

GROUP MANAGING DIRECTOR'S REVIEW

MAKING OUR FUTURE IN REAL ESTATE BY 2025



Dear Shareholders,

Sime Darby Property delivered a commendable set of operational and financial results for the financial year ended 31 December 2021 ("FY2021"), notwithstanding the challenges posed by the COVID-19 pandemic. The Group recorded sales of RM3.0 billion, surpassing the target of RM2.4 billion; a result which equalled pre-pandemic sales achievements.

Dato' Azmir Merican
Group Managing Director

The encouraging achievement was the result of our focus on strategic new launches, intensive marketing campaigns and higher sales of completed stocks.

Our efforts were further supported by the Home Ownership Campaign ("HOC"), an initiative by the Malaysian Government to support homebuyers in purchasing property, as well as the favourable interest rate regime, with overnight policy rate ("OPR") at an all-time low of 1.75 percent.

During the year in review, our strategic launches totalled RM3.7 billion in gross development value ("GDV"), which was a record high for the Group. The launches were focused on offering products in prime locations with the right pricing, in which we recorded a high average take-up rate of approximately 87.0 percent across all our offerings. Residential and industrial products led the way of our sales with high average take-up rates of 90.0 percent and 88.0 percent, respectively.

Of note, three residential landed projects – Serenia Ariya Phase 3, Lyra Phase 2 and Dayana Phase 1 – achieved 100.0 percent take-up rates. After a hiatus in FY2020, new high-rise residential projects by the Group returned to the market, with two successful launches, namely Jendela Residences, as well as Maya Ara Residences.

Jendela Residences, a premium development located in the pristine KLCC Resort with a GDV of almost RM1 billion, garnered a take-up rate of 83.0 percent as of 6 February 2022, while Maya Ara Residences, with GDV of RM222 million was 85.0 percent booked within 30 minutes of its launch.

Overall, the Group's total bookings stood at RM2.1 billion as at 6 February 2022.

● The Group recorded sales of **RM3.0 billion** surpassing the target of RM2.4 billion; a result which equalled pre-pandemic sales achievements.

● Strategic launches totalled **RM3.7 billion** in gross development value ("GDV")

GROUP MANAGING DIRECTOR'S REVIEW

RETURNING TO THE BLACK

The Group saw its revenue increasing by 7.6 percent to RM2.2 billion in FY2021 from RM2.1 billion in FY2020.

Buoyed by operational improvements across all business segments, Sime Darby Property returned to the black with a Profit Before Tax ("PBT") of RM268.3 million as compared to a Loss Before Tax ("LBT") of RM474.8 million the year before. This achievement was supported by all business segments recording profits in the final quarter of FY2021, with the gradual reopening of the economy.

Our margins remained intact despite challenges in supply chain and labour on the back of the pandemic, thanks to measures we have taken to address our cost base, as well as going back to our design-to-cost principles, and clear profit & loss accountability across all business lines.

By segment, Property Development was the main growth contributor, accounting for 93.2 percent of the total group revenue. The segment posted revenue growth of 7.7 percent to RM2.1 billion and returned to profitability, with PBT of RM255.3 million as compared to the preceding year's LBT of RM354.7 million. The improved performance was underpinned by strong sales resulting from strategic new launches across our flagship townships, lower share of losses from

joint ventures and associates of RM24.2 million and efforts to reduce completed stocks, which now stands at a historic low of RM329.6 million.

As at 31 December 2021, the Group's unbilled sales stood at RM2.4 billion, which provides us with revenue and earnings visibility beyond the next three years.

Improvement was also observed in our Investment & Asset Management ("IAM") segment, which saw revenue growth of 37.2 percent to RM94.7 million and contributed 4.3 percent to the total group revenue. Supported by higher contribution from the retail business and concession business in the Pagoh Education Hub, the segment's PBT increased 129.4 percent to RM27.0 million.

