COMPASS @ Kota Seri Langat, a master development spanning 220 acres of freehold land, is expected to yield a gross development value ("GDV") of RM1.2 billion. The 59-acre COMPASS SME Precinct, which offers ready-built factories and warehouses sized from 3,600 sq ft to 50,000 sq ft, commenced construction on 17 February 2023. Meanwhile, the 120-acre green-certified, managed industrial precinct, known as the COMPASS Industrial & Logistics Park, caters to build-to-suit or customised warehouses and manufacturing lots. Rivertree Group has also launched its maiden industrial project, known as Esteem Business Park in Klang, with an expected GDV of RM180 million. The 2-phase project sits on a 4.06-hectare land and will offer 39 industrial units with innovative flexi-space and super-sized jumbo factory space. Phases 1 and 2 of the projects are targeted to be completed in 2025 and 2026 respectively.

Malaysia, home to some 47 data centres, continues to receive investments for data centres, driven by rapid hyper-scale investments and strong co-location demands. In 2023, it has emerged as one of the top destinations for data centre investments among the SEA-5 with approximately 570MW of IT capacity take-up (inclusive data centres that are in the pipeline). The supply of data centres in Malaysia is forecast to grow by average 15% per annum over the next five years with the potential to become a data centre infrastructure hub for Southeast Asia.

Cyberjaya, with affordable land prices, reliable power infrastructure and proximity to the capital city, has emerged as the key data centre hub serving the rest of Malaysia. Notable data centre players in Cyberjaya include Equinix – will be opening a new facility, known as KL1, in the first quarter of 2024 with an additional investment of more than RM462 million (USD100 million); Vantage Data Centers - has announced plans to invest an additional USD3 billion (circa RM13.32 billion) to build a second data centre mega campus, dubbed KUL2, on 35 acres of land; Gaw Capital and A3 Capital - joined forces to develop two greenfield sites with combined land area of 12,490 sq m (circa 134,441 sq ft) which will be managed by Infinaxis; and Time dotCom Berhad - entered into a strategic partnership with DigitalBridge Group, Inc. to expand its AIMS Data Centre Business across Asia with Time and Digital Bridge holding 30% and 70% stakes respectively for the main campus in Cyberjaya alongside a key retail data centre in Kuala Lumpur CBD.

NTT Global Data Centers Corporation has also launched its sixth data centre on its Cyberjaya campus – Cyberjaya 6 ("CBJ6"), with an investment of over RM234 million. DAMAC Group, a luxury real estate developer in the United Arab Emirates ("UAE"), is also eyeing a 1.2-hectare land in Cyberjaya to establish its data centre with an investment value of RM250 million, focusing on retail and enterprise customers.

In Johor, foreign data centre operators are actively setting-up their facilities in Johor Bahru. Sunway Construction Group Bhd has accepted the Letter of Initial Appointment with a contract sum of RM192.9 million from K2 Data Centres as an instruction to commence and complete the works for a new data centre in Sedenak Tech Park. Crescendo Corporation Bhd announced three proposed disposals involving lands in Nusa Cemerlang Industrial Park to ST Telemedia Global Data Centres, Yu Ao and Microsoft, to be developed with data centres. Meanwhile, Nvidia Corp, through collaboration with YTL Power International Bhd, is building an AI infrastructure, with the first phase of the data centre expected to commence operations by the middle of 2024.

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The sustained momentum of the industrial property market is expected to continue in the near term, supported by continual economic growth, better logistics infrastructure, an improving job market as well as the presence of favourable government policies and incentives. In line with the government's commitment to being pro-business, pro-investment and pro-trade, MITI and other relevant government agencies are prepared to enhance stronger ties with investors that bring in hi-tech and quality investments to help create better-paying jobs for Malaysians.

The completion of the West Coast Expressway ("WCE") by March 2025 and the East Coast Rail Link ("ECRL") by 2027 is anticipated to improve connectivity between industrial areas along these routes, boosting demand for logistics and warehouse space. In July 2023, MyHSR Corporation Sdn Bhd ("MyHSR Corp") initiated a Request For Information ("RFI") exercise to gather concept proposals for the Kuala Lumpur-Singapore high-speed rail (KL-Singapore HSR) project through a public-private partnership model, based on the Design-Finance-Build-Operate-Transfer ("DFBOT") model. By the submission deadline of 15 January 2024, MyHSR Corp received proposals from seven local and international consortia, comprising 31 firms. The revival of the KL-Singapore HSR is expected to drive economic development, create jobs and offer business opportunities across key centers and industrial parks in Peninsular Malaysia.

According to the World Competitiveness Ranking 2023 report, Malaysia was ranked 27 in the world's most competitive economies among 64 global economies, mainly backed by its economic recovery, investment growth and the employment market. This reflects that the regulatory environment in the country is conducive to the commencement and operation of a firm.

Multiple economic initiatives have also been unveiled to further drive the country's industrial sector. In the pursuit of a sustainable and prosperous future, the government has rolled out the National Energy Transition Roadmap ("NETR") with ten flagship catalyst projects covering six energy transition levers namely, energy efficiency ("EE"), renewable energy ("RE"), hydrogen, bioenergy, green mobility as well as carbon capture, utilisation and storage ("CCUS") in July 2023. These flagship projects are expected to attract investment of more than RM25 billion, create 23,000 job opportunities and reduce GHG emissions by more than 10,000 gigagrams CO2 equivalent per year.

Another government initiative that was launched on 1 September 2023 is the New Industrial Master Plan 2030 ("NIMP 2030") which aims to attract new high-quality, high-tech and green-tech investments in Malaysia and ensure that the country remains at the forefront of the manufacturing sector. The goals of NIMP 2030 include increasing economic complexity, creating high-value job opportunities, extending domestic linkages, developing new & existing clusters, improving inclusivity and enhancing ESG (environmental, social and governance) practices. It is also expected to create opportunities for the country's SMEs (small and medium-sized enterprises) to grow in the manufacturing sector. The ESG elements are further emphasised in NIMP 2030 through the introduction of the four new growth areas, namely advanced materials, electric vehicles, renewable energy, as well as carbon capture, utilisation and storage ("CCUS").

The trajectory of ESG integration in Klang Valley's industrial real estate sector appears promising as we look ahead. The groundwork laid by the state government's progressive policies, burgeoning green initiatives, and increased corporate responsibility have set the stage for continued growth in sustainable development. The region's strategic location, coupled with a burgeoning demand for sustainable facilities, positions Klang Valley as a focal point for future ESG-led industrial investments. The integration of ESG principles must also be ingrained into the fabric of decision-making processes, investment strategies, and operational practices. By doing so, Klang Valley can not only enhance its reputation as a hub for sustainable industrial development but also contribute to Malaysia's broader goals of achieving a greener and more inclusive future.

With the emerging trend and growing awareness on ESG, more developers have introduced various forms of well-planned and professionally managed industrial developments that incorporate sustainable features/practices and advanced technology adoption such as agro-industrial park ("AIP"), eco-industrial park ("EIP") and smart industrial park ("SIP") to reduce carbon footprint and energy usage.

Sime Darby Property is planning to develop the 949 acres of land they acquired in Kapar into Bandar Bukit Raja IV (BBR 4), expanding the existing BBR 1, 2 & 3, with a focus on environmental and social responsibility. BBR 4 aims to offer a secure industrial development with waste management and value-added infrastructure. In addition, Elmina Business Park by Sime Darby Property, a 1,500-acre freehold master-planned industrial township located in Sungai Buloh which forms an integral part of the acclaimed City of Elmina project, will also feature a Managed Industrial Park zone that offers plots of land suitable for small and medium-sized industries, measuring between 1 and 3 acres.

On the other hand, the one-stop centre for investment-related matters, Invest Malaysia Facilitation Centre ("IMFC") started its operations on 1 December 2023. Established by the MITI, it aims to expedite the processes of various approvals including providing advisory services as well as advice to the business community and investors. Besides its role in achieving the objectives of the NIMP 2030, IMFC will also contribute to efforts to make Malaysia a premier investor-friendly and business-friendly destination in the region.

Notable highlights in the National Budget 2024 which was tabled on 13 October 2023 include the allocation of up to 10% of the total NIMP investment (RM200 million) as a catalyst for a 2024 start-up fund to accelerate the NIMP mission; the allocation of funds up to RM1.5 billion by Government-Linked Companies ("GLCs") and Government-Linked Investment Companies ("GLICs") to encourage start-ups (including bumiputera SMEs) to venture into High-Growth, High-Value ("HGHV") fields such as digital economy, space technology and Electrical & Electronics ("E&E"); and the allocation of RM50 million as a matching grant with the Port Klang Authority to maintain Jalan Port Klang while enforcing the overload limit on heavy vehicles. The government will also continue to improve and develop the implementation of the Corporate Green Power Programme to drive investment in renewable energy capacity to achieve the target of 70% renewable energy capacity by 2050.

Collectively, these federal and state initiatives and measures, such as First Selangor Plan 2021 – 2025 ("RS-1"), Integrated Development Region In South Selangor ("IDRISS"), NETR and NIMP 2030, aim to spur industrial growth in the near term and enhance the capacity of high-value and technology-advanced industries, positioning the country as the ideal destination for attracting domestic and foreign direct investments as well as empowering SMEs in driving the country's economic growth.

Moving forward, the industrial sector is expected to continue growing, specifically in the prioritised industries and key growth areas - backed by normalisation of economic activities as well as the positive spill-over effects from continued improvement in external demand. The country is also committed to revive the economy with digitalisation and attract new high-quality, high-tech and green-tech investments. With the latest Malaysia strategic vision, the industrial environment will pivot and foster a conducive business landscape environment that will subsequently support economic growth with environmental and social responsibility.

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KEY REGULATORY DEVELOPMENTS IN 2023

The table below include a range of initiatives and regulations announced by the Malaysia government, with the aim to stimulate the property market and support low- and middle-income groups.

Initiatives/Regulations	Description
Residential	
Stamp Duty on Memorandum of Transfer	Under Budget 2024, the government will impose a flat rate of 4.0% stamp duty on Memorandum of Transfer ("MOT") for non-citizens and foreign-owned companies starting 1 January 2024. This will potentially help to control land and property prices for locals. A fixed stamp duty fee of RM10 will also be introduced to replace the previous variable rate for real estate transfer documents where beneficiaries are relinquishing their rights to eligible beneficiaries in accordance with a will, Faraid, or the Distribution Act 1958.
Low-cost housing	The government has allocated RM2.5 billion under Budget 2024 for public housing projects ("PPRs") in 2024 to boost homeownership, especially in the B40 category.
Housing Credit Guarantee Scheme ("HCGC")	The allocation for Housing Credit Guarantee Scheme will be doubled under Budget 2024, from RM5 billion in 2023 to RM10 billion in 2024. This allocation is expected to benefit 40,000 borrowers. The scheme was first announced under Budget 2022 to encourage homeownership and aims to help first-time home buyers of low/medium/affordable categories who do not have a fixed income, such as gig workers, independent business owners, and small traders or entrepreneurs.
Electric Vehicle ("EV")	Several electric vehicle ("EV") incentives were unveiled under Budget 2024 as part of Putrajaya's initiatives to facilitate the energy transition process. The Federal Administration is planning to begin using electric vehicles as official vehicles. The Government also welcomes investment of more than RM170 million by leading companies such as TNB, Gentari and Tesla Malaysia to install 180 EV charging stations. Individual income tax relief of up to RM2,500 on expenses for EV charging facilities will be extended for a period of 4 years while tax deduction for EV rental costs will also be extended for a period of 2 years. The local government development ministry ("KPKT") has also recently released a comprehensive set of guidelines for electric vehicle charging bays to facilitate the growth of EV market in the country.
Retail	
Sales and Service Tax ("SST") Rate Hike & Luxury Tax	The proposed Sales and Service Tax ("SST") rate will increase from 6% to 8% effective 1 March 2024. This, coupled with the introduction of a 5% to 10% luxury tax and restructuring of subsidies, may dampen growth in the retail market and impact the entire supply chain. The rising operational costs of retailers will potentially lead to retail price adjustments, which ultimately impact consumers.
'Payung Rahmah' Initiative & Rahmah Cash Aid	The government is allocating RM200 million for the 'Payung Rahmah' initiative under Budget 2024 in its commitment to ease the rising cost of living. The government will also continue to allocate Rahmah Cash Aid ("STR"), a cash assistance and incentives, to boost consumer spending, increasing 25% from RM8 billion in 2023 to RM10 billion in 2024.

Initiatives/Regulations	Description
Industrial	
Integrated Development Region in South Selangor ("IDRISS")	IDRISS is a post-pandemic initiative to stimulate the state economic growth through the integrated investment development by private developer, outlined in the First Selangor Plan 2021-2025 ("RS-1"), covering 20,000 hectares across Sepang and Kuala Langat districts with an expected gross development value of RM1 trillion. Five incentives were introduced at the IDRISS launch in March 2023 to drive development, including a special premium scheme, interest-free instalment payments for development charges, vacant land assessment tax exemption, a 50% discount in vacant building assessment tax and business license fee exemption. These incentives aim to motivate developers and landowners to take a more proactive stance in the development of vacant lands within these regions, which will eventually stimulate the economic activity of the region, providing more job opportunities.
New Industrial Master Plan 2030 ("NIMP 2030")	NIMP 2030 was launched on 1 September 2023. It aims to attract new high-quality, high-tech and green-tech investments in Malaysia and ensure that the country remains at the forefront of the manufacturing sector. The goals of this master plan include increasing economic complexity, creating high-value job opportunities, extending domestic linkages, developing new & existing clusters, improving inclusivity and enhancing ESG practices. It is also expected to create opportunities for the country's SMEs (small and medium-sized enterprises) to grow in the manufacturing sector. The ESG elements are further emphasised in NIMP 2030 through the introduction of the four new growth areas, namely advanced materials, electric vehicles, renewable energy, as well as carbon capture, utilisation and storage. Under Budget 2024, there will also be an allocation of up to 10% of the total NIMP investment as a catalyst to drive NIMP mission with an initial fund of RM200 million in 2024.
National Energy Transition Roadmap ("NETR")	NETR is rolled out in July 2023 with ten flagship catalyst projects covering six energy transition levers namely, energy efficiency, renewable energy, hydrogen, bioenergy, green mobility as well as carbon capture, utilisation and storage. These flagship projects are expected to attract investment of more than RM25 billion, create 23,000 job opportunities and reduce GHG emissions by more than 10,000 gigagrams CO2 equivalent per year.
Corporate Green Power Programme	The government will continue to improve and develop the implementation of the Corporate Green Power Programme to drive investment in renewable energy capacity in order to achieve the target of 70% renewable energy capacity by 2050.
National Digital Infrastructure Plan ("JENDELA") Phase 2	Under the JENDELA Phase 2 project, the Government will provide 100% internet coverage in populated areas and provide fibre optic coverage to 9 million premises nationwide by 2025. For 2023, the JENDELA project has allocated RM700 million to implement digital connectivity to 47 industrial areas.
Invest Malaysia Facilitation Centre ("IMFC")	MITI established IMFC on 1 December 2023 to act as a one-stop centre for investment-related matters and expedite the processes of various approvals including providing advisory services as well as advice to the business community and investors. Besides its role in achieving the objectives of the NIMP 2030, IMFC will also contribute to efforts in making Malaysia a premier investor-friendly and business-friendly destination in the region.
Other initiatives under Budget 2024	There will be an allocation of funds up to RM1.5 billion by Government-Linked Companies ("GLCs") and Government-Linked Investment Companies ("GLICs") to encourage start-ups (including bumiputera SMEs) to venture into High-Growth, High-Value ("HGHV") fields such as digital economy, space technology and electrical & electronics ("E&E"). The government will also allocate RM50 million as a matching grant with the Port Klang Authority to maintain Jalan Port Klang while enforcing the overload limit on heavy vehicles.

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LONDON PROPERTY MARKET OUTLOOK

ECONOMIC OVERVIEW

In 4Q 2023, The United Kingdom's ("UK") GDP fell by 0.2% y-o-y and 0.3% q-o-q. The UK GDP had grown modestly in the previous quarters where the GDP grew at 0.3% y-o-y in the first two quarters of the year and 0.2% in 3Q 2023.

The UK's annual inflation rose by 4.2% in 2023. On a monthly basis, inflation fell by 0.6% in January 2024, the same rate as in January 2023.The largest upward contribution came from housing and household services (principally higher gas and electricity charges), while the largest downward contribution came from furniture and household goods and food and non-alcoholic beverages.

The Bank of England's Monetary Policy Committee ("MPC") announced on 14 December 2023 that the interest rate will remain unchanged at 5.25%. The monetary policy is likely to be kept high for a period of time in the effort to pull the inflation rate back to the 2% target by 2025. However, the MPC noted that the inflation persistence remained elevated and further tightening in monetary policy may be required if the environment persists.

According to the Bank of England Monetary Policy Report, the UK's GDP is expected to grow by just 0.1% in Q4 2023, while the CPI is expected to average around 4.75% in Q4 2023, before dropping to around 4.5% in Q1 2024 and 3.75% in the second quarter of 2024 - accounted for by lower energy, core goods and food price inflation as well as, beyond January, by some fall in services inflation.

As UK approached the fourth anniversary of its official departure from the European Union, the impact on the economy was better accessed. According to the National Institute of Economic and Social Research, the UK has experienced slower economic growth following the global financial crisis and its exit from the European Union with estimates suggesting that the real income and private consumption per capita could have been 8% to 9% and 11% to 12% higher than current figures. The estimates further suggest that three years after the transition period, UK real GDP is some 2% to 3% lower due to Brexit, compared to a scenario where the UK retained EU membership, largely due to the reduction in real incomes resulting from the fall in the UK terms of trade associated with changes in trading relations with the European Union and the fall in productivity.

A report by Cambridge Econometrics commissioned for City Hall by London's mayor also estimated that UK output, investment, exports, imports, employment and productivity would be lower than if the UK had remained in the EU. By 2035, the output is expected to be 10.1% lower in the UK and 7.5% lower in London; investment in the UK is projected to be more than 32% lower while the export and import volumes is estimated to be 5% and 16% lower respectively.

PROPERTY MARKET OVERVIEW

RESIDENTIAL

HM Land Registry reports that the average house price in the UK experienced a y-o-y decrease of 1.4%, settling at £285,000 in December 2023. This represents a smaller decline compared to the 2.3% decrease observed in November 2023. England followed a similar trajectory, with average house prices falling by 2.1% over the 12 months to December 2023, reaching £302,000. The London region, however, registered the most significant drop, with prices declining by 4.8% y-o-y in December 2023. UK prime country house prices declined by 5.8% in 2023. While this represented a sizable correction after two stellar years of growth, the rate of decline was less than the forecast of -7% for the year. Although the Bank of England opted to hold interest rates at 5.25% in December, the cost of borrowing remains at a 15-year high, which has put downward pressure on house prices and hindered the recovery of prices and sales volumes. However, as the economy stabilises and interest rates start to fall, the UK prime country house price is expected to moderate to -3% in 2024, with positive annual price growth projected to return in 2025. It is also expected that housing prices will recover, with predictions of a stable price movement in Prime Central London and a 1.0% increase in Prime Outer London in 2024.

OFFICE

The post-pandemic recovery in the London office market gathered pace last quarter as the volume of lettings rose to the highest level in five years. The key driver of performance remains the occupier taking flight to better quality offices, illustrated by a record level of new and refurbished take-up at 2.59 million sq ft and representing 66% of all lettings. Take-up across London rose by 31.7% in 4Q 2023 to 3.92 million sq ft, a five-year high and 32% above the quarterly long-term trend. Strong lettings were evident across the market, with above trend take-up in half of London's submarkets. The core submarkets of the City Core and the West End Core remain the locations with the highest level of lettings – accounting for circa 55% of all lettings in 4Q 2023 compared with almost 60% in 3Q 2023. The City Core prime rents have risen from £77.50 to £87.50 per sq ft and from £140 to £150 per sq ft in the West End Core. Since the pandemic, there's been an increase in top-tier office transactions with rents significantly surpassing the average prime market rent. Analysis of these transactions led to a re-evaluation of how prime rents are determined, focusing now on sustainability, amenities, and central locations. Consequently, prime rents in most submarkets have increased, with the City Core rising from £77.50 to £87.50 per sq ft and the West End Core from £140 to £150 per sq ft.

RETAIL

The improving economic backdrop in the UK made for a relatively stable quarter, marked by rising consumer sentiment, record-low occupier fallout, and a fairly steady flow of investment deals, despite debt constraints. Growing consumer confidence, strong occupier performance and enhanced investor trust seemingly position the sector well for a promising transition into 2024. 4Q 2023 retail sale grew steadily at 3.9%, but worryingly decelerated slightly versus 3Q 2023 (5.3%). More encouragingly, volume declines (-1.4%) improved, as inflation receded. Nevertheless, full year 2023 grew by an impressive 5.1%, surpassing the 10-year average of 3.5%. Vacancy rates decreased to 15.3% with improvements witnessed in shopping centres (17.7%) and retail parks (7.6%).

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Global Megatrends & Opportunities

Acknowledging the ever-changing nature of our operational environment, we prioritise staying informed about global megatrends and opportunities. This proactive stance allows us to discern emerging trends, anticipate forthcoming challenges and seize fresh opportunities. By vigilantly monitoring external trends, we can adjust our strategies, operations and offerings to align with evolving societal needs, while simultaneously minimising risks and optimising long-term value creation.

ECONOMIC GROWTH

IDENTIFYING REGIONAL AND NATIONAL TRENDS

Asia remains the world's fastest-growing region, contributing nearly 70% of global growth in 2023, with China and India alone accounting for half of this growth. The GDP growth in the Asia-Pacific region expanded from 3.8% in 2022 to 4.6% in 2023[1], outperforming the estimated 3% average global growth during the same period.