Revenue from the Leisure segment stood at RM55.5 million, or 2.5 percent of group revenue, amid a series of lockdowns which halted events and programmes. The segment's LBT was reduced by half to RM14.0 million following a consolidation exercise focusing on manpower and cost optimisation.

We are pleased to report that Sime Darby Property capped off the year with solid cash balances of RM909.7 million, with an operating cash flow of RM494.3 million, as well as a moderate net gearing ratio of 32.0 percent.

The Group's **total bookings** stood at **RM2.1 billion** as at 6 February 2022

Revenue increasing by **7.6 percent** to **RM2.2 billion** in FY2021 from RM2.1 billion in FY2020

Profit Before Tax RM268.3 million as compared to a Loss Before Tax ("LBT") of RM474.8 million

Sime Darby Property capped off the year with **solid cash balances of RM909.7 million** with an operating cash flow of RM494.3 million

Net gearing ratio of 32.0 percent



Maya Ara Residences virtual launch weekend

GROUP MANAGING DIRECTOR'S REVIEW

FOCUS ON CORPORATE PRIORITIES

Essentially, we remained focused on implementing initiatives based on our four corporate priorities – *broaden income streams, deepening competencies, develop new capabilities and digital transformation*. These corporate priorities, which are listed under our SHIFT25 strategy, serve as the base to transform Sime Darby Property from a pure play residential-focused property developer into a real estate company, with multiple sources of income by 2025. The target is to broaden our income base to a 70:30 split between property development and recurring income streams.

In 2021, a mix of new property development launches were rolled out, of which 39.0 percent were residential landed properties, 32.0 percent residential high-rise units, 25.0 percent industrial properties, with statutory developments and commercial units completing the mix.

The Group's expansion into industrial properties was a success, with several projects registering 100.0 percent take-up rates. These included the 42 units of industrial land plots in Hamilton Nilai City with a GDV of RM285 million at the Malaysia Vision Valley 2.0 ("MVV 2.0"); The Twin Factories 2 in Elmina Business Park (RM172 million GDV); and the XME Business Park Phase 2 in Nilai (RM85 million GDV).

To further strengthen our foothold in this sector, the Group launched two new industrial parks – one at the Pagoh Special Economic Zone ("PSEZ") and another in Hamilton Nilai City – as well as acquiring 760 acres of land in Labu, Negeri Sembilan, as part of our strategic development in MVV 2.0.

Through the IAM segment, Sime Darby Property achieved a key milestone in terms of diversifying its business model to increase recurring income, following the establishment of an industrial development fund ("IDF") in partnership with LOGOS SE Asia Pte. Ltd. ("LOGOS Property"). With an initial fund size of US\$200 million, the IDF will focus on acquiring and developing a 177-acre site in the Bandar Bukit Raja township in Klang, Selangor to generate close to 8 million sq. ft. in Net Lettable Area ("NLA").

We continued our efforts to enhance the value of our townships by incorporating sustainability and innovation in our townships and developments during the year. This led to our tie-up with Tropical Rainforest Conservation & Research Centre ("TRCRC") to launch the Elmina Rainforest Knowledge Centre ("ERKC"), as well as our collaboration with the United Nations Children's Fund ("UNICEF") to introduce Malaysia's first inclusive playground in the City of Elmina.

In looking at how we build homes of tomorrow, while taking advantage of the latest technology and science, we came up with the Concept Home 2030 initiative aimed at challenging the way we design and build Malaysian homes of tomorrow. As part of its first phase, we partnered with the Malaysian Institute of Architects ("PAM") to



One of the submissions from the Concept Home 2030 Competition

organise a competition which garnered more than 170 participants – the highest number of submissions for a PAM-organised competition. We invited the nation's foremost visionaries and innovators of the built realm to reimagine how homes would and should look like in 2030, focusing on four key pillars – *Sustainable Solutions, Modern Methods of Construction, Tech-Infused: A Home Brain, and Modular, Expandable & Customisable*.