Looking ahead to 2024, Asia Pacific GDP growth is projected to slow to 3.5% from the previous year's 4.3%[2]. Consequently, we anticipate a moderation in the expansion activities of logistics occupiers as they scrutinise real estate plans and capital expenditure more closely to safeguard their bottom line. This trend is expected to lead to a rise in lease renewals and an increase in sublease spaces as ongoing development projects reach completion. However, the latter half of 2024 may witness an upturn in investment activity due to re-pricing and interest rate cuts. Demand is anticipated to be driven by high-net-worth buyers, cash-rich investors, and corporates seeking high-quality assets.

IMPACT

In 2023, Malaysia's economic growth moderated to 3.7%[3] amidst challenging global conditions. However, the ongoing recovery in economic activity and labour market conditions suggests a positive outlook, supported by Malaysia's resilient external position. The nation's GDP is projected to expand in 2024, driven by growth in domestic spending, bolstered by sustained employment and wage increases, and improved external demand, with global trade expected to rebound from 0.4% in 2023 to 3.3% in 2024, as per International Monetary Fund projections. Investment momentum will be sustained by the progress of multi-year projects in both the private and public sectors, alongside the implementation of strategic initiatives outlined in national master plans.

Turning to the real estate sector, the industrial property market in the Klang Valley saw a decrease in transactions in the first nine months of 2023, with 2,032 transactions totaling RM8.6 billion[4]. However, the average transaction price per industrial property increased by 12.7% compared to 2022, reaching RM4.3 million, indicating a shift towards higher-value transactions. Infrastructure developments, including the anticipated completion of three new sections of the West Coast Expressway by March 2024, are expected to drive increased industrial activity in 2024. Furthermore, the completion of the East Coast Rail Link by 2027 is poised to enhance connectivity between industrial areas along the route, stimulating demand for logistics and warehouse spaces in the long run.

OUR RESPONSE

- Surpassed our sales target for FY2023 of RM2.7 billion to RM3.3 billion, demonstrating robust market performance and strong demand for its offerings.
- Portfolio expansion includes launches amounting to RM4.0 billion, comprising a diversified mix of residential units, including landed properties, high-rise developments, and industrial projects, catering to various market segments.
- Successfully completed the acquisition of 949 acres of prime land in Sungai Kapar (BBR4), laying the foundation for the development of a future ESG industrial park. This strategic move aligns with our commitment to sustainable development practices and underscores our vision which align with the national & regional trends.
- Secured commitment for the remaining 30% or RM300.0 million for the Industrial Development ("IDF-1") to close the fund at RM1.0 billion, signaling confidence and support from investors in our infrastructure initiatives aimed at enhancing connectivity and livability within our developments.
- Continue our momentum in developing key industrial townships while providing end-to-end solutions across an array of customers ranging from SMEs to MNCs.
- In line with our commitment to addressing housing affordability, Sime Darby Property has signed a JV with Lagenda Properties Berhad to focus on providing quality homes at various price points, ensuring accessibility to homeownership for a diverse range of income groups.

References:

1. *Asia Likely to See Dynamic Economic Growth, but With Policy Challenges, International Monetary Fund, 13 April 2023*
2. *Asia Pacific Real Estate Market Outlook 2024, CBRE, 31 January 2024*
3. *Economic and Financial Developments in Malaysia in the Fourth Quarter of 2023, BNM, February Feb 2024*
4. *Malaysia Real Estate Highlights - 2H 2023, Knight Frank Research*

URBANISATION

ADDRESSING THE NEED FOR SUSTAINABLE URBAN PLANNING

Urbanisation remains a significant trend in the Asia-Pacific region, with over half of the global urban population, more than 2.2 billion people, residing in Asia. By 2050, it is projected that the urban population in Asia will increase by 50%[5], adding approximately 1.2 billion people.

Malaysia stands out as one of the most urbanised countries in East Asia and among the fastest urbanising regions worldwide. Over the past decade, Malaysia's urban population has risen from around 66% in 2004 to 74% in 2014[6]. This trend is expected to continue as rural residents migrate to urban areas, attracted by economic opportunities as the economy shifts from agriculture to industry and services. Despite Malaysia's urbanisation, its urban areas have lower population density compared to typical East Asian cities, presenting both opportunities and challenges for sustainable development.

IMPACT

Urbanisation, when properly planned and managed, has the potential to elevate living standards and boost economic productivity. However, in many cases, it has resulted in congestion and widened disparities between different socioeconomic groups, leading to security, health and environmental challenges. As cities become more densely populated, the loss of green spaces exacerbates climate change, while the growing population strains water resources, increases the risk of floods and worsens pollution. Moreover, urban expansion encroaches upon natural habitats, further threatening biodiversity.

It is imperative for the industry to reconsider urban planning and design approaches, emphasising the integration of sustainability principles. This includes incorporating green spaces and flood mitigation measures into development blueprints, while also fostering social cohesion within communities.

OUR RESPONSE

- Expanding our reach beyond the Greater Klang Valley, including regions like Negeri Sembilan and Johor.
- Enhancing mobility through Transit-Oriented Developments ("TOD"), exemplified by launches such as Serasi Residences in Putra Heights, Hype Residences in Subang Jaya.
- Integrating flexible home features such as open-plan layouts, allowing residents to tailor spaces to their preferences, and fostering greater connection with the outdoors through internal gardens, balconies, and back gardens.
- Innovating with Nature-based Solutions, such as the Elmina Central Park in the City of Elmina, which doubles as a flood mitigation initiative capable of accommodating Q100-Q1000 flood events.
- Championing sustainable living initiatives like urban farming in City of Elmina and Serenia City.
- Enhancing our provision of lifestyle amenities, such as retail offerings (e.g., neighbourhood malls and shopping complexes), recreational spaces and placemaking areas (e.g., The Courts at KLGCC Resort, KL East Park), and educational facilities (e.g., KYS KL East International School).

References:

5. Urbanisation in Asia and the Pacific Region: Building inclusive & sustainable cities, Unhabitat.org

6. Urbanisation in Malaysia 2022, Statista – Aaron O'Neill, 26 January 2024

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Global Megatrends & Opportunities

SHIFTING DEMOGRAPHICS

RECOGNISING EVOLVING SOCIETAL EXPECTATIONS

The global human population surged to 8.0 billion in mid-November 2022, up from an estimated 2.5 billion in 1950. This marks an addition of 1 billion people since 2010 and 2 billion since 1998[7]. Projections indicate that the world's population is set to expand by nearly 2 billion individuals over the next 30 years, reaching 9.7 billion by 2050, with a potential peak at nearly 10.4 billion in the mid-2080s.

This remarkable growth has been primarily propelled by increasing survival rates to reproductive age, a gradual rise in human longevity, growing urbanisation, and accelerated migration. Significant changes in fertility rates have accompanied this expansion. These trends are poised to have profound and far-reaching implications for future generations, reshaping population demographics and presenting new challenges and opportunities for societies worldwide.

IMPACT

Changing demographics are precipitating a transformation in living arrangements, as individuals opt to prolong their working years prior to retirement to bolster financial stability. Moreover, there is a growing trend of adults opting to reside with elderly parents to provide care and support. Meanwhile, millennials are faced with decisions regarding their living arrangements, with some choosing to remain in multi-generational households for economic reasons, while others seek smaller living spaces to assert their independence. Property developers must adapt to these evolving preferences by diversifying their offerings to cater to distinct segments of the market.

OUR RESPONSE

- Evolving placemaking initiatives across all townships, considering local community demographics, socioeconomic needs and environmental sustainability.
- Integrating multi-generational features into our product offerings, such as incorporating designs that accommodate wheelchair access.
- Providing configurable layouts, enabling seamless adaptation of living spaces to meet diverse lifestyle needs.
- Promoting inclusivity by launching Malaysia's first Inclusive Playground, designed in collaboration with UNICEF, catering to differently abled children at the City of Elmina.
- Developing sustainable townships like the City of Elmina's Central Park, featuring active lifestyle amenities, and Serenia City's urban farming initiatives, alongside private garden spaces.
- Enhancing the customer experience through digital platforms like our Virtual Sales Gallery and Online Booking System ("OBS"), facilitating convenient transactions and interactions.

References:

7. Our Growing Population, United Nations Website

DIGITALISATION, TECHNOLOGY & INNOVATION

EMBRACING TOOLS THAT ENHANCE SUSTAINABILITY, EFFICIENCY AND THE CUSTOMER EXPERIENCE

Digitalisation is boosting efficiencies across all industries through data collection, mining, and analysis. While many organisations had already embarked on the digitalisation journey before COVID-19, the pandemic hastened the process, aiming to facilitate access to and sharing of information among individuals unable to meet physically. Thanks to the rapid rise of digital technologies, today's systems are more interconnected, intelligent, efficient, reliable, and sustainable. They empower us to accelerate speed, drive innovation, and foster agility across functions. Moreover, they facilitate more effective connections and engagements with customers.

IMPACT

Digital technologies are revolutionising the real estate sector, rendering the entire ecosystem more efficient by facilitating the seamless flow of information among property developers, homeowners, real estate agents, brokerages, bankers, and others. By harnessing the latest technologies, developers can markedly improve efficiencies in project execution, engage potential customers more effectively (through 3D virtual tours, AR & VR), and transact with various stakeholders using smart contracts, customer relationship management ("CRM") systems, property management apps, and alternative payment methods, among others.

OUR RESPONSE

- Implementation of EV Charging Stations at our corporate headquarters ("HQ"), The PARC @ Taman Subang Ria, KLGCC, and other internal assets.
- Standardising our manufacturing approach, enhancing health, safety and environmental ("HSE") performance, productivity, and quality, while simultaneously reducing lead time, defects and costs.
- Implementing the Industrialised Building System ("IBS") across township and integrated developments to achieve targeted IBS scores, enhancing environmental sustainability, product quality, productivity and safety.
- Collaborating with AmBank Group to introduce a digital green financing solution for homebuyers.
- Introducing a Smart Service Desk System using Information Technology Service Management ("ITSM") to address internal IT issues and handle IT inquiries.
- Developing an in-house Virtual Sales Gallery and OBS.
- Expanding the utilisation of Procore, a software that integrates data from all project management stakeholders.
- Launched Concept Home 2030 as a platform for industry experts and consumers to exchange innovative solutions and redefine future home design and construction.
- Integrating financiers into the Group's OBS to enhance the property buying experience, including loan application and approval processes, with Maybank engaged as a pilot partner in 2023.
- Implementing Standardisation of Builds as the initial phase towards Modular Homes, achieving approximately 70% adoption at the design and review stage across Double-Storey Linked Homes products in 2023.

Operating Landscape

Global Megatrends & Opportunities

GROWING EMPHASIS ON ESG MATTER

TACKLING HEIGHTENED STAKEHOLDER EXCPECTATIONS

With the undeniable reality of climate change looming larger, there's a growing recognition that corporations must actively address, not only on environmental concerns, but also social and governance issues. As governments enact ESG-related policies, investors increasingly favour companies demonstrating robust ESG values and a commitment to workplace safety and sustainability. Such firms are deemed better equipped to navigate risks associated with climate change, human rights, and labour disputes. ESG considerations are now pivotal in various spheres, extending as far as influencing youth career choices and consumer preferences for brands that align with their values.

IMPACT

In the property sector, stakeholders increasingly demand environmentally and socially responsible developments, led by firms exhibiting robust corporate governance. Expectations include reducing carbon footprints through energy-efficient construction technologies, incorporating sustainable materials and designs for eco-friendly properties, infusing the use of renewable energy and fostering social cohesion and inclusivity. Moreover, there are expectations from government regulators to support national policies related to sustainable development and the energy transition, further emphasising the importance of proactive environmental stewardship within the property development sector.

OUR RESPONSE

- Actively reducing operational carbon through energy efficiency programmes and incorporating sustainability and green elements in our developments via a minimum sustainability element checklist, seeking to future-proof communities and implement green spaces as sanctuaries for people and wildlife.
- Developing a comprehensive carbon reduction roadmap that encompasses Scope 3 emissions and studying embodied carbon to identify opportunities for reduction in a typical double-storey linked house.
- Establishing a Sustainability Sukuk Framework based on ASEAN Sustainability Sukuk SRI principles to fund projects aligning with sustainability criteria.
- Implementing a Total Waste Management Programme at KL East Mall, mandating waste separation by retail and F&B tenants to promote recycling, along with ongoing community engagement with NGOs to raise awareness of waste recycling initiatives.
- Enhancing social inclusivity with Malaysia's inaugural Inclusive Playground at the City of Elmina in collaboration with UNICEF.
- Introducing a Safety & Sustainability Practitioner Playbook, including manuals and guides, to standardise safety and sustainability practices across business units.
- Facilitating Leadership Engagement Action Programme ("LEAP") sessions with vendors, contractors, and site workers to ensure compliance with safety standards.
- Continuously improving disclosures in line with Task Force on Climate Related Financial Disclosures ("TCFD") guidelines and collaborating with stakeholders to develop and implement innovative solutions for climate resilience.
- Spearheading rooftop solar initiatives at residential projects, such as the City of Elmina, in alignment with the NETR, while exploring innovative renewable energy solutions to reduce reliance on fossil fuels and advance towards low-carbon real estate.
- Developing and connecting ecological corridors to support biodiversity and ecosystem health in urban areas, while reimagining spaces for sustainability through strategic park development.
- Managing wetlands for flood mitigation and preserving secondary forest areas to enhance urban biodiversity and community well-being.

Key Risks and Mitigation

The Group operates within a dynamic macroeconomic landscape, with the operating environment in FY2023 featuring challenges such as a still-recovering post-pandemic economy, inflationary pressures and tightening of monetary conditions. Geoeconomic fragmentation further strained the supply chain, resulting in elevated construction costs impacting margins for all new product launches.

Amidst these external risks and challenges, we showcased resilience and agility to deliver strong results for the past twelve months. Guided by the Group's Enterprise Risk Management Framework, our leadership and management teams closely monitored the macroeconomic climate and local operating conditions, adjusting our execution strategy where needed to ensure we remained on track towards our financial and non-financial targets. For more details on the key features of the Group's Enterprise Risk Management Framework, please read our Statement on Risk Management and Internal Control on page 250.

Despite leveraging on risk management framework and practices, the Group acknowledges that it cannot fully mitigate all key risks, recognising some inherent global and industry risks as beyond our control. However, the Group remains committed to monitoring and minimising the potential impact of these risks, aligning them with our risk appetite.

For the year under review, we identified eleven (11) broad key risks with the potential to impact the Group's operations or performance. A description of these risks and their impact on value creation, along with the mitigation measures undertaken for each risk category, are outlined below:

Key Risks and Mitigation

MARKET RISK

Risk Trend ◀▶

Risk Description

Macroeconomic factors may impact key aspects of our operations, including our sales, construction and leasing activities. These include factors such as a continually subdued property market, tightening loan conditions, a shortage of skilled labour, an increase in cost of borrowing and, other supply chain disruptions that may result in higher construction materials costs. This may strain our profitability and liquidity position impeding the achievement of our growth strategy and financial targets.

Impact on Value

Diminishing financial capital due to:

- Poor Group performance and returns on investment;
- Unsold stocks;
- Potential delay in delivery of products to customers which may result in liquidated ascertained damages ("LAD") payable to customers;
- Poor product quality;
- Prolonged deferment or delayed launches leading to weak product pipeline;
- Insufficient operational cash flow to fund projects; and
- Tight capital market conditions for customers to obtain financing and for the Group to raise funds.

Mitigation Strategies

- Continuously assessed and realigned strategy to market conditions and requirements;
- Closely monitored performance across core business units, including active profit & loss and cash management, while sufficiently maintaining funding facilities;
- Launched products that are compelling and relevant to target market, featuring the right price points and a strong value proposition;
- Detailed scrutiny, evaluation and monitoring of contractors' delivery capabilities and labour availability during the tender and delivery stage;
- Sized the market potential, and leveraged market intelligence on product and service offerings for similar or comparable developments to support product viability assessments prior to launch;
- Introduced sales offers and innovative packages for new products, leveraging our strong brand name and track record;
- Continued to leverage technology and digital platforms to provide customers with a seamless end-to-end purchasing journey;
- Continued to monitor the impact of increased interest rates on the take-up of the Group's products and profit margins as well as impacts to our leasing and capital transaction activities, taking necessary actions to reduce this impact, where required.
- Continued to provide affordable housing design and packages; and
- Redefined our segmented approach and undertook a pricing review for unsold stocks, where required.

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RISK TREND ▲ Increased ▼ Decreased ◀▶ Stable

DEVELOPMENT AND PRODUCT STRATEGY

Risk Trend ◀▶

Risk Description

Ineffective portfolio development and project implementation in terms of pricing, costs and timing to the market may result in the delivery of low-demand products to the market. This has the potential to impact our revenue, profitability and financial capital.

Impact on Value

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 returns on capital due to diminished demand.

Mitigation Strategies

- Conducted rigorous review and market research to develop a business case for each new product;
- Monitored the implementation of a 'check and balance' approach when aligning and embedding strategies along the product supply chain;
- Implemented design-to-cost principles for products to ensure target margins are protected;
- Extended strategic sourcing initiatives to reduce product cost;
- Continued with the Variation of Price ("VOP") clause in tender requirements to manage price fluctuations of key construction materials. The VOP was designed to assist contractors in protecting their operational viability against price fluctuations;
- Performed Value Engineering to ensure cost optimisation for newly launched products;
- Reviewed and revised the Annual Operating Plan ("AOP"), where required, to address market changes;
- Monitored sales and leasing performance, and altered project and product parameters to suit market conditions where required (e.g. shrinking built-up areas to reduce the absolute price or minimising speculative builds);
- Strategically source construction materials to manage escalation of raw material prices, where possible;
- Performed market studies to understand market demand for sustainability elements in new products;
- Incorporated sustainable product elements in design considerations, including options such as hybrid construction; and
- Continued to monitor product mix to ensure balanced product diversification for both residential and industrial products.

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Key Risks and Mitigation

PROJECT DEVELOPMENT & EXECUTION

Risk Trend ◀▶

Risk Description

Development projects that are not delivered on time, or which do not achieve projected returns or expectations of product quality, risk impacting our financial position and reputation.

Impact on Value

Diminishing financial capital and compromised intellectual capital due to:

- Additional cost for rectification/replacement, compensation, settlement, overruns and/or LAD;
- Poor product quality and late delivery of products;
- Potential expenses from claims, disputes or legal action from purchasers; and
- Potential reputational damage.

Mitigation Strategies

- Continued to enlarge our pool of competent and experienced consultants and contractors, backed by good track records, to support project requirements, based on a pre-qualified and pre-approved set of criteria;
- Continued to appoint preferred contractors with existing skilled workers, recycling their expertise into projects within the same geographical location;
- Assigned dedicated and experienced project teams to monitor project performance and coordinate with key stakeholders;
- Undertook continuous engagement with contractors to ensure appropriate actions are taken to mitigate any delay in the delivery of projects;
- Identified key materials facing supply disruptions and worked with vendors and contractors on supply chain alternatives, if required, to minimise the disruption to projects;
- Monitored on-site labour supply closely and worked with contractors and industry associations to resolve labour supply and shortage issue;
- Increased the frequency and timeliness of quality audits and inspections at various stages of construction;
- Improved project management, cost control and procurement processes;
- Improved procurement processes and resources to ensure tenders, appointments and payments to contractors are made in a timely manner;
- Monitored and tracked the status of defect claims by purchasers to ensure timely closure;
- Engaged and obtained Letter of Undertaking from contractors for the number of workers to be deployed during the Defect Liability Period ("DLP"); and
- Implementation of a "We Fix Team" to expediate the defect rectification process for all newly handed over projects.

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SAFETY & HEALTH

Risk Trend ◀▶

Risk Description

Major safety, health and/or environmental breaches at our workplace or project sites may impact our operations, financial performance, reputation and the well-being of our people.

Impact on Value

Diminishing financial capital, compromised intellectual capital and loss of human capital due to:

- Decline in productivity and performance due to accidents, injuries and casualties;
- Significant penalties or disruptive stopwork orders imposed by authorities;
- Potential environmental harm and additional costs arising from possible claims and litigation; and
- Potential reputational damage.

Mitigation Strategies

- Continued undertaking top management and Board of Directors site visits to engage staff, contractors and workers on Health, Safety, Security and Environment ("HSSE") matters;
- Implemented an ESG Playbook to provide clarity on how to execute the Group's HSSE Policies and Plan;
- Worked with contractor organisations to improve performance across our Reporting Culture, Hygiene at Worker Quarters and Work at Height practices;
- Developed Occupational Safety and Health in Construction Industry (Management) ("OSHCIM") Framework to provide guidance to project teams and consultants in incorporating safety considerations at the design stage;
- Incorporated one (1) KPI into the Group 2023 Scorecard on Safety Observation ("SO") to promote an injury reporting culture;
- Incorporated one (1) KPI into Chief Operating Officer's 2023 scorecard on compliance towards providing basic PPE requirements;
- Enhancement of HSSE risk management by introducing BOWTIE risk assessment methodology for high-risk activities;
- Continued to manage ESH risks through:
  - HSSE policy and ESH procedures;
  - Trainings and campaigns such as Safety Day, Work at Height, Toolbox Talks and Taiso;
  - Reviewing and updating ESH requirements within contracts and development project plans;
  - Unscheduled and scheduled HSSE inspections and related reporting; and
- Providing employees with mental health and well-being support through digital service platform Jalinan Nurani, where employees can access certified health coaches and various resources to better manage their mental, physical and financial well-being.

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Key Risks and Mitigation

CYBERSECURITY

Risk Trend ◀▶

Risk Description

Infrastructure and systems failure incidents, along with loss of data due to cyber-attacks, have the potential to cripple our core systems and controls.

Impact on Value

Compromised manufactured and intellectual capitals and diminishing financial capital due to:

- Business disruption;
- Loss of valuable business data and stakeholder trust;
- Penalties or fines by authorities and/or legal action by third parties; and
- Potential reputational damage.

Mitigation Strategies

- Deployed various infrastructure security protection solutions and an Intrusion Prevention System to manage Internet/web security;
- Conducted annual Security Posture Assessment ("SPA") and Vulnerability Assessment ("VA") to evaluate the robustness of our IT infrastructure and systems;
- Implemented Multi-Factor Authentication ("MFA") for all applications, systems and VPN to avoid/prevent unauthorised access to our internal system;
- Implemented Deep Security through Virtual Patching to ensure all vulnerabilities of applications and infrastructure are patched before any damage is done, while ensuring patch management is updated and in place for continuous management of end point clients;
- Implemented Advanced Persistent Threat ("APT"), Privilege Access Management ("PAMA") and Identity Access Management ("IAM") solutions to detect and prevent targeted attacks;
- Utilised multi-layer infrastructure security protection solutions (such as web application firewall, multi-tiered firewall, anti-spam/virus, security operations centre) to prevent malicious threats to our corporate network, data centres and personal computers;
- Utilised Unified Threat Management ("UTM"), Internet/Web Security, and Security Event Manager tools to monitor, prevent and resolve security incidents;
- Continued our monitoring of new and potential threats that emerge in the cybersphere through our round-the-clock Security Operations Centre ("SOC");
- Hardened network by blocking lateral movements between servers or devices;
- Continued to promote cybersecurity awareness across the organisation to prevent employee-related security breaches and potential vulnerabilities;
- Conducted cybersecurity e-learning and e-assessment to provide cybersecurity awareness to employees across the organisation, equipping them with cybersecurity knowledge and insights into potential vulnerabilities, while specifying guidelines on how to recognise and respond to cyber threats;
- Implemented and monitored the completion of cybersecurity improvement programmes and activities that had been identified as part of the Cybersecurity Maturity Assessment exercise;
- Sought continuous improvement within the strategies of our Cybersecurity Strategic Roadmap and Framework;
- Implemented DevSecOps (development, security, and operations) to ensure all applications and systems are tested and vetted by EAGRC (for Governance, Risk and Compliance requirements) before being moved to the production environment; and
- Implemented a three-year Cybersecurity Framework as per Control Objectives for Information and Related Technologies ("COBIT"), ISO27001: Information Security Standard, Payment Card Industry Data Security Standard ("PCIDSS") & National Institute of Standards and Technology ("NIST") Framework.

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JOINT VENTURES, COLLABORATIONS AND STRATEGIC PARTNERSHIPS

Risk Trend ◀▶

Risk Description

Our financial position and reputation may be impacted by misaligned investment objectives or interests, lower than expected returns from collaborative investments, a weak joint venture ("JV") management team or disagreements with our JV partners.

Impact on Value

Diminishing financial capital, compromised intellectual capital, and deteriorating human capital due to:

- Lower than expected returns on investment;
- Additional capital requirements to sustain JV operations/ businesses;
- Potential litigation arising from claims/disputes; and
- Potential reputational damage.

Mitigation Strategies

- Conducted robust assessments and due diligence on potential JV partners prior to entering into the JV partnerships;
- Obtained sufficient external expert advice in structuring the terms of JV partnership to safeguard the Group's rights and interest;
- Active engagement in the set-up of the JV, including when devising board/shareholders' reserved matters, aligning roles and responsibilities of JV partners, and preparing of business plans, human resources requirements, governance structures, key operating guiding policies, procedures, and delegated authority limits;
- Tracked and closely monitored the performance of JVs through periodic reporting/audits and ensuring the Group's representation on the Board/development committee/management of the JV Company; and
- Continued robust engagement with JV partners, ensuring that the objectives of the JVs are being achieved while mitigating and minimising potential disagreements.

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Key Risks and Mitigation

TALENT AND RESOURCE MANAGEMENT

Risk Trend ◀▶

Risk Description

An inability to attract and retain proficient industry talents to effectively execute business strategies has the potential to impact our ability to meet sustainable growth objectives.

Impact on Value

Deteriorating human capital due to:

- Lack of internal skills and competencies needed to implement the Group's strategies and deliver expected levels of performance;
- Misaligned performance outcomes, measurements and targets; and
- Loss of key talents.

Mitigation Strategies

- Implemented Total Rewards Framework to attract and retain competent talents;
- Periodically reviewed the competitiveness of our remuneration packages against industry benchmarks;
- Reviewed succession plans to strengthen leadership bench strength, fast tracking high-potential talents and creating stretched development opportunities for competent performers;
- Adopted a clear strategy cascade, setting targets and a performance management system in place to drive progress;
- Reviewed competency and training gaps, providing continuous training and support to build key expertise under major growth areas;
- Established individual development plans ("IDPs") to build up and enhance the skills and competencies of identified successors or talents;
- Implemented an Employee Mobility Framework to encourage cross pollination and provide visible career enhancement opportunities for employees;
- Implemented the recruitment of young talents and retention strategies;
- Leverage on technology to improve efficiency in managing HR-related matters through our HR On Cloud ("HROC") digital platform;
- Implemented initiatives to instil a highly engaged culture across the organisation; and
- Continued to communicate with employees, ensuring they remain engaged and aligned with the company's direction.

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LEGAL/REGULATORY AND CONTRACTUAL COMPLIANCE

Risk Trend ◀▶

Risk Description

Our performance may be impacted by non-compliance with local or international laws, industry regulations or contractual obligations. Risk factors include:

- Complex and voluminous laws/regulations;
- A lack of awareness on new and existing laws, regulations or case laws, or a lack of understanding of contractual provisions and their impact on our transactions or operations;
- Ambiguity in the interpretation or application of laws, regulations and case laws; and
- New case laws, statutory amendments, and introduction of new laws and regulations.

Impact on Value

Compromised financial and intellectual capitals due to:

- Non-compliance costs arising from penalties, fines, payment of damages and compensation;
- Failure to meet legal or contractual obligations resulting in potential claims or litigation;
- Additional compliance costs; and
- Potential reputational damage.

Mitigation Strategies

- Continued to inculcate a compliance culture within the organisation, with complemented by stringent internal processes, and provided internal and external legal support to operational teams when required;
- Maintained close collaboration and conducted effective dialogues with trade associations and regulatory bodies on emerging legal or regulatory requirements as well as industry trends and standards;
- Assigned dedicated project teams to monitor compliance with specific laws, regulations or contractual provisions;
- Defined an escalation matrix and a stringent monitoring, resolution and reporting mechanism to manage material breaches;
- Enhanced our employees' (both legal department employees and other employees of the Group) skills and knowledge of regulatory requirements, case law updates and statutory amendments via regular talks, training, and seminars by internal and external speakers, supplemented by continuous internal legal research and write-ups; and
- Maintained a close monitoring of appellate courts' decisions and case law developments affecting the Group's businesses, along with the emergence of any new bills, laws or amendments which would affect the Group's business or industry.

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Key Risks and Mitigation

COMPETITION

Risk Trend ◀▶

Risk Description

A new entrant to the market, or new and superior innovations or advanced technologies delivered by current competitors, have the potential to disrupt our market share and financial performance.

Impact on Value

Diminishing financial capital due to:

- Loss of market share; and
- Lower than expected sales performance and returns on investment.

Mitigation Strategies

- Maintained market watch to monitor existing and new industry entrants and their technologies;
- Implemented the Group's own innovation roadmap and initiatives to source for and pilot new products and services that will complement the Group's business segments, namely in home designs and placemaking;
- Continued to improve online sales platform to ensure a seamless experience for customers; and
- Enhanced productivity and work efficiencies through digitalisation and mechanisation.

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CLIMATE RISK

Risk Trend ◀▶

Risk Description

- Flood risk.
- Not meeting carbon emissions programmes and targets.
- Inability to secure adequate water & electricity supply and connection for future projects in growing and/or new townships.

Impact on Value

Compromised manufactured capital, diminishing financial capital and reduced natural capital due to:

- Impact on value and demand for products (long-term) located in flood risk areas;
- Inability to reduce carbon emission and meet carbon emission targets;
- Inability to meet strategic development and growth targets;
- Inability to meet financial targets;
- Loss of market share;
- Loss of investors' confidence; and
- Potential reputational damage.

Mitigation Strategies

Flood Risk:

- Continued engagement with local authorities on short-term and long-term flood mitigation plans;
- Identified temporary retention ponds to alleviate flood risk, where required;
- Initiated cleaning works to prevent clogging of drains;
- Voluntarily increased our development assessment platform (above regulatory requirements) for new launches in townships that have been identified as high flood risk;
- Implemented flood monitoring and emergency response protocol in high-risk townships;
- Continued to engage with residence committees in high-risk townships to ensure assistance can be deployed in a timely manner in the event of floods;
- Developed a Flood Mitigation Toolkit to address prospective purchasers' queries and to inform them of strategies adopted by Sime Darby Property to address flood risk exposure;
- Constructed a Town Park wetland as a sustainable stormwater management solution; and
- Completed desilting work of drainage and road resurfacing work at townships with a high flood risk.

Carbon Emissions:

- Established baseline for net zero emissions (Scope 1 and 2) and Carbon Reduction Strategy;
- Initiated readiness assessment for Scope 3 emissions (specifically for employee commuting and business travels);
- Tracked the Group's yearly emission against targets;
- Implemented an ESG Playbook which acts as a guide for the Group in the adoption of sustainability initiatives;
- Instilled awareness to all staff regarding climate change and the Group's sustainability targets to ensure consistent adoption and collective implementation of sustainability initiatives;
- Continued monitoring and disclosure of carbon emissions performance of the Group;
- Considered the implementation of sustainability elements during the product planning and design stage; and
- Continued to explore new technologies or alternate materials which can help reduce GHG emissions within the supply chain.

Utilities:

- Continued to engage and follow up with relevant authorities and utility providers to ensure relevant approvals were obtained and utility works progressed as planned at various stages of development;
- Kept abreast of and complied with the requirements of utility providers; and
- Assessed and tracked projected future demand for utilities to ensure the relevant infrastructure is commissioned in a timely manner.

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STRATEGIC REVIEW

Key Risks and Mitigation

SUPPLY CHAIN AND ITS RELATED HUMAN RIGHTS RISK

Risk Trend ◀▶

Risk Description	Impact on Value
• Heightened demand for proficient and reliable contractors and suppliers within the market may cause increased competition and attrition within our supply chain. • Supply chain disruption due to exposure to impacts caused by irresponsible supplier environmental or social practices, including human rights violations.	Diminishing manufactured capital, financial capital, and social capital due to: • Loss of sales arising from deferrals in product launches due to delays in tender exercises arising from a lack of qualified tenderers; • Higher cost of construction due to competition for capable contractors; • Poor product quality or late delivery of products arising from overstretched contractors; • Additional costs incurred for rectifications, replacements, compensation, settlement, overruns and/or LAD; • Expenses incurred due to potential claims/disputes/legal action from purchasers; and • Potential reputation damage.

Mitigation Strategies

Competition Risk for proficient and reliable contractor:

- Conducted a market intelligence exercise to explore new contractors as part of our efforts to increase our pool of competent and experienced consultants and contractors with good track records;
- Continued engagement with vendors that failed to win tenders to explain their shortfall, enable future improvements and encourage them to participate in the future tenders;
- Continued to appoint preferred contractors with existing skilled workers, recycling them into projects within the same geographical location;
- Established a high-performance contractor framework as part of our contractor retention initiatives; and
- Enhanced the vendor registration system with more user-friendly features.

Exposure to ESG and Human Rights Risk:

- Implemented the Group's Vendor Code of Business Conduct ("Vendor COBC") which sets out the standards of behaviours required of Vendors, including human right requirements and expectations;
- Required a Vendor Integrity Pledge ("VIP") as a formal affirmation from vendors that they will comply with, respect and uphold the principles of the Vendor COBC;
- Included a human right clause as part of tender and contract documents with vendor;
- Conducted knowledge sharing and educational sessions with vendors on Human Rights requirements, best practices and laws and regulations to ensure alignment with International Labour Organisation ("ILO")'s indicators;
- Implemented an ESG Playbook to provided clarity on Worker Quarter Hygiene Standards aligned with Centralised Labour Quarters ("CLQ") Guidelines;
- Undertook periodic inspections of Worker Quarters, led by the HSSE team;
- Commenced engagements with key vendors to establish their current position in respect of ILO practices;
- Maintained a list of back-up vendors for key materials; and
- Maintained an approved vendor list ("AVL"), that provides a resource from which alternate contractors may be sourced.

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Our Strategy

In 2023, Sime Darby Property continued its transformative journey initiated in 2021 under the SHIFT25 framework. The collective efforts of the Group remain focused on elevating our standing from a residential-focused property developer to a leading diversified real estate company in Malaysia by 2025.

Over the past year, we have continued to make progress across all four Corporate Priorities and seven Focus Areas, leveraging on our Engines of Growth framework to adequately allocate resources in alignment with the priorities set for the various facets of our expansion strategies.

Additionally, our new Purpose, Vision, Mission and Values unveiled in 2022 have successfully established a clear direction and motivation for driving the Group's success, unlocking a united and cohesive call to action across our workforce.

Moving forward, we will continue fine-tuning our strategies and approach, adapting with agility to the evolving industry landscape and ensuring we remain on the right trajectory towards our overarching objectives.

SHIFT25

TRANSFORMATION JOURNEY

TRANSFORMATION JOURNEY

PURE-PLAY PROPERTY DEVELOPER ▶ **REAL ESTATE COMPANY**

Master Developer • Community Builder • Investment & Asset Manager

Malaysia's Leading and Most Admired
Real Estate Company

Sustainable & Future-driven
Fit-for-purpose 21st Century Designed Company

Strong & Resilient
International Presence To Maximise Shareholder Value

ENGINES OF GROWTH

ENGINE 1: 70%
Maximising the Core's Potential

ENGINE 2: 25%
Business Model Expansion & Growth Adjacencies

ENGINE 3: 5%
Disruptive Opportunities

OUR 4 CORPORATE PRIORITIES

- BROADEN INCOME STREAMS
- DEEPENING COMPETENCIES
- DEVELOP NEW CAPABILITIES
- DIGITAL TRANSFORMATION

7 FOCUS AREAS

- Operational Excellence
- Customer First
- Tech & Innovation
- New Revenue Streams
- Organisational Excellence
- Safety & Sustainability
- Branding & Communication

STRATEGIC REVIEW

Strategic Performance Review

BROADEN INCOME STREAMS

Bolstering our position as a master developer by harnessing strategically located land banks to develop economic corridors, integrate robust commercial activities and grow our recurring income portfolio of industrial, retail and commercial assets.

KEY PRIORITIES

- Maximise core Property Development business and position as a master developer.
- Enhance Investment & Asset Management portfolio.
- Amplify industrial and logistics developments.

INITIATIVES

- Maximise growth, profitability, and asset efficiency for Property Development.
- Ensure sustainable Property Development launch pipeline of landed and high–rise residential products for greater earnings visibility.
- Diversify launch product mix across residential, commercial and industrial.
- Explore the development of Affordable Homes.

2023 ACHIEVEMENTS

- Reached new record high revenue, gross profit and operating profit since the 2017 demerger at RM3,436.9 million, RM1,009.0 million, and RM606.4 million, respectively.
- Recorded RM3.3 billion in sales, exceeding our RM2.7 billion target, and achieved record high unbilled sales of RM3.6 billion.
- RM4.0 billion worth of diversified products launched in 2023 (38% residential landed, 34% residential high rise, 17% industrial).
- Secured commitments for the remaining RM300.0 million for the Industrial Development Fund ("IDF-1") to close the fund at RM1.0 billion.
- Established 50:50 Joint Venture ("JV") with Lagenda Properties to develop affordable homes in Kedah.

PRIORITIES FOR 2024

- Continue to introduce products that resonate with market demand to sustain strong sales momentum.
- Maintain healthy product mix whilst diversifying income streams beyond Property Development.
- Optimise net property income ("NPI") yields in the retail segment.
- Activate Property Development recurring income projects.
- Launch Affordable Homes project and explore Geographical Expansion.

SHORT TO MEDIUM-TERM FOCUS AREAS

Continue building towards a best-in-class property development business while growing recurring income streams, supported by placemaking and sustainability positioning for each township.

DEEPEN COMPETENCIES

Strengthening our competencies as a sustainable lifestyle and community developer by fostering a performance-driven culture and integrating safety and sustainability into our day-to-day operations.

KEY PRIORITIES

- Embody our Purpose, Vision, Mission and Values in driving transformation.
- Embed a robust culture of safety and excellence.
- Enhance design, lifestyle and sustainable development capabilities.
- Improve financial management and cost rationalisation.

INITIATIVES

- Enhance safety culture and HSSE management systems towards target of Zero Fatalities (Goal Zero).
- Elevate customer experience ("CX") and Customer First culture across the organisation.
- Develop carbon reduction roadmap towards Net Zero.
- Adopt greater use of Industrialised Building System ("IBS") to enhance environmental sustainability, product quality, productivity and workplace safety.

2023 ACHIEVEMENTS

- Announced Net Zero Carbon commitment, setting a clear pathway towards operational Net Zero by 2050.
- Of all 2023 projects, 86% met or exceeded the benchmarks specified in our Sustainability Playbook, successfully incorporating green elements in product development.
- Operational staff achieved 94% of the target for safety observations set for 2023 (1,401 actual observations vs target of 1,473).
- Average IBS scores: 66 for Township Development (landed-residential); 56 for Integrated Development (high-rise residential); and 70 for Industrial.

PRIORITIES FOR 2024

- Strengthen financial discipline and cost optimisation for effective capital, cash flow and cost management.
- Continue to enhance safety culture and HSSE management systems.
- Elevate customer experience and 'Customer First' culture across the organisation.
- Roll-out Contractor STAR Rating framework to measure contractors on their safety management capabilities.

SHORT TO MEDIUM-TERM FOCUS AREAS

Introduce new initiatives to improve safety, sustainability and customer-centricity practices, further deepening our culture of responsibility and accountability across the organisation.

Strategic Performance Review

DEVELOP NEW CAPABILITIES

Driving positive transformation in our business operations by seizing opportunities in new areas and harnessing the power of partnerships and strategic collaborations to bolster our capabilities.

KEY PRIORITIES

- Foster collaboration with best-in-class partners.
- Enhance land bank management and monetisation.
- Maximise placemaking at our developments.

INITIATIVES

- Partner and work with best-in-class partners.
- Experiment with product innovation utilising Modern Methods of Construction ("MMC").
- Land bank management and monetisation.
- Expand and enhance placemaking across townships.

2023 ACHIEVEMENTS

- Strategic collaboration with Maybank, integrating Maybank Home2u financing platform into Sime Darby Property's OBS.
- Established MOU with Tenaga Nasional Berhad to explore development of sustainable energy initiatives.
- Enhanced design standardisation of 10 primary builds with the target of reducing build time and optimising cost.
- Activated ~940 acres of land in 2023, with approximately 100 acres from industrial land activation.
- Completed land acquisition of Sg. Kapar of 949 acres.
- Public opening of the award-winning 53-acre KL East Park.

PRIORITIES FOR 2024

- Leverage partnerships to grow in new markets.
- Expand and enhance placemaking across all townships.
- Operationalise new retail offering – Elmina Lakeside Mall.
- To increase R&D efforts in design and building materials.

SHORT TO MEDIUM-TERM FOCUS AREAS

Assess the technical and commercial feasibility of MMC, gain insights from JV partners and elevate placemaking across townships.

DIGITAL TRANSFORMATION

Future-proofing our business model against disruptive global trends by digitising and digitalising our core processes, empowering the exploration of new frontiers within technology, innovation and R&D.

KEY PRIORITIES

- Core IT process rationalisation.
- Cloud computing and enterprise data warehouse.
- Data security framework.
- Data-driven decision making.
- Collaborative platforms.
- Software, apps and developers.

INITIATIVES

- Continue onboarding consultants and contractors to our digital collaborative platform to enhance project management.
- Develop Sime Darby Property's digital application.
- Adopt top-tier cybersecurity levels.

2023 ACHIEVEMENTS

- Implemented Procore solutions for a total of 125 projects.
- Completed Phase 1 of the Sime Darby Property App, with the key functionality of providing construction and billings progress updates.
- Integrated end-financing into the Online Booking System via strategic collaboration with Maybank.
- Commenced pilot stage of 4D Building Information Modeling ("BIM") to improve progress visibility, on-site safety and collaboration.
- Integrated ERP and eProcurement systems.

PRIORITIES FOR 2024

- Launch the Sime Darby Property App and continue Phase 2 functionality developments.
- Implement real-time data visualisation and analytics of key data-points and customer touchpoints.
- Continuous enhancements to the cybersecurity framework.

SHORT TO MEDIUM-TERM FOCUS AREAS

Enhance and onboard digital tools and solutions to further improve operational efficiency, optimise costs, improve cybersecurity, unlock collaborative synergies and deliver enhanced services.

Strategic Performance Review

OUR SEVEN FOCUS AREAS

Operational Excellence
To be a performance-driven organisation, with continuous improvement in the way we work.

Organisational Excellence
To raise productivity and enrich our talent pool.

Safety & Sustainability
To develop a safe workplace for our employees and business associates in the pursuit of our three strategic pillars of People, Planet and Prosperity.

Tech & Innovation
To develop technological capabilities by expanding the use of digital channels and data analytics.

Branding & Communication
To enhance stakeholder interest in the Group's innovative offerings and solutions as a lifestyle developer via communication activities.

Customer First
To elevate customer experience across all key touchpoints and adopt new technologies to engage and interact with customers.