From the competition, we received a number of impressive submissions with excellent potential, namely ideas such as gamifying property-ownership using blockchain, as well as innovative construction methods that are expandable and customisable to evolving lifestyles and needs. It is now imperative on us to consider how these ideas can be turned into designs and thereon prototypes, and to engage the public on experiencing better homes for future generations with us.

We believe our Concept Home 2030 vision will serve as a starting point to innovate and lead the way in reimagining sustainable building, living and home ownership of the future. To learn more about the Concept Home 2030 competition, please refer to page 101 of this report.

GROUP MANAGING DIRECTOR'S REVIEW



Battersea Power Station, London

During the year, we activated a sizable acreage of approximately 800 acres for property development, significantly higher than the 254 acres activated in FY2020, and the 304 acres in FY2019. This included a total of 188 acres of industrial plots allocated in Hamilton Nilai City, of which 123 acres were launched and completely taken up in 2021.

We also disposed of about 70 acres of non-core land to monetise assets with minimal development potential to the Group, so as to ease our holding costs and free up capacity to focus on our core developments.

The Group has, in recent years, increased its focus on expanding placemaking components in its flagship townships as an effective strategy to develop new capabilities. For instance, the KL East Mall not only enhanced our retail operatorship competencies and provided vibrancy to the KL East and Melawati townships, but it also contributed positively to the Group's top line, with an income of RM25.2 million in its first full year of operations in FY2021.

In FY2021, we ran a pilot for programmatic placemaking through Project Arc ("parc") at the Subang Jaya City Centre ("SJCC"). Targeted for launch in October 2022, parc is an experimental space to test new innovations and sustainability-themed ideas, concepts, products, and to educate, as well as become a space for the community to gather and play.

Separately, the Kuala Lumpur Golf & Country Club ("KLGCC"), which is another critical placemaking component in our flagship township of KLGCC Resort, underwent a rebranding exercise to revive its prestige as the country's premier golf and country club. The branding of KLGCC, which celebrated its 30th anniversary in 2021, has been emboldened with a new logo and identity which is inspired by its history, traditions, and values. The KLGCC brand is set to enhance the Club's stature as a premier club and golfing destination in Southeast Asia, which now

offers enhanced dining, lifestyle and golfing experiences; augmented by digitalised club systems and a mobile application for its members.

In the international market, the Battersea Power Station ("BPS") – our development in Central London together with SP Setia Berhad and Employees Provident Fund ("EPF") – saw strong leasing momentum for its retail development under Phase 2, being the Power Station itself, as well as Phase 3a, also known as the "Electric Boulevard". The project's second phase of residential offerings at Switch House West, welcomed its residents during the year; generating the highest sales to-date for the development of £400 million from both Phase 2 and Phase 3a developments.

We are proud that Sime Darby Property is the first property developer to leverage cloud to host all business applications for digital data management and analytics readiness. The Group fully migrated its existing core applications and servers to Microsoft Azure cloud in FY2021.

Apart from that, we introduced an end-to-end digital journey for homebuyers alongside the launch of the first-generation Virtual Sales Gallery ("VSG") at the City of Elmina, Bandar Bukit Raja, Putra Heights, SJCC, KL East and Melawati townships to ensure continued sales during the pandemic. Our digitalisation efforts have allowed our customers to seamlessly view, book, pay and even ballot for their properties online.

The Group has also embarked on digitising and digitalising its construction project management processes through the implementation of the Procore solution in the Property Development segment. This end-to-end solution is designed to connect multiple stakeholders within the construction value chain and offers Sime Darby Property better data accuracy and analytics, placing the Group on a stronger footing as it gears up for the post-pandemic era.

GROUP MANAGING DIRECTOR'S REVIEW

CREATING LASTING, SUSTAINABLE VALUE FOR STAKEHOLDERS

Going into FY2022, Sime Darby Property will continue with its transformation journey under the SHIFT25 strategy. The strategy builds from the previous SHIFT20 model introduced in 2018 and is guided by *four corporate priorities and seven focus areas* to enhance our business resilience and continue multiplying value for all our stakeholders.