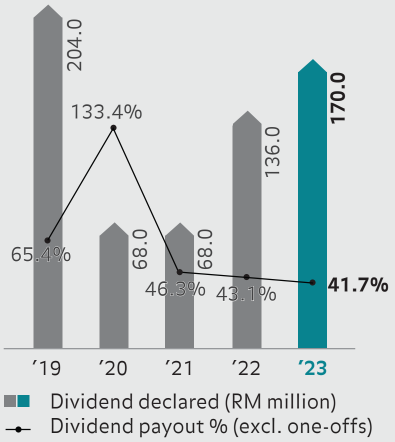
New Revenue Streams
To establish a strong presence in other segments of the real estate industry, accelerating income diversification and complementing our property development business.

STRATEGIC REVIEW

Key Performance Indicators

FINANCIAL METRICS

DIVIDEND PAYOUT



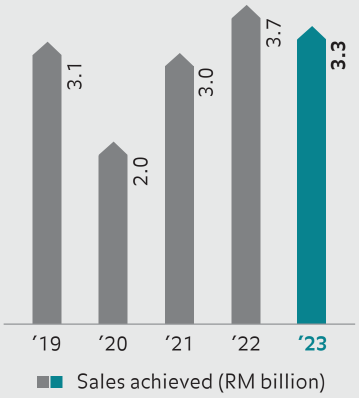
ACTUAL ACHIEVEMENT FY2023

Backed by a healthy financial performance, the Group has declared a dividend of 2.5 sen per share amounting to RM170 million. This dividend payout represents 41.7% of the Group's net earnings for the financial year ended 31 December 2023.

2023 TARGETS

Seeking to deliver sustainable value to shareholders, the Group is committed towards maximising shareholder returns while taking into account funding requirements for growth and transformation.

SALES ACHIEVED



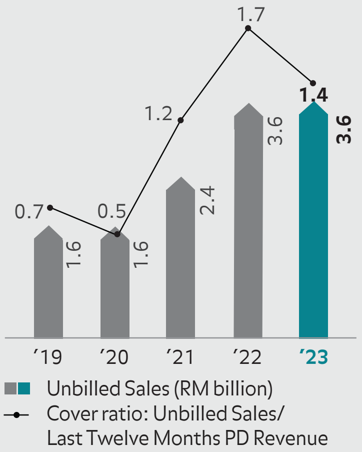
ACTUAL ACHIEVEMENT FY2023

We closed out the year with RM3.3 billion in sales, exceeding our revised 2023 target by 22%.

2023 TARGETS

Sales from Property Development is our largest revenue contributor. Taking weaker economic environment into consideration, we initially targeted to achieve RM2.3 billion in sales in FY2023. As the year progressed, we elevated our sales target to RM2.7 billion on the back of stronger than expected take-up rates and launches.

UNBILLED SALES



ACTUAL ACHIEVEMENT FY2023

Our total unbilled sales at 31 December 2023 reached RM3.6 billion, while our cover ratio moderated to 1.4x from 1.7x in 2022, supported by contributions from residential high-rise and industrial projects as well as strong sales momentum in FY2023.

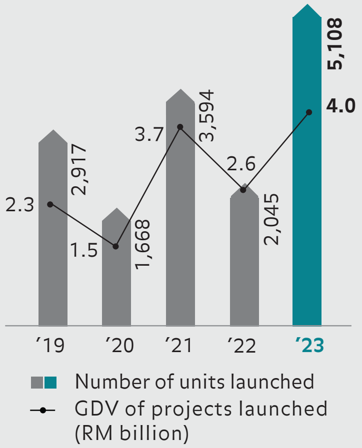
2023 TARGETS

To strengthen our future earnings visibility and future sales recognition, we set the target of achieving a cover ratio of at least 1.0x.

Key Performance Indicators

FINANCIAL METRICS

VALUE OF PROJECTS LAUNCHED



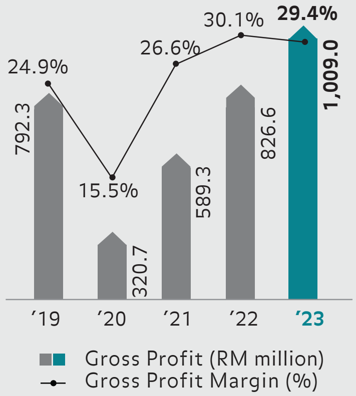
ACTUAL ACHIEVEMENT FY2023

Our total GDV of new launches reached RM4.0 billion, with residential landed making up 38%, residential high-rise 34% and industrial products 17%.

2023 TARGETS

We seek to maintain a steady pipeline of product launches to preserve and enhance our earnings visibility and to extract value from our land bank. In FY2023, we set the target of achieving RM4.0 billion in GDV.

GROSS PROFIT



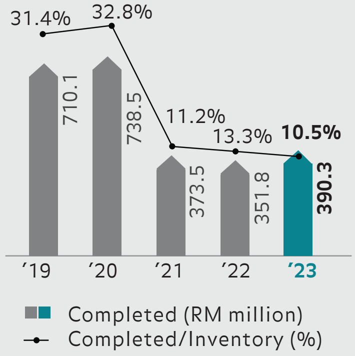
ACTUAL ACHIEVEMENT FY2023

Our Gross Profit was 29.4% of total revenue, surpassing our guidance for the year.

2023 TARGETS

We seek to achieve a Gross Profit Margin of between 20% to 25% in FY2023.

COMPLETED INVENTORIES



ACTUAL ACHIEVEMENT FY2023

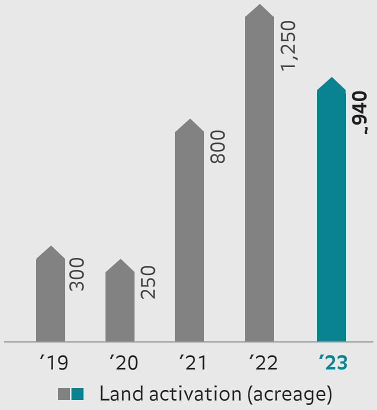
Our Completed Inventories stood at RM390.3 million, or 10.5% of total inventories, at the year end, representing a significant improvement over the previous year.

2023 TARGETS

We set the target of achieving Completed Inventories of less than or equal to 10% of total inventories.

NON-FINANCIAL METRICS

LAND ACTIVATION



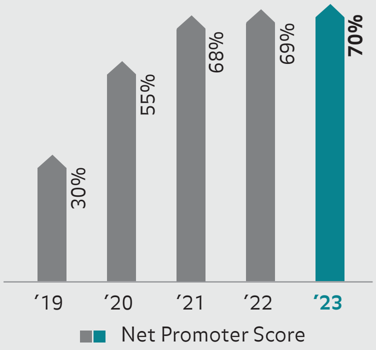
ACTUAL ACHIEVEMENT FY2023

During the year, a total of approximately 940 acres of land were activated, comprising 540 acres utilised for property development and 400 acres of non-core land sold off.

2023 TARGETS

We seek to develop our landbank in order to unlock the value of our assets and contribute to the Group's development.

NET PROMOTER SCORE ("NPS")



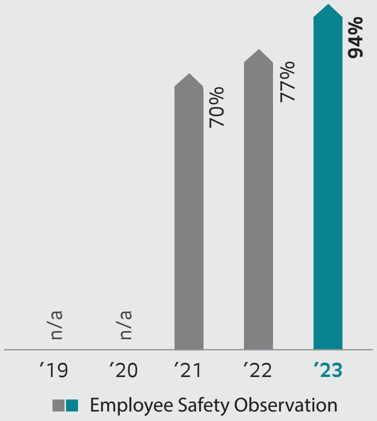
ACTUAL ACHIEVEMENT FY2023

Attained a NPS of 70% at our "My Home Key Collection" customer touchpoint, with our improved score reflecting the success of our 'High 5' initiative in delivering a rewarding key collection experience.

2023 TARGETS

To ensure we deliver consistently high value and service to our customers, we had set the target of scoring 60% for FY2023.

EMPLOYEE SAFETY OBSERVATION REPORTING



ACTUAL ACHIEVEMENT FY2023

In our third year of monitoring our safety observation reporting, which was expanded across all segments last year, we achieved 94% in safety observation and concern reporting submitted by our employees.

2023 TARGETS

We place top priority on the safety of our employees, contractors and business partners, setting the target of submitting at least one (1) safety observation per quarter, per employee in FY2023.

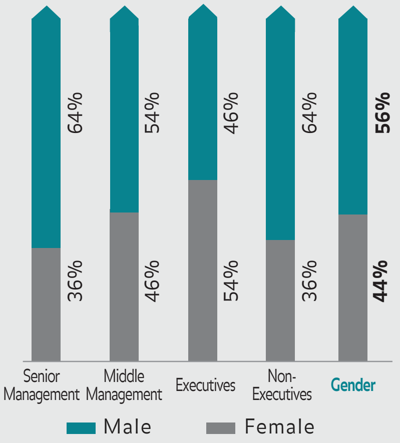
Regrettably, the organisation suffered one fatality on our project site on 5 December 2023.

STRATEGIC REVIEW

Key Performance Indicators

NON-FINANCIAL METRICS

FEMALE REPRESENTATION



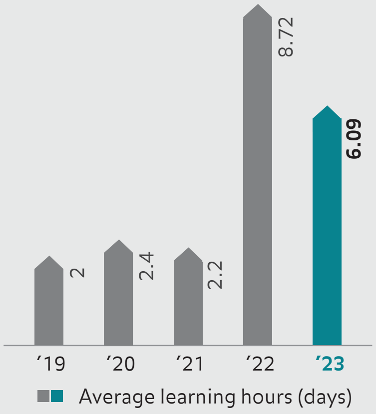
ACTUAL ACHIEVEMENT FY2023

Women continue to be robustly represented across the Group, with 662 female employees making up 44% of our total workforce.

2023 TARGETS

We seek to continuously be an equal opportunity employer and fully embrace gender equality.

LEARNING HOURS



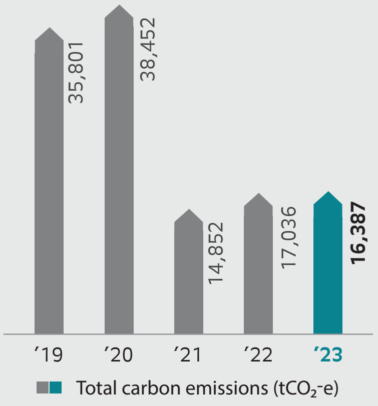
ACTUAL ACHIEVEMENT FY2023

We invested a total of RM3.5 million training, accumulating a total of 74,072 learning hours during the year, which reflects an average of 6.09 learning days per employee. 86% of the total learning hours were dedicated to technical, functional, and sustainability programmes.

2023 TARGETS

We seek to continuously provide increasingly structured professional development opportunities in alignment with our Purpose, Vision, Mission and Values.

TOTAL CARBON EMISSIONS



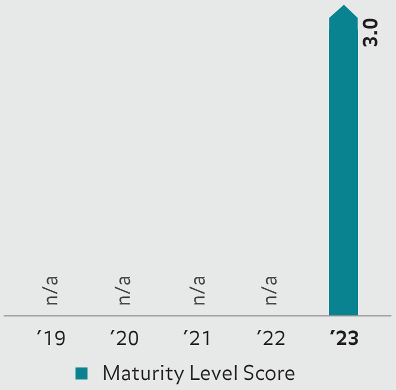
ACTUAL ACHIEVEMENT FY2023

Total Group emissions reduced by 649 tCO_2-e (Scope 1: 217 tCO_2-e; Scope 2: 432 tCO_2-e) compared to 2022, reflecting energy efficiency initiatives undertaken during the year.

2023 TARGETS

We seek to reduce our carbon emissions as we progress towards a net zero carbon organisation.

ENHANCED CYBERSECURITY



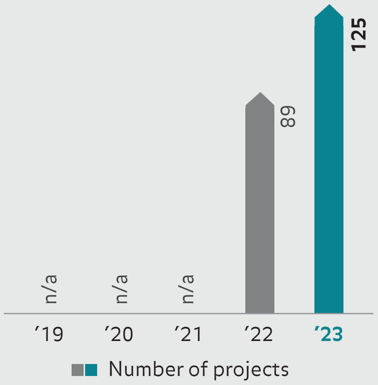
ACTUAL ACHIEVEMENT FY2023

We introduced 22 domain enhancements to existing security controls, as well as organised 4 training sessions with monthly online updates, which were attended by an average of 120 staff each session. As of 2023, we have begun to formulate our cybersecurity maturity score, achieving a score of 3.0 in our inaugural assessment.

2023 TARGETS

To protect our digital systems, as well as data belonging to the Group and our stakeholders, we are constantly maturing our cybersecurity posture with more training and policies.

PROCORE PLATFORM IMPLEMENTATION



ACTUAL ACHIEVEMENT FY2023

We significantly expanded our implementation of Procore solutions to achieve end-to-end visibility of all aspects of the property development process, with a total of 125 projects on-boarded by the end of 2023.

2023 TARGETS

To facilitate data sharing and enhance collaboration between different stakeholders in development project, we set the target of on-boarding 120 projects onto the Procore platform.

PERFORMANCE REVIEW

Financial Performance

Group Chief Financial Officer's Financial Review


BETTY LAU SUI HING
Group Chief Financial Officer

> **"Sime Darby Property's outstanding performance in FY2023 underscores our robust financial competencies, particularly amidst the uncertainties prevalent at the year's onset. Despite facing challenges such as global inflationary pressures, rising material costs and a high-interest-rate environment, we delivered strong financial and operational results that far exceeded our commendable achievements in FY2022. Our success highlights the Group's adeptness in capitalising on market demand to execute strategic launches of competitively priced products in prime locations, supported by targeted marketing and sales efforts."**

Our success in FY2023 was underpinned by our agility in adapting to market dynamics and overcoming challenges in the operating landscape. Rising materials costs and a shortage of skilled labour were significant obstacles, necessitating strategic planning and proactive measures to optimise costs, mitigate potential delays and maintain a reliable contractor pool for operational stability. We paid close attention to pricing strategies, enhanced cost-effective designs and fostered close collaboration with contractors to ensure timely delivery. Additionally, we expanded our product range to enhance market penetration and provided a carefully calibrated mix of products launched at the opportune times to meet existing market demand. By effectively addressing challenges and adeptly responding to market trends, we were successful in mitigating potential risks to our operations and placed the Group on a robust trajectory of stable and sustainable financial growth.

In FY2023, the Group maintained its robust momentum in activating and monetising our land bank. Over the past twelve months, we activated and monetised approximately 940 acres of land and launched 37 projects with a Gross Development Value ("GDV") of RM4.0 billion, comprising 38% residential landed, 34% residential high-rise and 17% industrial products. The increase in our launch of high-rise residential offerings reflects our adaptation to shifting market sentiment, with the strong customer response to our launches validating our approach. At the same time, we have continued to expand our product range within the industrial segment, activating 100 acres of industrial land and launching industrial products worth a total GDV of RM689.0 million to fulfil market demand.

Achieved record-breaking financial results since the 2017 demerger:

Revenue
RM3.4 billion

Operating Profit
RM0.6 billion

Maintained record high unbilled sales of
RM3.6 billion

Recorded positive operating cash flow of
RM617.3 million
(excluding land acquisitions)

The Group's agility and responsiveness to market dynamics resulted in a robust sales performance of RM3.3 billion during the year. Sales performance was driven by the timely launching of a wide range of products within our major townships, collectively valued at RM4.0 billion in GDV in FY2023.

The Group completed the acquisition of two parcels of land totalling 949 acres in Kapar, Klang and 760 acres in Seremban, Negeri Sembilan during FY2023. Strategically located to leverage the success of our ongoing developments in Bandar Bukit Raja and Hamilton Nilai City townships, these two land parcels will play an important role in strengthening our industrial development portfolio in alignment with our SHIFT25 transformation initiative as we build our assets under management.

Moreover, the Group reached another significant milestone in FY2023 by forming a joint venture with Lagenda Properties to develop affordable homes. This strategic move not only supports the growing affordable housing market by providing well-priced homes in strategic locations but also enables us to enter a new market sector, which will potentially generate additional revenue streams in the future.

Under the IAM segment, the Group's continued the drive its transformation from a pure-play property development company into a diversified real estate company, placing focus on expanding recurring income streams via in-house projects, joint ventures and fund management platforms.

With fund raising exercises for our IDF continuing unabated during FY2023, the Group is committed to secure the remaining 30% or RM300.0 million to close the fund at RM1.0 billion in 1H FY2024.

Additionally, the segment has prioritised expanding placemaking initiatives across townships to further enhance the Group's recurring income streams. We are on track to operationalise the new Elmina Lakeside Mall at our City of Elmina township in 2024, with Senada Mall at the KLGCC Resort expected to follow suit in the subsequent year.

The Leisure segment achieved a significant milestone in October 2023 when it hosted the inaugural LGPA-Maybank Championship at KLGCC, solidifying the club's status as one of Asia's premier golf destinations. Having secured hosting commitments for the next two years, KLGCC is strategically positioned to leverage this heightened exposure to enhance its offerings, attract more members and drive revenue growth.

On the financing front, the Group issued RM600.0 million in nominal value Islamic Medium-Term Notes ("IMTN") under its existing RM4,500.0 million IMTN (Sukuk Musharakah) Programme on 21 August 2023, bringing the total IMTN issued to-date to RM1,400.0 million. Despite the volatile interest rate environment, the issuance attracted significant interest from diverse fixed-income and high-calibre investors, resulting in an oversubscription of more than eight times and accumulating an order book valued at over RM4.8 billion.

In enhancing our ESG financing posture, RM200.0 million from the Sukuk issuance during the year, contributing to a cumulative total of RM350.0 million, was specifically designated as Sustainability Sukuk under the Sustainable and Responsible Investment ("SRI") Sukuk Framework issued by the Securities Commission Malaysia ("SRI Framework") and/or ASEAN Sustainability Bond Standards issued by the ASEAN Capital Markets Forum ("ASEAN Sustainability Bond Standard").

In December 2023, the Group's Sukuk Musharakah Programme was accorded an AA+$_{IS}$ rating with a Stable Outlook for the third consecutive year, underscoring investor confidence in the Group's strategies and robust financial standing.

The Group recognises the increasing integration of sustainability initiatives and financial stability, with robust ESG commitments playing a pivotal role in enhancing business performance and facilitating access to financing. It is thus significant that the Group has pledged to achieve Net Zero Emissions by 2050, alongside interim goals of reducing Scope 1 and Scope 2 emissions by 40% by 2030. These established commitments have underscored our dedication to long-term sustainability and will further reinforce our credibility with stakeholders.

In tandem, the Group is prioritising the enhancement of its sustainability reporting framework, particularly from the financial reporting perspective. We have initiated compliance readiness assessments on the International Financial Reporting Standards ("IFRS") S1, which covers General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, which focuses on Climate-related Disclosures. Our goal is to attain full compliance once the effective dates are determined and announced.

Financial Performance

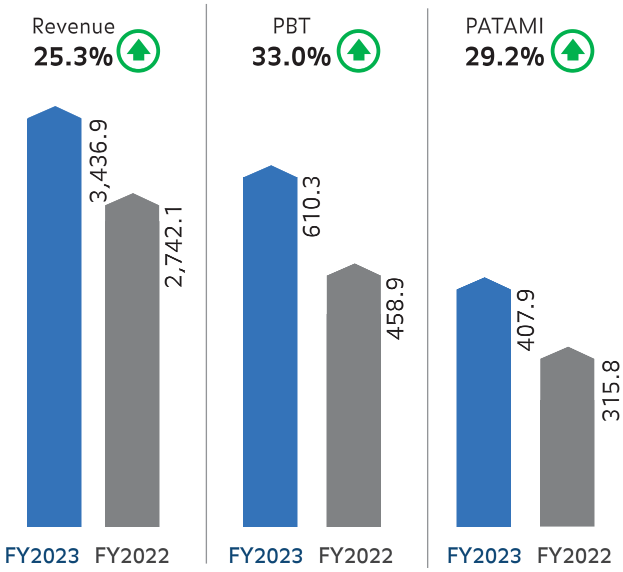
Group Chief Financial Officer's Financial Review

FINANCIAL PERFORMANCE

The Group achieved an outstanding revenue growth of 25.3% to RM3.4 billion in FY2023 from RM2.7 billion in FY2022. On the back of achieving a new historical high revenue, we recorded a 33.0% increase in our PBT, which grew from RM458.9 million to RM610.3 million, and a 29.2% increase in our PATAMI, which rose from RM315.8 million to RM407.9 million despite a higher share of losses from joint ventures. FY2023 mark the second consecutive year of exceptional performance, building on the commendable FY2022 achievements.

The Group's revenue of RM3.4 billion marked a significant 25.3% increase from the previous year, with the growth primarily driven by strong sales performance that surpassed initial expectations, higher site progress as well as contributions from land monetisation.

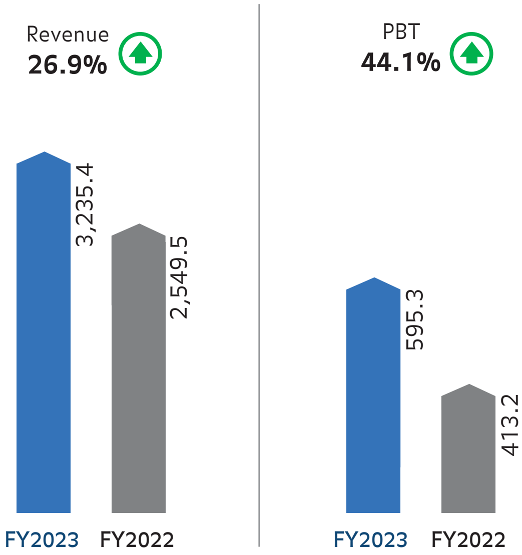
Excluding land acquisition undertaken during the year, the Group recorded a positive operating cash flow of RM617.3 million for FY2023.



Group (RM' million)

SEGMENTAL FINANCIAL PERFORMANCE

PROPERTY DEVELOPMENT



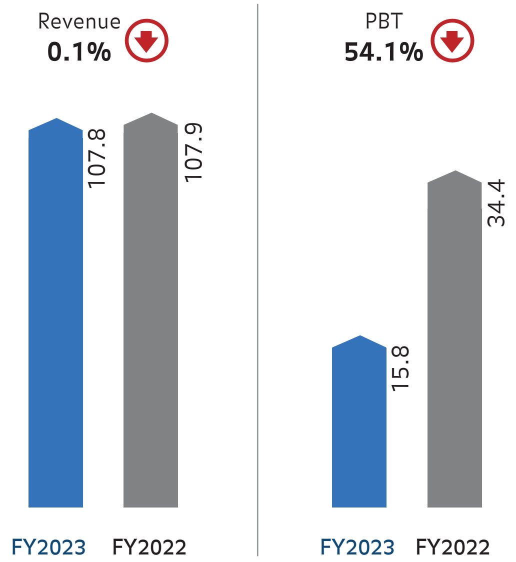
Property Development (RM' million)

Property Development segment continues to be the primary revenue contributor for the Group, constituting 94.0% of the Group's total revenue. The segment registered a substantial year-on-year growth with revenue of RM3.2 billion, marking an increase of 26.9% from RM2.5 billion in FY2022. Concurrently, the segment PBT of RM595.3 million saw a robust increase of 44.1% from FY2022 of RM413.2 million. In addition, the higher segment PBT is also attributable to a lower share of loss from joint ventures and associate, which decreased from RM66.0 million to RM23.3 million. The decrease in share of loss is attributable to fair value gain on land, which offset with write-downs on properties incurred by a joint venture.

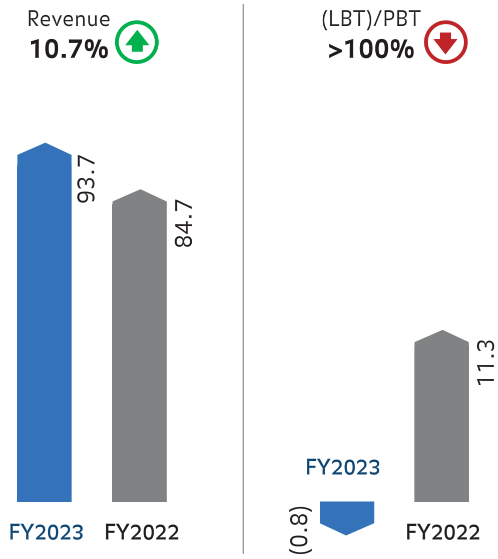
The segment's commendable achievement was backed by strong sales contribution amounting to RM3.3 billion mainly from residential and industrial products in the year under review, and escalated on-site development activities in Bandar Bukit Raja, Nilai Impian, Serenia City, Elmina Business Park and Hamilton City townships. Furthermore, the sale of lands in Negeri Sembilan and Kedah has also contributed to current year's results, in alignment with the Group's land monetisation strategy.

With the alleviation of worker shortages in FY2023, the Group successfully completed the handover of 25 phases, delivering a total of 3,440 units to customers throughout the year. This reflects the Group's focus on delivering its commitments to customers.

The record level of unbilled sales achieved in the previous year held steady at RM3.6 billion by the end of FY2023. Notably, the composition of our unbilled sales has shifted towards increased contributions from sales of high-rise and industrial products in recent years. This diversification extends our earnings and cash flow visibility, leveraging on the longer revenue-generating life cycles of beyond 3 years.



Investment And Asset Management (RM' million)



Leisure (RM' million)

INVESTMENT AND ASSET MANAGEMENT

The investment and asset management segment maintained its revenue contribution at RM107.8 million, marginally lower than FY2022 of RM107.9 million. Notably, KL East Mall continued to register a healthy occupancy of 90% as at 31 December 2023, improved from 85% in FY2022, while Melawati Mall's occupancy improved to 87%.

Despite maintaining its topline revenue, the segment's PBT declined by 54.1% to RM15.8 million as compared to RM34.4 million in the previous year. The FY2023 PBT was impacted by the share of loss from joint ventures, in contrast with share of profit in FY2022. The current year loss was mainly attributed to fair value loss on investment properties and higher finance costs incurred by a joint venture.

LEISURE

The Leisure segment registered a revenue increase of 10.7% to RM93.7 million, compared to RM84.7 million in the previous year. This growth was driven by a higher number of events and functions, leading to increased revenue from banqueting and food and beverages.

However, the segment reported a LBT of RM0.8 million, in contrast to a profit of RM11.3 million in FY2022. This loss was primarily attributed to escalating operating costs and expenses incurred in intensifying maintenance activities for its golf course, specifically in preparation for the Ladies Professional Golf Association ("LPGA") tournament held in October 2023. In contrast, FY2022 segment profit was supported by a gain of RM8.9 million from the disposal of a leisure property in Vietnam.

FINANCE COSTS

Through effective debt management, the Group contained its finance cost despite an increase in interest rates. Total finance costs amounted to RM146.6 million, comprising borrowing costs from conventional and Islamic borrowings as compared to RM145.5 million in FY2022.

The Group maintained a weighted average cost of borrowings at 4.6% per annum, a marginal increase from 4.5% per annum recorded in FY2022, aligning with prevailing market trends. This reflects the Group's proactive approach to financial management in navigating the high interest rate environments, as further elaborated under the funding mix section.

TAXATION

The effective tax rate for the FY2023 of 30.3% is higher than statutory tax rate of 24% due to movement in deferred tax asset not recognised for losses incurred by certain subsidiaries and non-deductible expenses.

DIVIDEND

Leveraging the Group's strong financial performance and position, the Board has approved a dividend of 2.5 sen per share or RM170.0 million for FY2023, which represents a dividend payout of 41.7% of the Group's net earnings for FY2023. In determining dividend payout, the Group has taken into consideration the need for shareholder returns and the retention of funds essential for our growth plans in building a recurring income portfolio with extensive capital and funding requirements.

Financial Performance

Group Chief Financial Officer's Financial Review

FINANCIAL POSITION REVIEW

INVENTORIES MANAGEMENT

As of 31 December 2023, the Group's total inventories increased to RM6.5 billion, reflecting a notable increase of 17.2% from RM5.5 billion recorded as of 31 December 2022. This increase was primarily driven by the Group's strategic land acquisitions, in Kapar, Klang and Seremban, Negeri Sembilan totaling RM782.2 million. These land acquisitions are strategically located to leverage on the success of our ongoing developments in Bandar Bukit Raja and Hamilton Nilai City townships.

Concurrently, the Group continues to maintain its current inventories at manageable level by launching projects that are aligned with market demand, offering them at right price points and in strategic locations within our townships.

Property development costs

Property development costs for ongoing projects stood at RM1.8 billion. The amount reflects a high level of development activities within the Group's major townships, including Bandar Bukit Raja, City of Elmina, Serenia City and Hamilton Nilai City as the Group continues to execute its development plans and meet market demands.

Additionally, during the financial year, a total of RM914.8 million was transferred from land held for property development. This transfer signifies the Group's continuous efforts to accelerate land activation and expand its launching pipeline.

Completed inventories

As at 31 December 2023, our completed inventories have decreased to RM244.4 million, marking the lowest level since the demerger. This reduction was attributed to a decrease in inventories in KLGCC Resort, Taman Melawati, Planters' Haven and KL East townships, as a result of effective and targeted marketing and sales efforts.

WORKING CAPITAL/LIQUIDITY MANAGEMENT

In FY2023, the Group maintained positive operating cash flow, showing its ability to generate cash from core business activities. This was largely driven by increase in progress billings and improved collection efforts in credit management, in addition to higher sales from residential, commercial and industrial products. 3,440 residential and commercial units were also handed over during the year.

Despite incurring land acquisition costs of RM808.2 million, the Group effectively managed its working capital, as evidenced by a relatively low net borrowings raised for FY2023 amounting to RM52.3 million. This demonstrates the Group's ability to finance its operations and expansion initiatives while effectively managing its debt levels.

The Group's total cash and cash equivalents stood at RM602.6 million, reflecting a healthy liquidity position as at end of 2023.

RM'million	FY2023	FY2022
Operating cash flow	**617.3**	1,015.5
Payment for land acquisitions	**(808.2)**	–
Investing cash flow	**19.3**	32.4
Financing cash flow		
Dividends paid	**(141.4)**	(78.8)
Net finance cost paid	**(98.9)**	(114.0)
Net borrowings raised	**52.3**	(757.3)
Others	**(35.0)**	(22.3)
Foreign exchange differences	**11.9**	0.2
Net cashflow	**(382.7)**	**75.7**

DEBT AND FUNDING MANAGEMENT

As part of the Group's debt and funding management, it closely monitors its gearing ratio, funding mix balance including debt maturity profile, forex risk as well as interest rate risk.

The Group's Borrowings

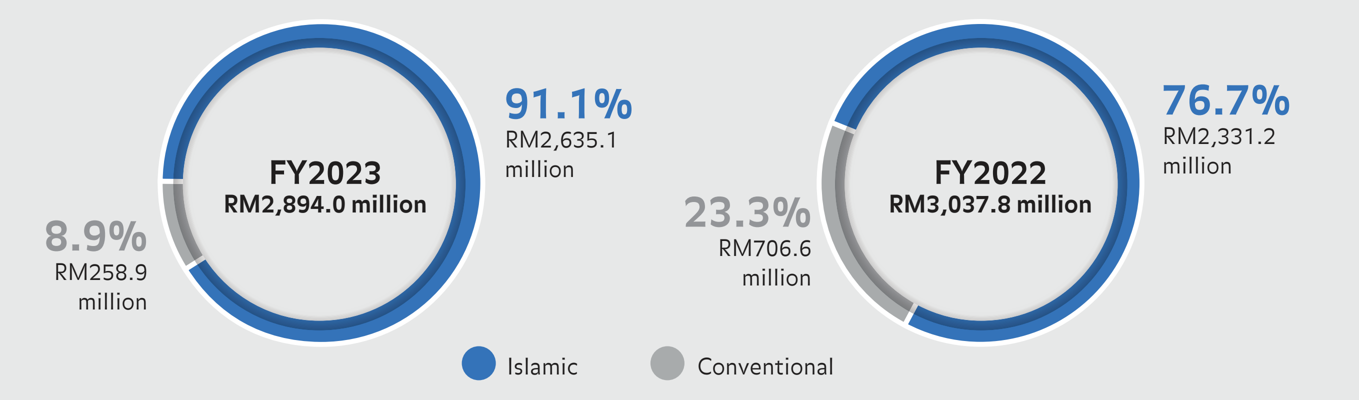
The Group continued to manage its gearing diligently, with a focus on maintaining healthy debt levels.Total borrowings reduced by 4.7% from RM3.0 billion to RM2.9 billion as at 31 December 2023. The Group's net gearing for FY2023 is 22.7% while the gross gearing ratio reduced to 28.6% in FY2023 from 32.0% in FY2022.

RM'million	FY2023	FY2022
Total Borrowings	**2,894.0**	3,037.8
Lease Liabilities	**45.4**	45.6
Total Debt	**2,939.4**	3,083.4
Cash and Bank Balances (including cash under Housing Development Accounts)	**602.6**	985.3
Total Equity	**10,283.5**	9,644.8
Gross Gearing Ratio (%)	**28.6**	32.0
Net Gearing Ratio (%)	**22.7**	21.8

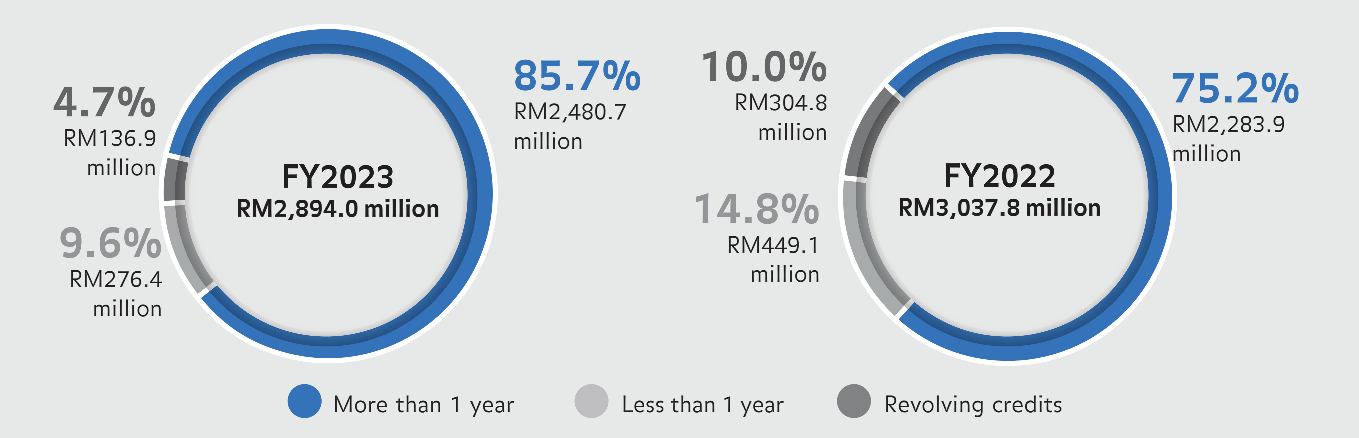
Funding Mix

The Group maintained an optimal funding mix and well-balanced borrowing portfolio, by broadening its funding options for greater flexibility in supporting the Group's long-term growth initiatives.

In FY2023, the Group consistently upheld a balanced portfolio between its conventional and Islamic borrowings, maintaining its status as a shariah counter on Bursa Malaysia, where the Group's conventional loans over total assets ratio was below the Securities Commission's 33% requirement. As at 31 December 2023, the ratio stands at 1.6% compared with 4.6% at end 2022. The Group's Islamic and conventional funding mix is reflected in the following chart.



The debt maturity portfolio of the Group is managed to ensure optimal repayment spread to alleviate high cashflow requirements in any one period, as well as to reduce both concentration and refinancing risks. 85.7% of the Group's total borrowings has a maturity period ranging from 2 to 10 years, while 9.6% of the borrowings are due in less than a year. The 4.7% balance comprises borrowings under revolving credit which can be rolled over periodically.



The Group's repayment portfolio:

RM' million	Revolving credits	< 1 Year	1 to 2 Years	2 to 5 Years	> 5 Years	Total
FY2023	**136.9**	**276.4**	**384.1**	**1,669.9**	**426.7**	**2,894.0**
Percentage (%)	**4.7**	**9.6**	**13.3**	**57.7**	**14.7**	**100.0**
FY2022	304.8	449.1	308.8	1,352.4	622.7	3,037.8
Percentage (%)	10.0	14.8	10.2	44.5	20.5	100.0

** Relates to amounts under revolving credit facilities which are rolled over on a periodic basis.*

PERFORMANCE REVIEW

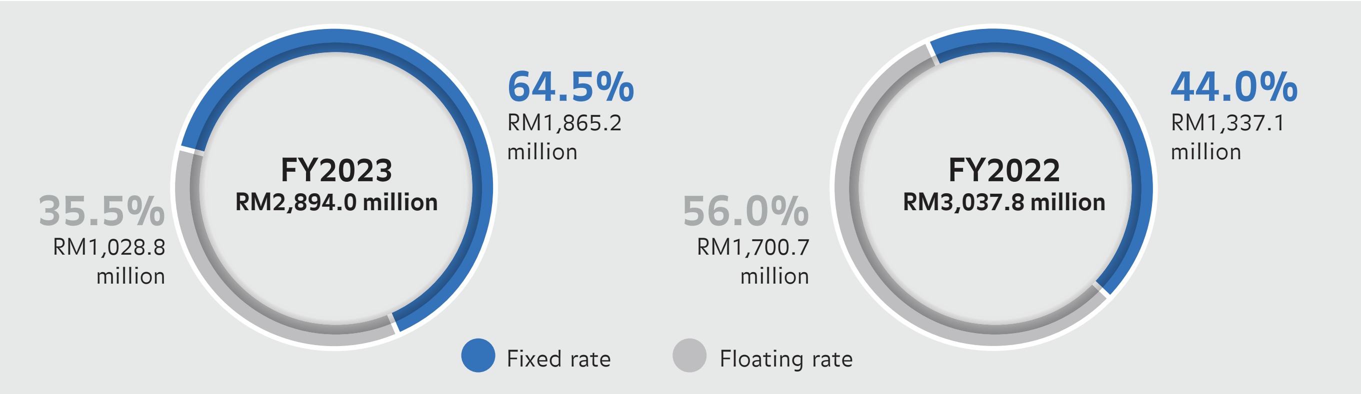
Financial Performance

Group Chief Financial Officer's Financial Review

Exchange rate and interest rate management

The Group manages exchange rate risk via a natural hedge. During the year, the Group has substantially reduced its exposure to exchange rate risk from borrowings denominated in foreign currency through partial repayment of its revolving credits denominated in Pound Sterling with repatriation proceeds from the Battersea Power Station.

With the volatile interest rate environment in 2023, the Group's strategy was to ensure that interest rate volatility was carefully managed and the repayment profiles of new borrowings are aligned with the cash flows from the underlying assets being funded to mitigate cash flow risks. Through the issuance of RM600.0 million Sukuk Musharakah which was largely used to part fund the Group's long-term assets, and the partial repayment of revolving credits in 2023, the composition of fixed-rate borrowings over total borrowings increased by 20.5% to 64.5% as of 31 December 2023. The higher proportion of fixed rate borrowings further mitigate the risk of interest rate volatility.



Available facilities

Subsequent to the issuance of the Sukuk Musharakah in 2023, the remaining balance available for issuance under the IMTN programme stood at RM3.1 billion – bringing the total undrawn facilities of the Group to RM4.9 billion as outlined below. These facilities will be able to support the Group's diversified business model, in achieving a sustainable project pipeline as well as building its recurring income portfolio.

RM' million	Facility Limit	Facility Limit Available
Bank Borrowings	4,424.4	1,764.3
IMTN Programme	4,500.0	3,100.0
Total	**8,924.4**	**4,864.3**

OUTLOOK

Positive market sentiment is expected to continue in 2024 and the Group expects an upward but moderate growth trajectory in the property and retail sector, taking into consideration challenges posed by inflation and high Overnight Policy Rate ("OPR"), weaker currency leading to higher import prices, and Sales and Service Tax ("SST") hike that took effect from 1 March 2024. With that, the Group has announced a sales target of RM3.0 billion and launches worth RM3.9 billion for 2024.

The Group's strong financial position with a cash reserve of RM602.6 million and a relatively low net gearing ratio of 23% enables the Group to further accelerate land bank activation in the Property Development segment and continue to diversify its product range and launch at appropriate price points in strategic locations to effectively meet market demand, including its new venture into Seed Homes under the affordable homes segment.

In tandem with the acceleration efforts on the Property Development segment, the Group will also direct its financial and operational resources in carrying out strategic initiatives aimed at building a recurring income stream within the Investment and Asset Management segment. The Elmina Lakeside Mall opening is slated for 2024, whilst intensive planning and marketing efforts are also underway for the industrial segment assets which are expected to significantly increase the Group's asset under management in the middle to longer term.

The Group remains committed to executing its SHIFT25 transformation journey, aiming for greater heights in 2024. As the Group builds up its portfolio of recurring income assets through external funding, debt level is expected to increase. However, barring any unforeseen circumstances, the Group foresees that the solid foundation laid thus far through high financial discipline will enable the Group to continue its growth trajectory and sustain its resilient financial performance in 2024.

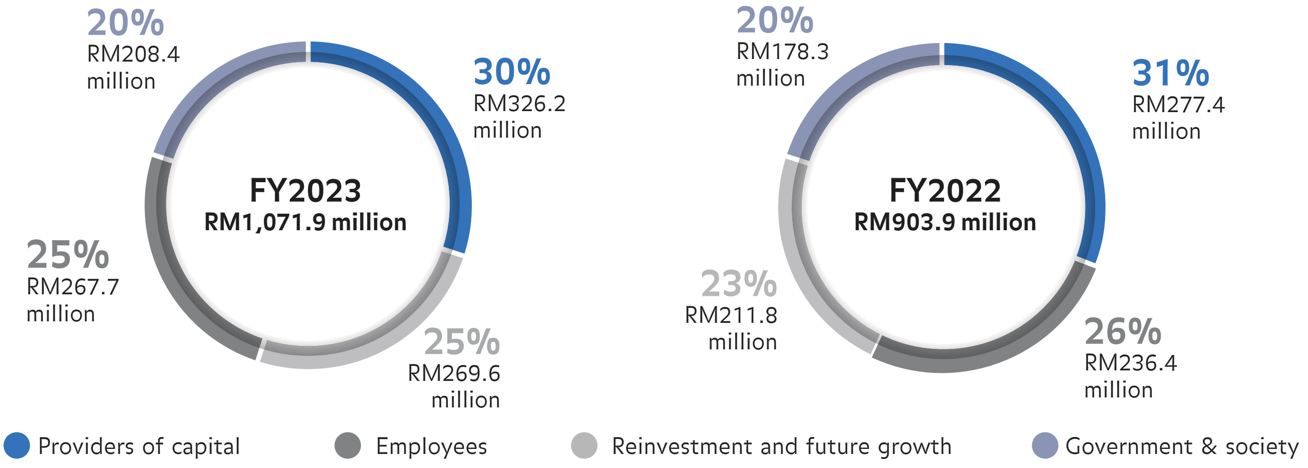
Financial Performance

Statement of Value Added & Value Distributed

Driven by improved financial performance, the Group generated a total stakeholder value of RM1,071.9 million in FY2023, marking a significant increase from RM903.9 million in FY2022. The Group's dedication to providing sustainable value creation for our stakeholders persists unwaveringly.