Four Corporate Priorities



Broaden Income Streams



Deepening Competencies



Develop New Capabilities



Digital Transformation

Seven Focus Areas

- 1 **Operational Excellence**
- 2 **Organisational Excellence**
- 3 **Safety and Sustainability**
- 4 **Customer First**
- 5 **Tech and Innovation**
- 6 **Branding & Communication**
- 7 **New Revenue Streams**

On that note, we will continue to accelerate recurring income generation to broaden income streams, deepen competencies to improve resilience and market offerings, develop new capabilities that synergise our transformation and expansion plans, as well as introduce more digital capabilities to advance internal and external practices, and focus on driving innovation and sustainability to improve our operations.

The Group's seven focus areas are led by *operational excellence*, where we aim to be a performance-driven organisation, with continuous improvement in the way we work. The second area is on *organisational excellence*, in which we aim to raise productivity and enrich our talent pool. The third area is on *safety and sustainability*, where we aim to develop a safe workplace for our employees and business associates, including our vendors and construction partners in the pursuit of our three strategic pillars of sustainability – People, Planet and Prosperity.

The fourth area is on the *customer-first* principle to drive improved customer experience via the adoption of new technologies. The fifth area

is on *technology and innovation*, to develop technological capabilities by expanding the use of digital channels and data analytics.

The sixth area is on *branding & communication*, in which we seek to enhance stakeholder interest in the Group's innovative offerings and solutions as a lifestyle developer via communication activities, and finally, the seventh area is on creating *new revenue streams* to establish prominence in other segments of the real estate industry to accelerate the diversification of income and complement our property development business.

PEOPLE AS KEY ENABLERS

At Sime Darby Property, we recognise our people are a key enabler of our transformation strategies. Therefore, we place great priority on investing in talent to ensure that our people have the right skills and capabilities to harness opportunities in the current challenging environment.

To safeguard the long-term sustainability of our business, succession planning for senior management positions is regularly reviewed and discussed to ensure that we consistently have the right people to drive the Group to greater heights.

Our culture is built on strong purpose and a united team under a common end-goal of becoming a real estate company by 2025. Through regular small engagement sessions and group-wide townhalls, as well as sharing sessions such as the Annual Management Dialogue ("AMD"), the Group ensures employees across the organisation were able to stay well-connected and engaged with one another, throughout the challenges of COVID-19. This also enables us to cascade strategies to our people and align them to the Group's vision.



Annual Management Dialogue 2022

GROUP MANAGING DIRECTOR'S REVIEW



COMMITTED TO SUSTAINABILITY

As a leader in developing sustainable townships and developments, we place great importance in maintaining our Environmental, Social and Governance (“ESG”) standards to continuously grow our business, and at the same time, deliver our sustainability promise to all our stakeholders.

Since embarking on its sustainability journey in 2007, Sime Darby Property has actively been involved in ESG reporting and assurance efforts. We take pride in the fact that we are able to generate positive impact based on our three pillars of sustainability – People, Planet and Prosperity – over the years.

Our commitment to sustainability and the ESG agenda remains resolute. In FY2021, the Group published a standalone Sustainability Report and was recognised for a variety of awards within the sustainability sphere. A notable recognition last year was winning the prestigious ‘Responsible Developer: Building Sustainable Development Award’ at the EdgeProp Malaysia’s Best Managed and Sustainable Property Awards, which further strengthened our role as a ‘Force for Good’.

In June 2021, the Group held a Sustainability Day, themed “2030 Starts Now!”, with an aim to establish a sense of urgency in our sustainability journey and role in tackling climate change, as well as enhance awareness of the Group’s commitment to support the United Nations’ Sustainable Development Goals (“UN SDGs”) by 2030.

These collective efforts and initiatives, coupled with the dedication that we have to further amplify the sustainability agenda across all aspects of our business, reaffirm our role as a leading proponent in the real estate industry towards achieving a better and more prosperous future for all.