RM'million	FY2023	FY2022
VALUE ADDED		
Revenue	**3,436.9**	2,742.1
Direct and indirect costs	**(2,432.7)**	(1,929.0)
Value Added from Operations	**1,004.2**	813.1
Other operating expenses	**(9.8)**	(29.2)
Other gains	**16.6**	40.1
Share of results of joint ventures	**(58.1)**	(27.8)
Share of results of associates	**5.3**	1.7
Finance income	**113.7**	106.0
Total Value Added	**1,071.9**	903.9
VALUE DISTRIBUTED		
Employees	**267.7**	236.4
Government and Society	**208.4**	178.3
Providers of Capital		
Dividends	170.0	136.0
Finance costs	146.6	145.5
Non-controlling interests	9.6	(4.1)
	326.2	277.4
Reinvestment and future growth		
Depreciation and amortisation	31.7	32.0
Addition to retained earnings	237.9	179.8
	269.6	211.8
Total Value Distributed	**1,071.9**	903.9

TOTAL VALUE DISTRIBUTED



PERFORMANCE REVIEW

Financial Performance

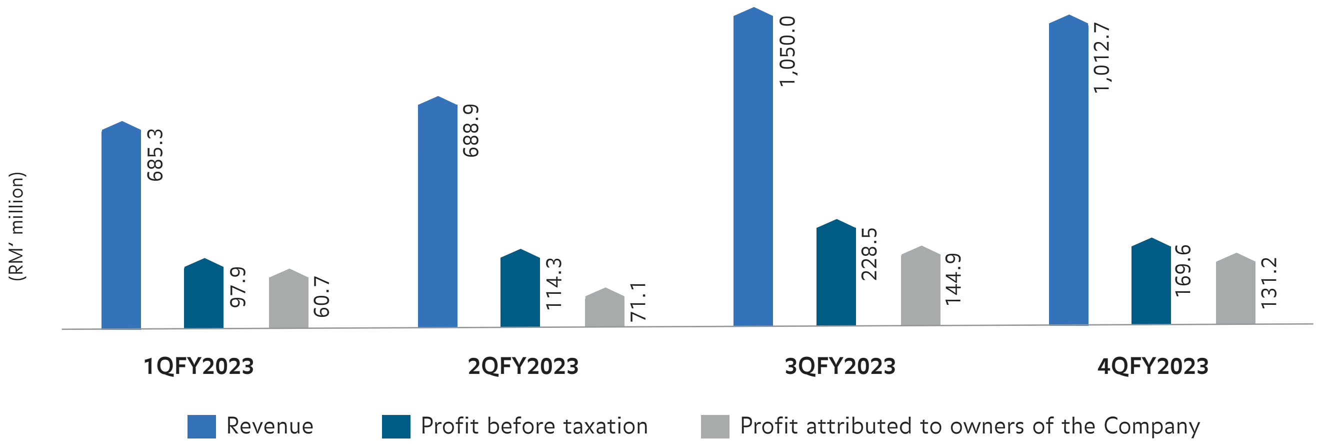
Quarterly Performance

FINANCIAL RESULTS

RM'million	1QFY2023 31 Mar 2023	2QFY2023 30 Jun 2023	3QFY2023 30 Sep 2023	4QFY2023 31 Dec 2023	FY2023 Total
Revenue	685.3	688.9	1,050.0	1,012.7	**3,436.9**
Operating profit	113.5	116.3	254.1	122.5	**606.4**
Share of results from joint ventures & associates	(27.4)	(19.3)	(20.7)	14.7	**(52.7)**
Other gains/(losses)	5.1	4.0	(6.1)	13.6	**16.6**
Profit before interest and tax	91.3	101.0	227.2	150.8	**570.3**
Profit before taxation	97.9	114.3	228.5	169.6	**610.3**
Profit after taxation	61.2	78.8	144.3	133.2	**417.5**
Profit attributable to owners of the Company	60.7	71.1	144.9	131.2	**407.9**

SEGMENT RESULTS

RM'million	1QFY2023 31 Mar 2023	2QFY2023 30 Jun 2023	3QFY2023 30 Sep 2023	4QFY2023 31 Dec 2023	FY2023 Total
REVENUE					
Property Development	636.8	639.7	1,002.5	956.4	**3,235.4**
Investment and Asset Management	26.2	26.3	26.1	29.2	**107.8**
Leisure	22.3	22.9	21.4	27.1	**93.7**
Total	685.3	688.9	1,050.0	1,012.7	**3,436.9**
PROFIT/(LOSS) BEFORE TAX					
Property Development	92.4	111.7	220.4	170.8	**595.3**
Investment and Asset Management	3.6	3.9	10.4	(2.1)	**15.8**
Leisure	1.9	(1.3)	(2.3)	0.9	**(0.8)**
Total	97.9	114.3	228.5	169.6	**610.3**

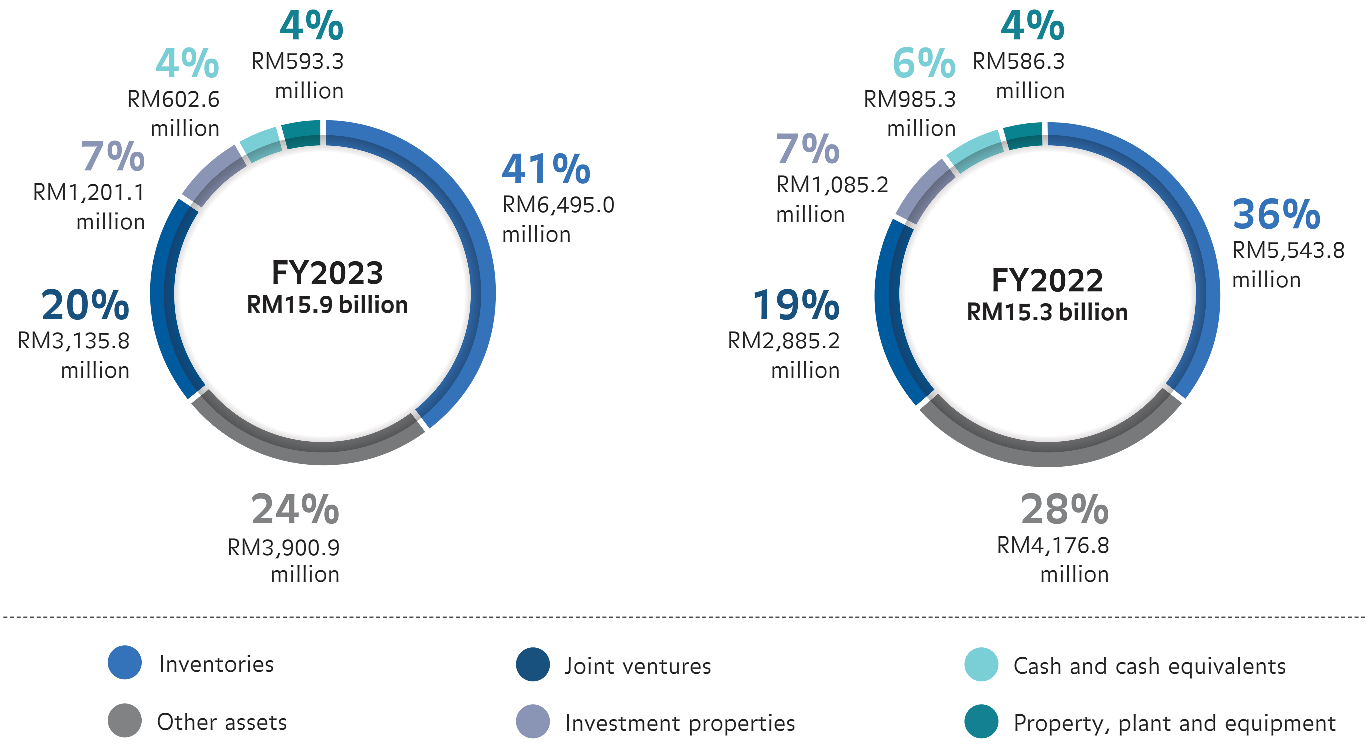


PERFORMANCE REVIEW

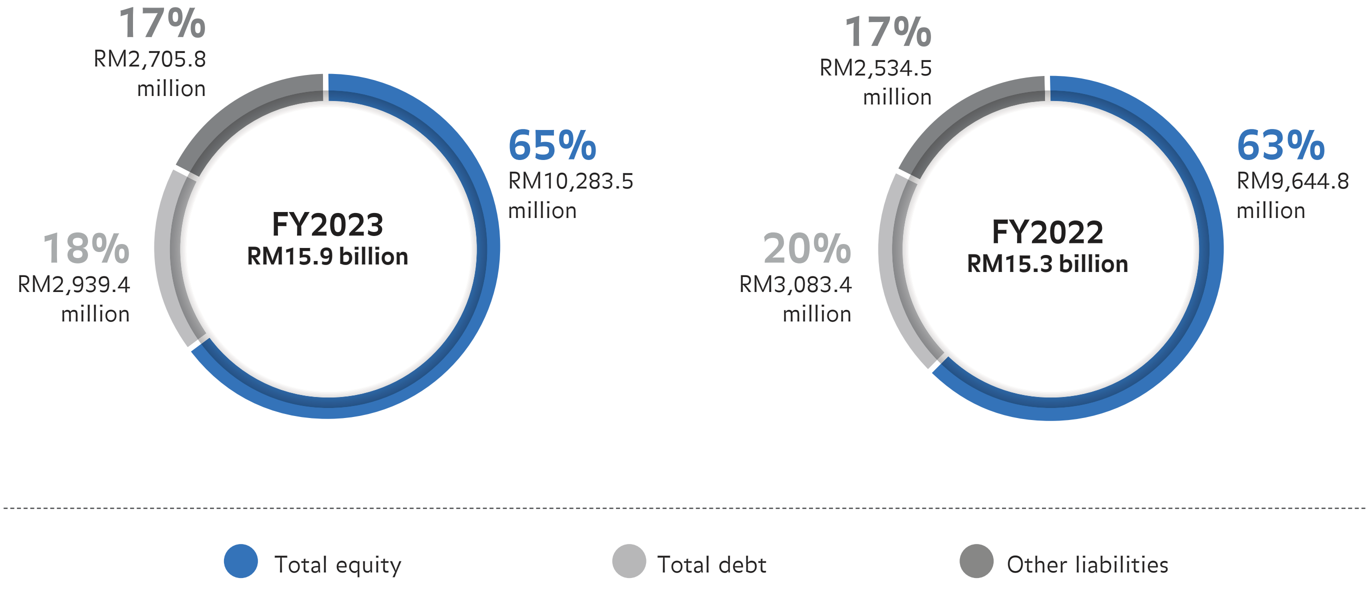
Financial Performance

Statement of Financial Position

TOTAL ASSETS



TOTAL EQUITY AND LIABILITIES

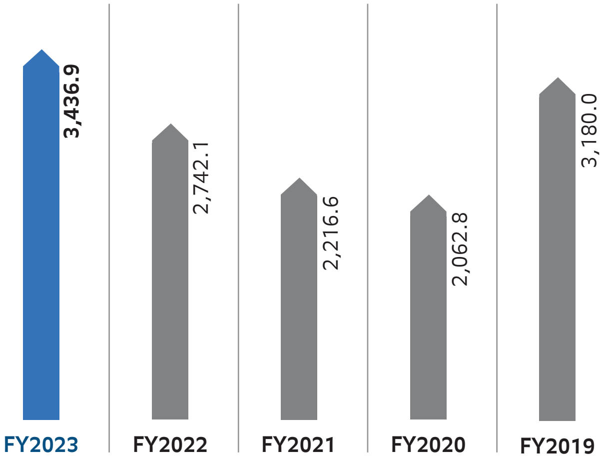


PERFORMANCE REVIEW

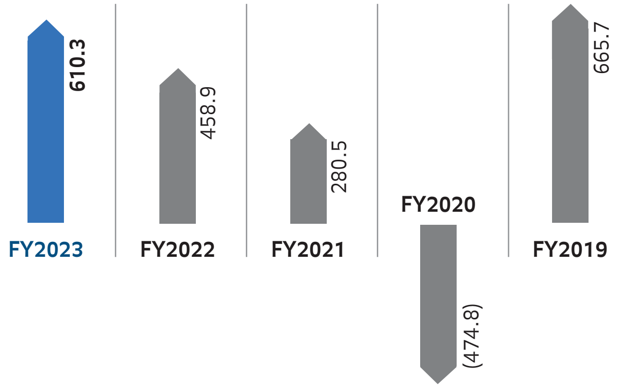
Financial Performance

5-Year Financial Highlights

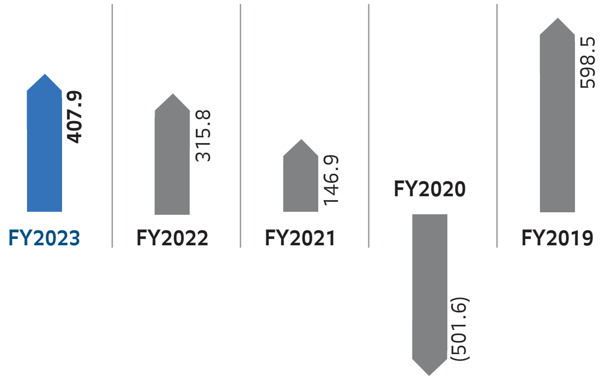
REVENUE (RM'million)



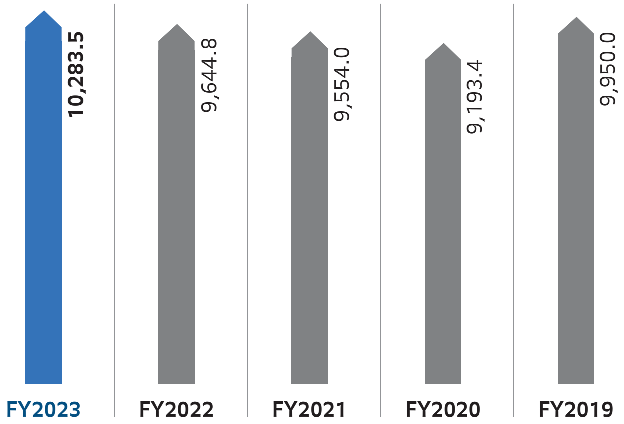
PROFIT/(LOSS) BEFORE TAXATION (RM'million)



PATAMI/(LATAMI) (RM'million)



TOTAL EQUITY (RM'million)



PERFORMANCE REVIEW

Financial Performance

5-Year Financial Summary

RM'million	FY2023	FY2022	FY2021	FY2020	FY2019
FINANCIAL RESULTS					
Revenue	**3,436.9**	2,742.1	2,216.6	2,062.8	3,180.0
Profit/(loss) before taxation	**610.3**	458.9	280.5	(474.8)	665.7
Profit/(loss) after taxation	**417.5**	311.7	162.3	(535.5)	590.9
Profit/(loss) attributable to owners of the Company	**407.9**	315.8	146.9	(501.6)	598.5
FINANCIAL POSITION					
Share capital	**6,800.8**	6,800.8	6,800.8	6,800.8	6,800.8
Shareholders' funds	**10,057.1**	9,519.7	9,412.4	9,013.8	9,721.7
TOTAL EQUITY	**10,283.5**	9,644.8	9,554.0	9,193.4	9,950.0
Property, plant and equipment	**593.3**	586.4	615.2	626.2	636.3
Investment properties	**1,201.1**	1,085.2	987.3	709.0	745.8
Inventories	**6,495.0**	5,543.8	5,792.3	6,234.3	6,532.8
Joint ventures	**3,135.8**	2,885.2	3,300.4	2,476.1	2,805.0
Cash (including cash in Housing Development Accounts)	**602.6**	985.3	909.7	801.8	743.3
Other assets	**3,900.9**	4,176.8	4,017.0	3,941.6	4,019.1
Total Assets	**15,928.7**	15,262.7	15,621.9	14,789.0	15,482.3
Total debt*	**2,939.4**	3,083.4	3,898.3	3,409.4	3,296.0
Other liabilities	**2,705.8**	2,534.5	2,169.6	2,186.2	2,236.3
Total Liabilities	**5,645.2**	5,617.9	6,067.9	5,595.6	5,532.3
NET ASSETS	**10,283.5**	9,644.8	9,554.0	9,193.4	9,950.0
FINANCIAL RATIOS (%)					
PBT/(LBT) margin	**17.8**	16.7	12.7	(23.0)	20.9
PATAMI/(LATAMI) margin	**11.9**	11.5	6.6	(24.3)	18.8
Return on average shareholders' funds	**4.2**	3.3	1.6	(5.4)	6.3
Gross gearing ratio	**28.6**	32.0	40.8	37.1	33.1
Net gearing ratio	**22.7**	21.8	31.3	28.4	25.7
SHARE INFORMATION					
Basic earnings/(loss) per share (sen)	**6.0**	4.6	2.2	(7.4)	8.8
Dividend per share (sen)	**2.5**	2.0	1.0	1.0	3.0
Net assets per share attributable to owners of the Company (RM)	**1.48**	1.40	1.38	1.33	1.43

** Total debt = borrowings + lease liabilities*

Financial Performance

Financial Calendar

FINANCIAL RESULTS

Announcement of Unaudited Consolidated Results

25 May 2023 1st Quarter Ended 31 March 2023	28 August 2023 2nd Quarter Ended 30 June 2023	24 November 2023 3rd Quarter Ended 30 September 2023	23 February 2024 4th Quarter Ended 31 December 2023

DIVIDEND

First Single Tier Dividend of 1.0 sen Per Ordinary Share

28 August 2023 Announcement of the Notice of Entitlement and Payment	29 September 2023 Date of Entitlement	19 October 2023 Date of Payment

Second Single Tier Dividend of 1.5 sen Per Ordinary Share

23 February 2024 Announcement of the Notice of Entitlement and Payment	16 April * 2024 Date of Entitlement	8 May 2024 Date of Payment

** The entitlement date has been rescheduled from 15 April 2024 to 16 April 2024 in view of Hari Raya festival.*

51st ANNUAL GENERAL MEETING

19 April 2024 Notice Date	20 May 2024 Meeting Date

Investor Information

The Group is dedicated to maintaining meaningful engagement with the investment community, with our Investor Relations ("IR") unit responsible for executing a comprehensive calendar of IR activities efficiently and promptly. They play a vital role in engaging and sharing information about the Group's strategies and corporate developments, as well as financial and operational performance, with existing shareholders and the wider investment community. To this end, the team maintains close communication with both domestic and international shareholders, fund managers and financial analysts.

The Board of Directors and Executive Leadership team receive regular updates on feedback gathered during investor engagement sessions and from sell-side analysts' reports through routine reports prepared by the IR team.

INVESTOR RELATIONS ENGAGEMENT CHANNELS

Channel	Detail	Targeted Audience
Corporate Website and Email	• The IR team ensures that the IR section of the corporate website, available at https://www.simedarbyproperty.com/investor-relations, is updated promptly and accurately. • Our website is utilised as a primary online repository, offering both current and historical investor-related information to assist investors in making informed decisions. • Investors may also contact our IR team at investor.relations@simedarbyproperty.com for a direct response to their enquiries.	• Institutional investors • Fund managers • Analysts • Retail investors/ Minority shareholders • Bankers • Media
Quarterly Analyst & Media Briefings	• Sime Darby Property conducts analyst and media briefings quarterly following its results announcements. In FY2023, all quarterly briefings were conducted virtually via livestream, with the exception of our Q2 briefing that featured a hybrid format. Our adoption of a virtual format for quarterly briefings provides greater convenience and accessibility for stakeholders who wish to participate. • Presentation materials shared during the briefings are clear, concise and designed to address key matters. They are also made available for download on the Group's website.	• Institutional investors • Fund managers • Analysts • Bankers • Media
One-on-One or Small Group Meetings & Non-deal Roadshows	• One-on-one and small group meetings, as well as non-deal roadshows, offer institutional investors, fund managers and analysts the opportunity to gain a better understanding of our business performance, corporate developments and strategic direction on a periodic basis. • These engagements are primarily conducted via conference calls or small group meetings.	• Institutional investors • Fund managers • Analysts
Investor Conferences & Retail Briefings	• The Group actively participates in investor conferences in Malaysia organised by research houses, investment banks or Bursa Malaysia. During these conferences, corporate development, strategic direction, and financial and operational performance updates are presented by the Group. • This channel serves as a crucial platform to attract the interest of new institutional and retail investors or fund managers, while maintaining engagement and rapport with existing investors.	• Institutional investors • Fund managers • Analysts • Retail investors
Annual General Meetings/ Extraordinary General Meetings	• Besides being a platform for existing shareholders to vote on proposed resolutions, the Annual General Meeting ("AGM") serves as a vital platform for the Executive Leadership team to engage directly with shareholders. • During the AGM, management recaps the previous year's performance and communicates ongoing strategic plans, key developments and performance updates. Shareholders are encouraged to voice any questions or concerns they may have during the meeting. • The 50th Annual General Meeting, followed by an Extraordinary General Meeting was conducted virtually from the Kuala Lumpur Golf & Country Club on 24 May 2023.	• Institutional investors • Retail investors/ Minority shareholders • Media

Investor Information

IR CALENDAR FOR FY2023

In FY2023, the Group upheld an active IR calendar, conducting a series of timely, consistent and transparent engagement activities with our investment community. Throughout the year, we executed the following IR activities:

- Organised four quarterly results analyst and media briefings with an average of 50 sell-side or buy-side fund managers and bankers, along with 10 media representatives, participating in each briefing;
- Participated in three investor conferences;
- Undertook 48 engagements with investors, fund managers and analysts via non-deal roadshows or one-on-one/small group management meetings, including six site visits to townships; and
- Held our 50th Annual General Meeting, as well as Extraordinary General Meeting.

CONFERENCES PARTICIPATED IN FY2023

CGS-CIMB Malaysia Virtual Corp DAY
Jan 2023

→

UBS OneASEAN Conference
June 2023

→

CGS-CIMB ESG & Sustainability Conference
Oct 2023

MONTHLY BREAKDOWN OF ENGAGEMENT ACTIVITIES

Engagement with Investors, Fund Managers and Analysts (including site visits)	No.
January	2
March	8
April	3
May	2
June	6
July	10
August	1
September	6
October	2
November	8
Total	**48**

RETURNS TO SHAREHOLDERS

The Group has consistently delivered healthy returns to shareholders, with our dividend payout ratios (excluding one-offs) for the past five financial years, from FY2018 to FY2022, ranging from 46.3% to 133.4%. In the current financial year, the dividend payout ratio stands at 41.7%. Looking ahead, the Group remains dedicated to maximising shareholder returns while carefully considering funding requirements for growth and transformation. Our dividend policy underscores the Group's commitment to delivering optimal returns to our shareholders.

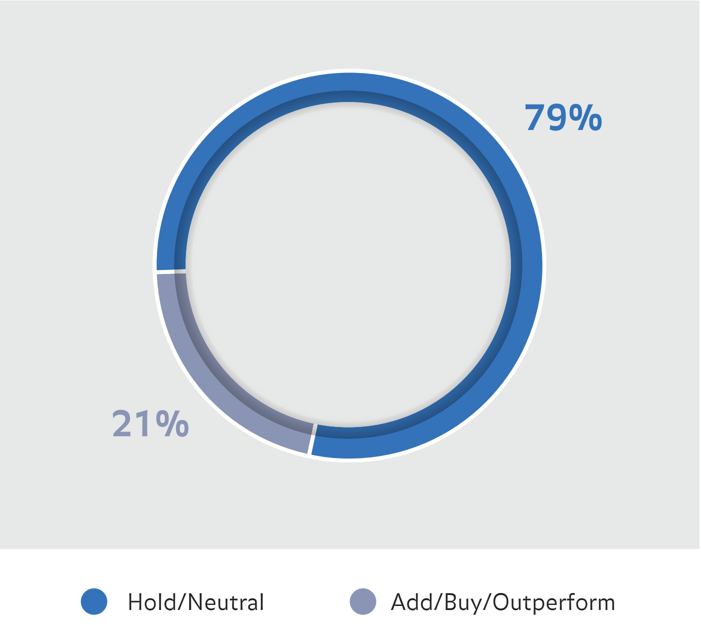
BROAD RESEARCH COVERAGE

Over the past financial year, the number of research houses issuing analyst coverage reports for Sime Darby Property increased from 13 to 14, with BIMB Securities initiating research coverage in May 2023. As of 23rd March 2024, 79% of research houses have stipulated an Add/Buy/Outperform rating while 21% stood at a Hold rating, with no sell ratings being indicated. The average target share price was RM0.886, approximately 60.8% higher than the average trading price during the review period of RM0.551.

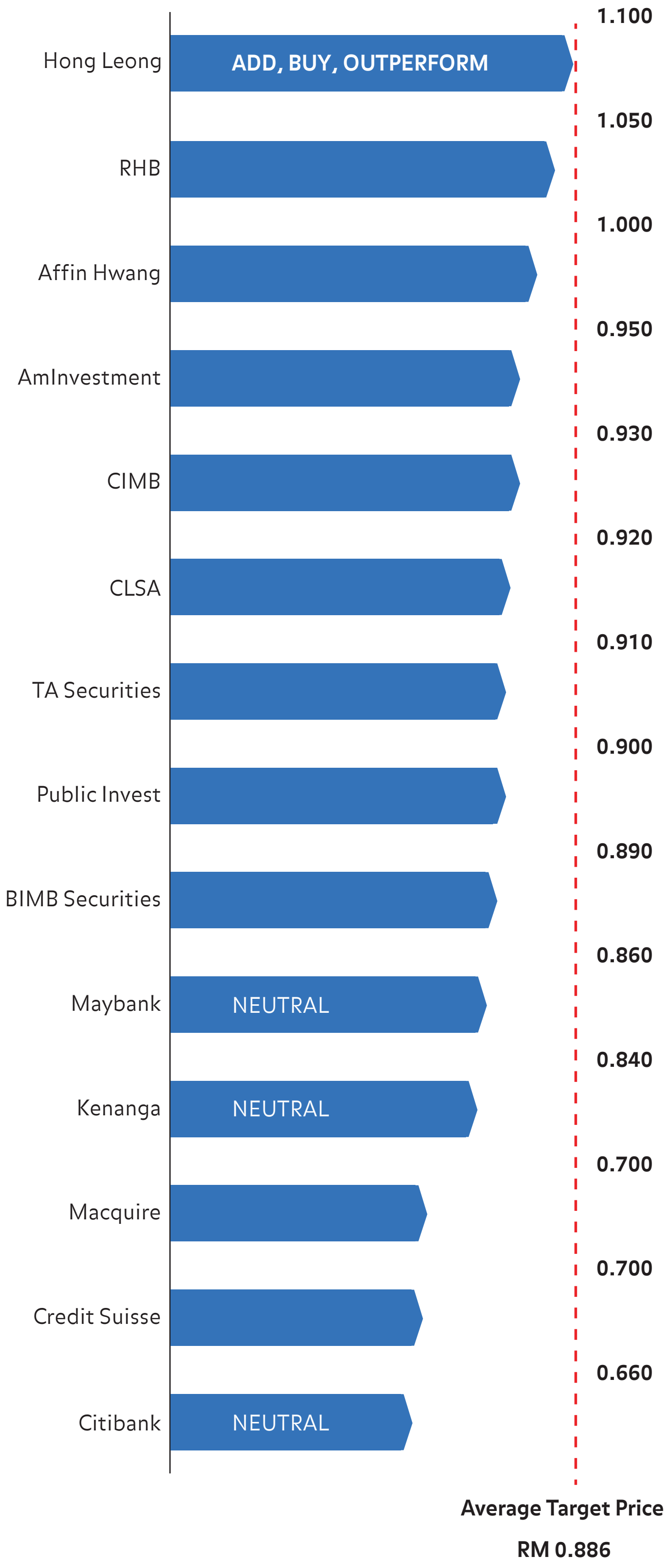
The average target share price reflects a discount on Revalued Net Asset Value ("RNAV") of 57%. Below is a summary of the research analysts' rating recommendations and target prices:

	FY2023	FY2022	FY2021
Number of research houses	14	13	13
Average target price (RM)	0.886	0.615	0.743
ANALYSTS' RECOMMENDATIONS			
Add/Buy/Outperform	11 (79%)	11 (84%)	9 (69%)
Hold/Neutral	3 (21%)	1 (8%)	3 (23%)
Sell	0 (0%)	1 (8%)	1 (8%)

ANALYST RECOMMENDATIONS



TARGET PRICE AS AT MARCH 2024



PERFORMANCE REVIEW

Investor Information

SUMMARY OF INVESTOR INTERESTS

The key concerns and considerations of our investors, along with a summary of our response towards each area of focus, is tabulated below:

Focus Area	Our Response
Value Proposition	• Sime Darby Property is a well-established property developer with a rich history of over 50 years in crafting sustainable communities. Our industry growth is underscored by the development of 25 strategically located and thriving townships/developments to date. These projects are seamlessly connected to major highways and transportation hubs within key growth areas and economic zones. • We develop an extensive range of properties, predominantly comprising residential freehold units spanning from the affordable to high-end segments, including both landed and high-rise units, along with a growing portfolio of industrial & logistics, retail and commercial developments. Our steadfast commitment to delivering quality products to customers over the past five decades has solidified our reputation as an experienced and trusted property developer among Malaysians. • The Group has expanded its footprint to the UK as part of a Malaysian consortium involved in the development of the iconic Battersea Power Station ("BPS") Project in Central London. The BPS was officially launched in October 2022 and has attracted over 13.8 million visitors as of December 2023. Three residential projects have been completed thus far, with residential apartments at Phase 2 and 3A having achieved impressive take-up rates of 97%, and KOA at Electric Boulevard, which was newly completed in December 2023, achieving a take-up rate of approximately 54% as of 31 January 2024. Our two commercial spaces in Phase 2 and 3A are currently 90% and 85% leased respectively. • The Group is embarking on a transformation journey with the aim of transitioning from a pure-play property developer to a leading and highly respected real estate company by 2025. This transformation involves implementing a diversified business model, with an emphasis on enhancing our recurring income investments and assets. • The expansion of the Industrial & Logistics Development business is identified as a key driver of the recurring income approach across six major townships, namely Elmina Business Park, Bandar Bukit Raja, Bandar Universiti Pagoh, Hamilton Nilai City, Serenia City and Nilai Impian. In FY2023, the Group achieved an increasingly diversified product mix, with industrial and high-rise products accounting for 17% and 34% of the total GDV launched, compared to 46% and 12% respectively in FY2022. • Sime Darby Property possesses approximately 14,800 acres of remaining land banks in Malaysia, with an estimated total GDV of RM115 billion. Strategically located, these land banks are interconnected to major highways and predominantly situated within key growth areas and economic corridors spanning from the central region of the Klang Valley to Negeri Sembilan and Johor in the south. The Group anticipates significant potential for these areas in the short to long term.
Financial Performance	• In FY2023, Sime Darby Property surpassed financial and operational expectations, delivering an exceptional performance amidst a challenging operational environment with its highest revenue, gross profit and operating profit since the 2017 demerger. • The Group's revenue expanded by 25% to RM3.4 billion, as operating profit grew to RM606.4 million, marking a 39% increase compared to 2022. Meanwhile, PATAMI surged by over 29% to RM407.9 million. This record financial performance was primarily contributed by the Property Development segment, which benefited from improved site progress and recognition of unbilled sales, and saw strong contributions across all product categories – residential landed, residential high-rise and industrial developments. Capitalising on improvements in the labour market conditions, the segment significantly increased on-site development across major townships during the year. • Sime Darby Property maintains its commitment to financial discipline and prudent financial management, including effective cash flow and inventory management. As of 31 December 2023, the Group held a healthy cash balance of RM602.6 million. Meanwhile, our ratio of completed inventories further improved from 13.3% in 2022 to 10.5% in 2023, reflecting the robust market demand for our products and success of our promotional activities during the year.

Focus Area	Our Response
Capital Management and Dividend Payment	• Sime Darby Property's capital management plan prioritises the establishment of a sustainable financial model aimed at enhancing long-term shareholder value. • As part of our funding strategy, the Group initiated the RM4.5 billion Sukuk Musharakah Programme for Sustainability Sukuk in FY2020. For the third consecutive year, Malaysian Rating Corporation Berhad ("MARC") reaffirmed its investment-grade rating of AA+$_{IS}$ with a stable outlook for the Sukuk in 2023. • Sime Darby Property employs a monetisation approach to divest low-yielding and non-core investment assets, as well as land. Proceeds from these disposals are channelled back into internal working capital and business expansion initiatives. • As part of its strategic development in Malaysia Vision Valley 2.0, the Group acquired 760 acres of land in Labu in October 2021. More recently, we have completed the acquisition of 949 acres of land in Sungai Kapar, Klang on 23 August 2023. Both these sites have been earmarked for industrial developments, aligning with the Group's strategy to transform and expand plans while maintaining prudent capital management principles. • The Group utilises joint ventures and partnerships for project funding on catalyst investment assets and business expansion. In September 2021, the Group formed a joint venture with LOGOS Property, a renowned Asia Pacific logistics specialist, to develop and manage a fund management platform for the expansion of our Industrial & Logistics Development activities. The Group has successfully secured commitments for the remaining 30% or RM300.0 million to close the fund at RM1.0 billion from local institutional investors and high net worth individuals, alongside Sime Darby Property and LOGOS Property as sponsors and co-investors. • Sime Darby Property aims to maintain a Gearing ratio of not exceeding 50.0%. As of 31 December 2023, the Group's gross and net D/E ratios stood at 28.6% and 22.7%, respectively. Sime Darby Property remains vigilant in monitoring its gearing level periodically to ensure sustainability. • The Group recognises the importance of maintaining a healthy cash position to ensure liquidity. As of 31 December 2023, Sime Darby Property's cash and cash equivalents amounted to RM602.6 million. • Sime Darby Property consistently strives to maximise shareholders' returns. For the financial year under review, the company achieved a dividend payout ratio of 41.7%, declaring a total dividend of 2.5 sen per ordinary share for its shareholders.
Overseas Exposure	Battersea Power Station Project • As of 31 December 2023, we have completed three residential phases and two commercial spaces in the BPS project, with KOA at Electric Boulevard being the most recent residential building completed in December 2023. In FY2023, residential sales amounted to 131 units with a total value of £210 million. A total of 135 units with a value of £243 million have been legally completed and handed over to residents. • Commercial spaces in Phase 2 and 3A are 90% and 85% leased, with an increase of 45% in Year-on-Year footfall at the Power Station boding well for the future. • Financial performance in 2024 is expected to improve in tandem with lower holding costs as more units get leased out, paired with improved rental income following the expiry of rental rebates. We also expect the stabilisation of interest rates, with a potential rate reduction, to enhance demand within the overall UK residential market. • The Group will explore other international expansion opportunities as they arise, leveraging our presence via the BPS Project in the UK and the experience gained from managing the project.
Board & Management Leadership and Employee Capabilities	• The Board is chaired by Dato' Rizal Rickman Ramli, who also serves as the Chief Investment Officer of Private & Strategic Investments at Permodalan Nasional Berhad. The Board comprises experienced members with extensive expertise and knowledge of the economy, property industry, regulations and governance practices. • Sime Darby Property is led by the experienced Dato' Azmir Merican and an Executive Leadership team with proven track records across various fields, including the real estate and property sectors. They are supported by a team of talented and committed employees within the Group. • Sime Darby Property prioritises the development and maintenance of a competent and sustainable talent pool to ensure seamless succession planning.

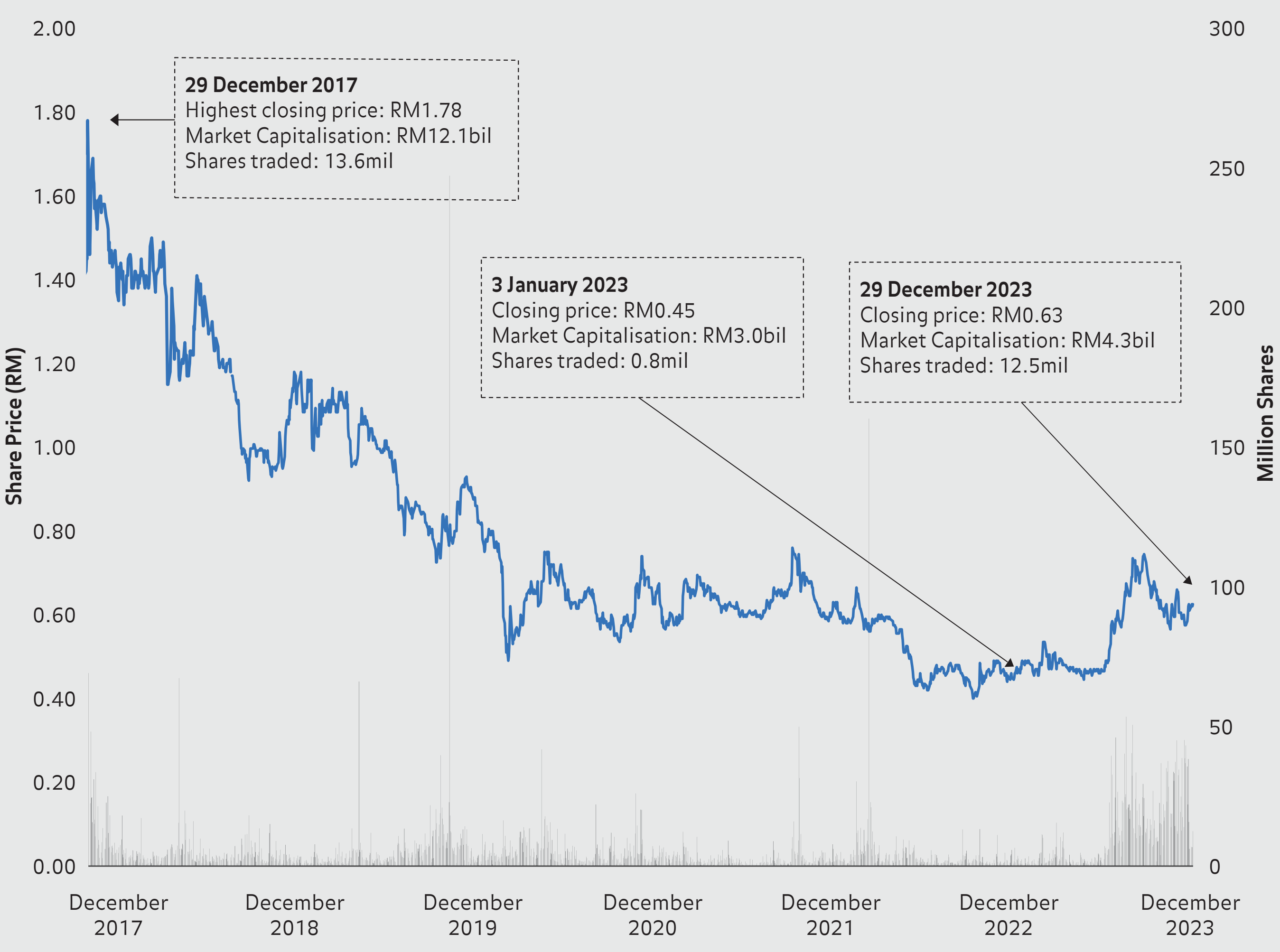
PERFORMANCE REVIEW

Investor Information

SHARE PRICE AND MARKET CAPITALISATION

FY2023	Mar-23	Jun-23	Sep-23	Dec-23
Price – Highest (RM)	0.54	0.50	0.75	0.68
Price – Lowest (RM)	0.45	0.45	0.47	0.57
Market Cap on Last Trading Day (RM Billion)	3.30	3.16	4.73	4.25
Average Daily Volume (Million Shares)	2.70	2.34	18.48	20.72

SHARE PRICE & VOLUME



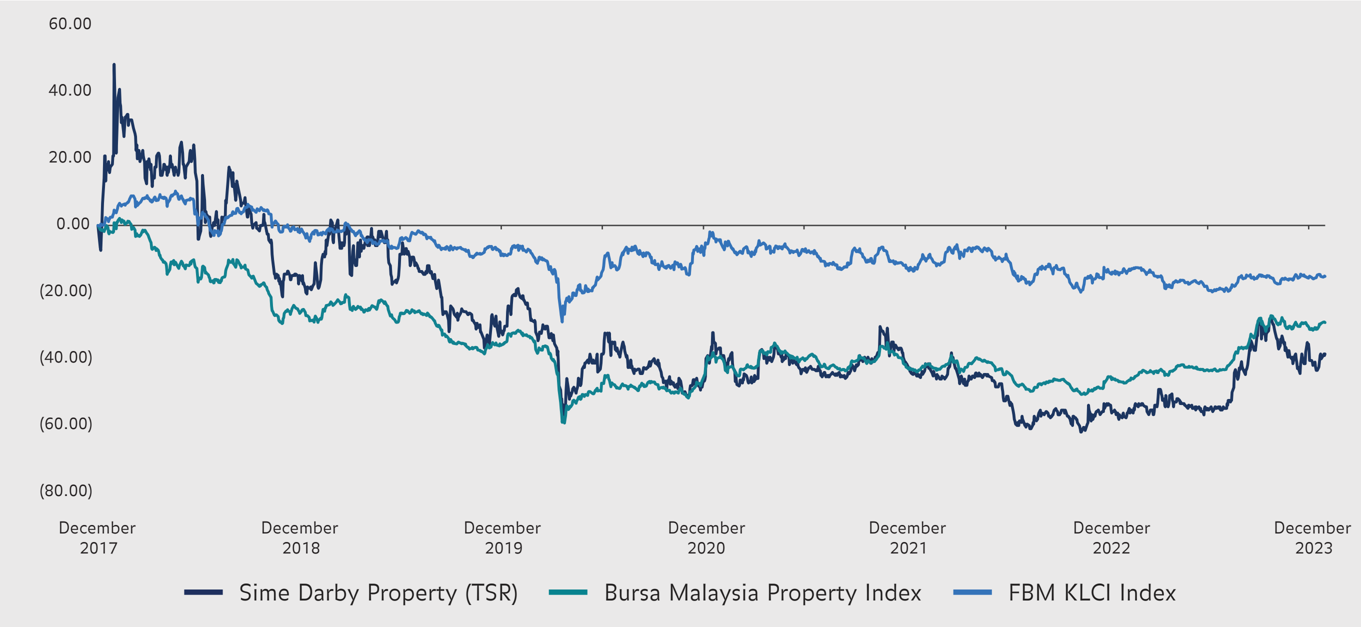
29 December 2017
Highest closing price: RM1.78
Market Capitalisation: RM12.1bil
Shares traded: 13.6mil