OUTLOOK AND PROSPECTS

Looking ahead, with many economies, including Malaysia and the United Kingdom, transitioning to the endemic phase of COVID-19, the Group is optimistic about its prospects for FY2022, underpinned by the anticipated recovery of the economy, and thereon, a positive impact for the property market.

As such, we have set our target to achieve RM2.6 billion in sales, which will be backed by strategic new launches worth RM2.8 billion in GDV for FY2022 and an existingly strong bookings pipeline.

Our Property Development segment will strive to maintain high take-ups for new launches in FY2022 through aggressive online and marketing efforts of the right products priced attractively in our flagship townships, with residential and industrial properties expected to continue generating high demand over the short-to-medium term.

Furthermore, the Group will continue to push our sustainability thinking and incorporate innovative features in new products via home design and placemaking to enhance the value and longevity of our products and townships.

From FY2022 onwards, a disciplined approach to land bank management and monetisation will be a key focus, as the Group accelerates its efforts to unlock land value via increased property and industrial developments, and monetisation of non-core lands. Sime Darby Property will also review its option agreements to identify land plots that are viable for acquisition to replenish its land banks and open up new townships for growth.

Going forward, our IAM segment is expected to generate higher recurring income contribution for the Group, with the IDF set to make its maiden contribution by the second half of FY2022. The segment is currently working on expanding the Industrial & Logistics Development business by introducing its industrial product offerings to a wider clientele base of local and global players.

GROUP MANAGING DIRECTOR'S REVIEW

As for the Leisure segment, the focus remains on delivering a good customer experience with quality F&B, lifestyle and event spaces, as well as expand its tenancy base.

Both our IAM and Leisure segments will also continue to double up as key drivers for placemaking and developing catalytic assets such as retail, industrial, commercial and hospitality to uplift the value of our townships and their surrounding developments, and at the same time, accelerate our land monetisation strategy.

Given the strategic priorities in place, we believe that the Group is on the right track to generate sustainable long-term value for our stakeholders, and we remain committed to create a business that can adapt swiftly to the changing market environment, utilising different approaches to create positive outcomes.

ACKNOWLEDGEMENTS

Sime Darby Property saw a change in leadership during the year, with Encik Rizal Rickman Ramli taking over as Chairman of the Group in May 2021, succeeding Tan Sri Dr. Zeti Akhtar Aziz upon her retirement. Encik Rizal, who was previously the Group's Non-Independent Non-Executive Director since 5 April 2018, continued to provide a steady hand as we navigated through new challenges to steer the Group towards further successes. His experience and knowledge in the real estate industry both locally and on the international stage are valuable for the Group to tap on as we push ahead to realise our objectives.

On behalf of all my colleagues at Sime Darby Property, I would like to take this opportunity to thank Tan Sri Dr. Zeti, who institutionalised

a clear vision that has paved the way for the Group to broaden its business portfolio beyond the conventional, which formed the resilience we benefit from today.

I would also like to express my sincere thanks to our Board of Directors for their continuous support and guidance to me and the leadership team as we execute our strategy & plans, challenging the organisation to always go further.

As a strategic investment company of Permodalan Nasional Berhad ("PNB"), Sime Darby Property values PNB's continued trust and support provided to our management and employees in contributing towards its sustainable growth and returns.

Additionally, I would like to extend my gratitude to our customers, partners and shareholders, as well as to all stakeholders, including regulatory bodies and the Government, for their continuous contributions and support to the Group over the last year.

Finally, my deepest appreciation goes to the management and staff of Sime Darby Property for your commitment, dedication and perseverance throughout this challenging year, which have resulted in us breaking new ground.

I am confident that Sime Darby Property will continue to scale greater heights in the future and reinforce our role as a 'Force for Good' for the betterment of the real estate industry, as well as the nation.

Dato' Azmir Merican

Group Managing Director



Birds eye view of the City of Elmina