3 January 2023
Closing price: RM0.45
Market Capitalisation: RM3.0bil
Shares traded: 0.8mil

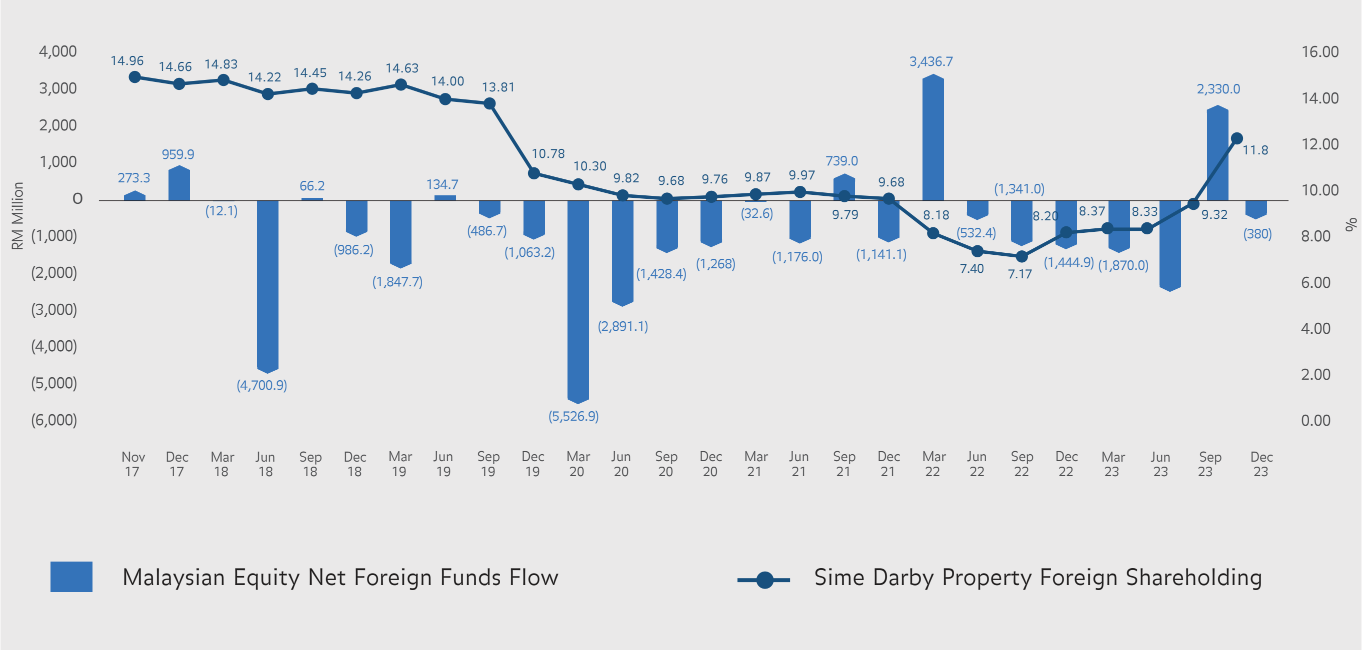
29 December 2023
Closing price: RM0.63
Market Capitalisation: RM4.3bil
Shares traded: 12.5mil

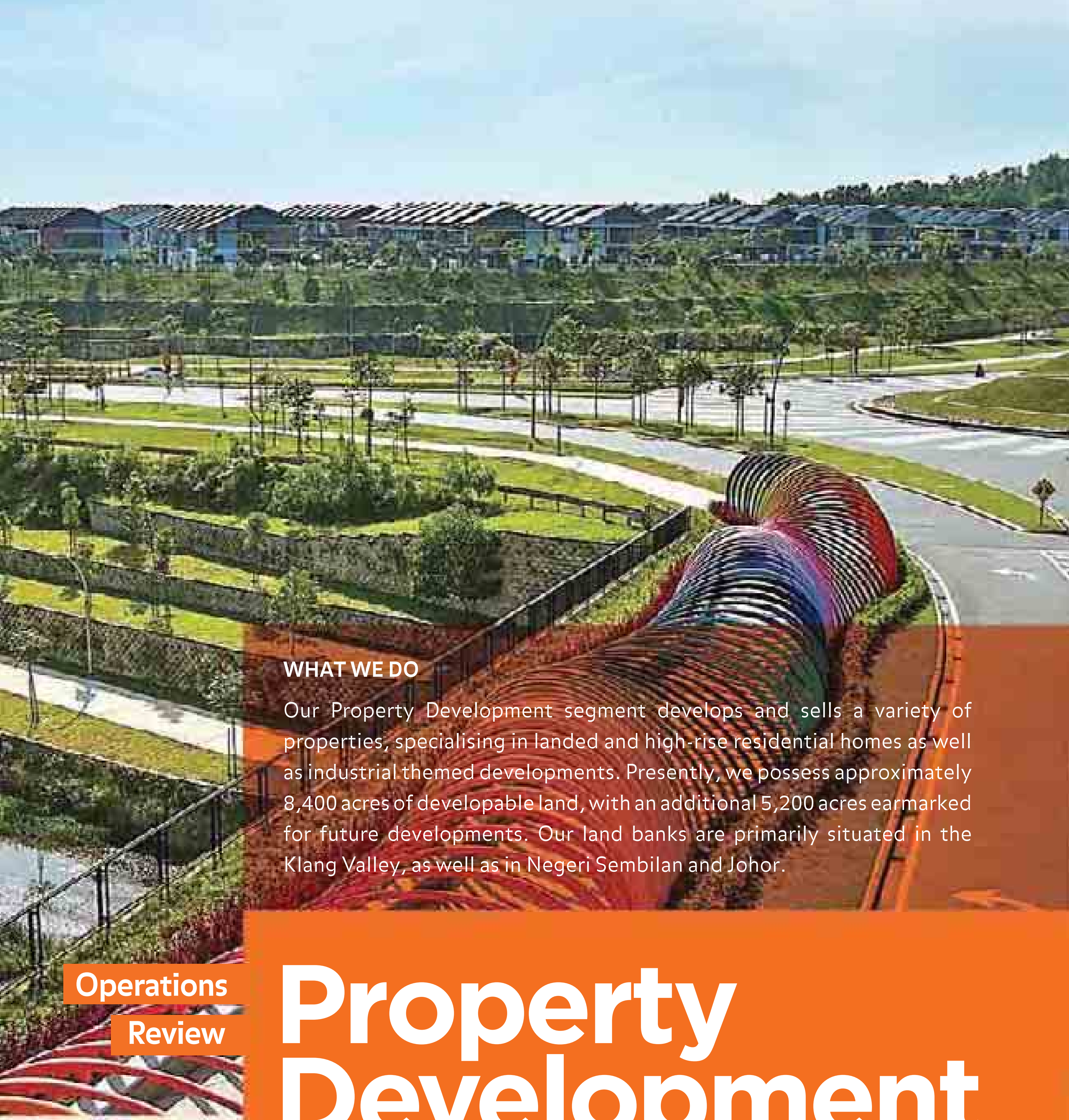
SIME DARBY PROPERTY'S TOTAL SHAREHOLDER RETURN (TSR) VS FBM KLCI & BURSA MALAYSIA PROPERTY INDEX

	November 2017– December 2023	January 2022 – December 2022	January 2023 – December 2023
Sime Darby Property (TSR)	-38.6%	-27.0%	45.4%
FBM KLCI Index	-15.3%	4.2%	-1.3%
Bursa Malaysia Property Index	-29.2%	-5.5%	34.2%



SIME DARBY PROPERTY'S MONTHLY FOREIGN SHAREHOLDING AND MALAYSIAN EQUITY NET FOREIGN FUNDS FLOW





WHAT WE DO

Our Property Development segment develops and sells a variety of properties, specialising in landed and high-rise residential homes as well as industrial themed developments. Presently, we possess approximately 8,400 acres of developable land, with an additional 5,200 acres earmarked for future developments. Our land banks are primarily situated in the Klang Valley, as well as in Negeri Sembilan and Johor.

Operations Review

Property Development

OUR PORTFOLIO

Park One, Melawati

Aerial view of Elmina Business Park, City of Elmina

TOWNSHIP AND INTEGRATED DEVELOPMENT

With an impeccable track record spanning more than five decades, the Group has consistently delivered quality landed and high-rise properties across the residential, commercial and industrial development spectrum. Our diverse portfolio encompasses affordable homes, luxury residences, malls, eco-parks, office buildings, shop lots and industrial business parks, enabling us to capture various market segments and cater to different lifestyle preferences, affordability and business needs. Most recently, the Group launched the first serviced apartment, Hype Residences, at our new SJ7 mixed integrated development located in the mature USJ neighbourhood.

INDUSTRIAL AND LOGISTICS DEVELOPMENTS

With the goal of broadening our product range in the industrial development sector, we are actively growing our industrial development footprint through projects at Elmina Business Park in Shah Alam, Bandar Bukit Raja in Klang, Serenia City in Sepang, Hamilton Nilai City and XME Business Park in Negeri Sembilan. As part of our diversification efforts, we remain committed to optimising our industrial assets and buildings portfolio to sustain revenue while maintaining healthy profit margins.

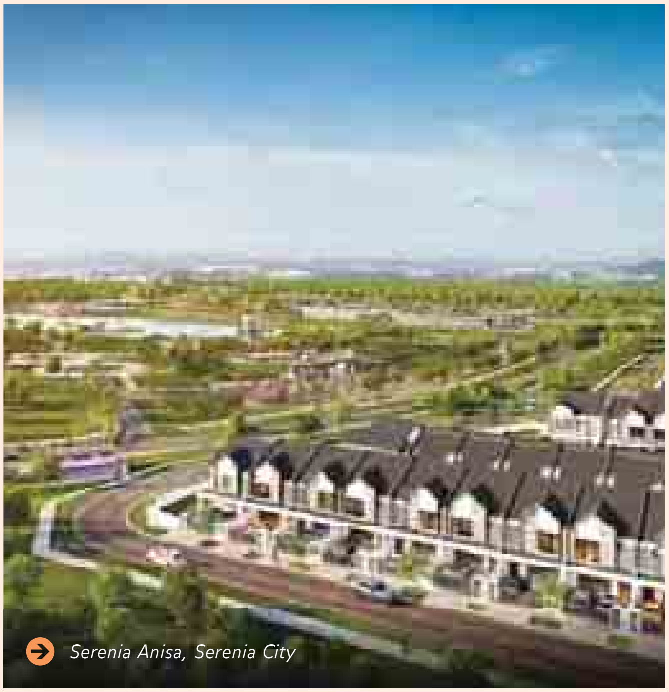
Battersea Power Station

BATTERSEA POWER STATION

The Battersea Power Station, one of London's most iconic landmarks, opened in FY2022 following an eight-year restorative and transformational development led by a consortium comprising Sime Darby Property, SP Setia Berhad and the Employees Provident Fund ("EPF"). The mixed commercial development features approximately 3.5 million sq. ft. of shops, restaurants, cafes, leisure facilities and office space, combined with over 4,000 homes together with 19 acres of public space including a six-acre public park and a town square, named Malaysia Square.

OPERATIONS REVIEW

Property Development



Serenia Anisa, Serenia City

KEY BUSINESS DEVELOPMENTS IN 2023

Despite various headwinds affecting property development, most notably an increase in the cost of materials, Sime Darby Property capitalised on recovering consumer sentiment fuelled by the economic rebound to launch a total of 37 projects during the year. These projects had a combined GDV of RM4.0 billion and garnered an average take-up rate of 75%.

Ten (10) launches comprised industrial products with a total GDV of RM689 million. Our impeccable track record at Elmina Business Park, Serenia City and XME Business Park in Nilai Impian continued into 2023 as four developments within these projects achieved a remarkable 100% take-up rate, reflecting strong demand from the market and underscoring our growing reputation as a developer of desirable industrial parks.

The remaining launches primarily consisted of residential products. Landed residential products launched comprised a total GDV of RM1.5 billion and achieved an average take-up rate of 73%. Standout projects with notable take-up rates included Anisa in Serenia City and Emilia in Nilai Impian.

Meanwhile, high-rise residential launches contributed to a total GDV of RM1.4 billion. These launches included Teja in SJCC, Serasi Residences in Putra Heights and Hype Residences in SJ7, with the latter being the first serviced apartment launched in our new SJ7 mixed integrated development.

OUR KEY FOCUS AREAS

Ensuring all financial and operational goals and targets are met.

Speeding up placemaking initiatives and execution plans to enhance the quality and value of our townships.

Leveraging technology and innovation to increase operational efficiencies.

OVERVIEW OF BUSINESS ENVIRONMENT

While we started the year with a prudent approach, the national real estate landscape turned favourable as 2023 progressed. Economic optimism supported an increase in domestic demand while improving labour market conditions and stabilising interest rates, alongside favourable government policies, empowered us to expand our launches and construction activities during the year.

Leveraging the surge in demand, we attained total sales of RM3.3 billion in 2023, surpassing our annual sales target by a significant margin. Our strategic focus on diversifying our residential portfolio was evident in our product mix, with high-rise offerings constituting 34% of our new launches in 2023, a notable increase from 12% in the preceding year.

In response to evolving market and stakeholder expectations for greater placemaking and sustainability initiatives, we simultaneously ramped up our efforts to execute placemaking initiatives to enhance the value of our townships and integrate sustainability elements into our development plans.

BUSINESS PERFORMANCE REVIEW

Strategic Focus	Progress Updates
Expand revenue streams through increasing diversification into premium and high-value products, thereby optimising our margins.	> Launched a new premium product • Elmina Peak, a homestead-style project in City of Elmina. > Undertook high-value product launches • Achieved strong reception to industrial products in Bandar Bukit Raja, Serenia Industrial Park in Serenia City and XME Business Park in Nilai Impian.
Provide desirable products with the right pricing, aligned with market demand.	Successfully achieved take-up rates of over 90% for the following projects: > Residential • Anisa in Serenia City • Emilia in Nilai Impian • Teja in SJCC > Industrial • Elmina Business Park • Cipta Utara in Serenia City > Commercial • Temu 2 in City of Elmina
Further strengthen placemaking capabilities to add value to our developments, while involving more community-centric events and engagements.	The following value-added projects and amenities were activated in 2023: > KL East Park – Opened in February. > Glades Plaza – Revitalised Glades Plaza by bringing in sought-after retailers such as Starbucks (Opened in June) and Jibby & Co. (Opened in August). > PARC @ Taman Subang Ria – Opened in June. > Bandar Bukit Raja Townpark – Featuring three Malaysia Book of Records entries for the Largest Recreational Park with Renewable Energy, the Largest Crown Structure and the Biggest Solar-Powered Signage. Officially opened in December. The following community-centric events and engagements were undertaken: > Launched a community event to revive Glades Plaza • A monthly thematic BuzzarRia > Organised niche curated activities at the International Gallery within our KLGCC Resort township: • Anniketyni Art Exhibition • Robert Wan Event • Grand Raya Bazaar > Organised environmental, social and sporting events and activities within our township parks: • Sime Darby Property Familly Fitness Fun Day, KL East Park • International Canoe Race, Bandar Universiti Pagoh • Citizen Scientist at Elmina Rainforest Knowledge Centre, City of Elmina

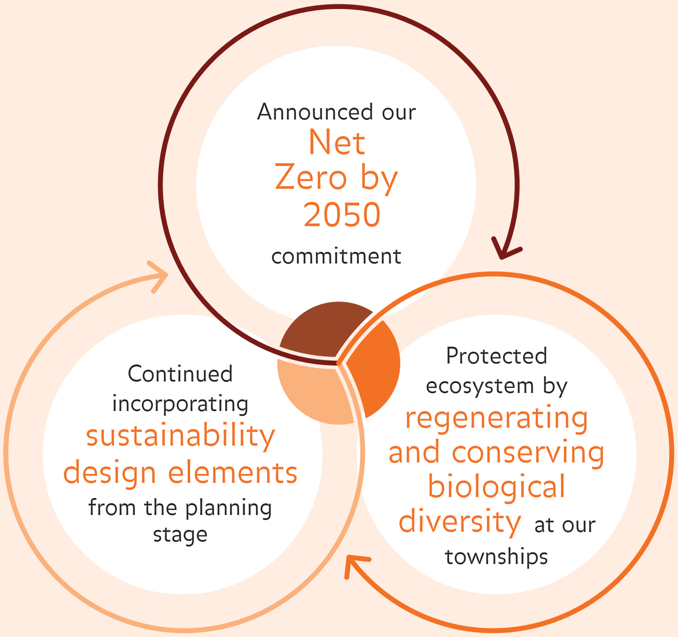
OPERATIONS REVIEW

Property Development

BUSINESS HIGHLIGHTS

- Launched the new Elmina Peak high-end development in City of Elmina
- Registered encouraging take-up rates across all projects
- Launched our first serviced apartment at our new SJ7 mixed integrated development

SUSTAINABILITY HIGHLIGHTS



Announced our Net Zero by 2050 commitment

Continued incorporating sustainability design elements from the planning stage

Protected ecosystem by regenerating and conserving biological diversity at our townships

MALAYSIA PROPERTY AWARD 2022 (FIABCI - MALAYSIA CHAPTER)

Sustainable Management Category:

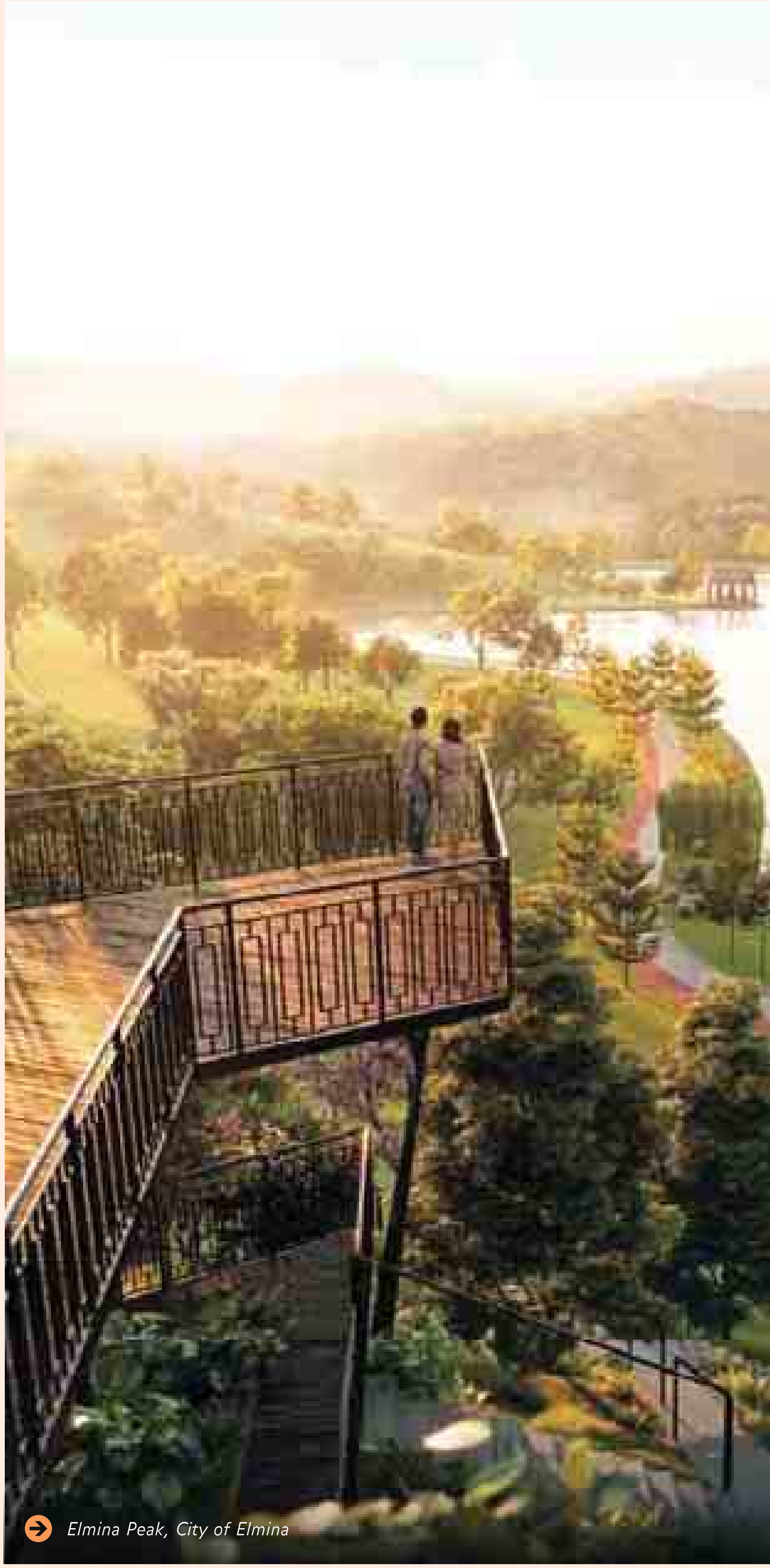
Environmental & Landscape Management Awards (Excellence) | City of Elmina and Serenia City

Developer Category:

Landscape Master Plan Awards (Honour) | City of Elmina and Bandar Bukit Raja

Developer Category:

Completed Project Awards (Excellence) & Landscape Resource Preservation & Conservation Award | KL East Park



Elmina Peak, City of Elmina

CHALLENGES AND MITIGATION

Challenge	Mitigation
Nationwide labour shortage disrupting the construction sector	Explore new construction methods and leverage technology to enhance product and process efficiencies, reducing reliance on labour.
The rising cost of construction materials impacting developer margins, potentially leading to an increase in property selling prices	Employ effective procurement strategies and maintain strong financial discipline to manage cost increases while ensuring a healthy profit margin.

OUTLOOK AND PROSPECTS

The outlook for 2024 appears optimistic, with expectations of strong performance and robust confidence in the property market. In the Klang Valley, the industrial property segment is witnessing growth, buoyed by heightened demand from end-users, manufacturers and investors. Additionally, high-rise residential developments are experiencing rapid expansion, driven by factors such as land scarcity and affordability, leading to increased acceptance of high-rise living.

As we align with market demand, we remain vigilant in managing our costs, particularly as we seek to maintain healthy profit margins amidst an environment of sustained high prices for building materials. Moving forward, we will place emphasis on the following three key focus areas to foster business growth and stability.

Financial Sustainability	Balancing and Expanding Portfolio to Invest for Future Growth	Placemaking, Sustainability and Innovation
> Maintain a consistent pipeline of launches to drive healthy financial growth. > Increase operational efficiency by launching products that are strategically priced and tailored to market demand, while ensuring prudent cost management to mitigate costs overrun and protect our margins.	> Broaden revenue streams via product diversification. > Prioritise growth within our recurring income businesses.	> Develop new placemaking capabilities to manage and maintain placemaking assets for optimum social, economic and environmental vibrancy. > Continue driving sustainability and biodiversity initiatives. > Leverage on technology and innovation for operational excellence.