



Dato' Azmir Merican
Group Managing Director

Dear Shareholders,

It gives me pleasure to share that, in 2022, Sime Darby Property celebrated our 50th anniversary in the best possible way – a solid performance with its highest ever post 2017 demerger operating profit of RM487.8 million and sales achievement of RM3.7 billion, surpassing its RM2.6 billion sales target. This was supported by the launch of 31 projects with a gross development value (“GDV”) of RM2.6 billion. Remarkably, all of this was achieved despite the less-than-conducive market conditions, with elevated cost of materials, rising interest rates and a prolonged labour shortage. We were able to navigate through these conditions by staying true to our focus and disciplined execution. We also forged stronger relationships with the relevant authorities and government agencies, working together to overcome challenges and drive the industry forward.

We are proud of our performance which can be distilled to one salient factor – our people. Our people understood what it takes and delivered results to make the difference. We launched the Group’s new Purpose, Vision and Mission statements and TEAM Values where our Purpose guides us to be a *Value Multiplier for People, Businesses, Economies, and the Planet*. All of this creates greater clarity across the organisation on what Sime Darby Property stands for as we look into being more sustainable for people and planet as well as profit.

Through teamwork and collaboration, we undertook strategic land activation to drive sales, matching our new product launches with market demand. We brought forward RM816 million worth of industrial product launches that had been slated for 2023 and beyond, achieving 100% take-up rates for some with an average take-up rate of 82% of new product launches as we had the agility to take advantage of the market conditions. This resulted not only in the enhanced sales but also in a more diversified product portfolio, in line with our SHIFT25 strategy.

As the Group embarks on business diversification with greater emphasis on growing our recurring income stream, we are pleased to announce the first close of our inaugural Industrial Development Fund (“IDF”) amounting to 70% of capital commitment for a target fund size of up to US\$250 million. The Shariah-compliant fund is anchored by Permodalan Nasional Berhad (“PNB”) and unit trust funds under its management and Kumpulan Wang Persaraan (Diperbadankan) (“KWAP”). Sime Darby Property and LOGOS SE Asia Pte. Ltd. (“LOGOS Property”) are sponsors and co-investors in the fund, which will enable the development of logistics assets over the next three years.

On the international front, it was an incredibly proud moment for us when the eight-year restoration journey of Battersea Power Station, involving Sime Darby Property



We brought forward RM816 million worth of industrial product launches that had been slated for 2023 and beyond, achieving 100% take-up rates for some with an average take-up rate of 82% of new product launches.



GROUP MANAGING DIRECTOR'S REVIEW

and our consortium partners SP Setia Berhad and the Employees Provident Fund (“EPF”), was completed and the iconic building was officially opened to the public for the first time in 40 years on 14 October 2022. We were honoured to have His Majesty The Yang Di-Pertuan Agong, Al-Sultan Abdullah Ri’ayatuddin Al-Mustafa Billah Shah, to officiate its opening. The hype surrounding this massive project – which has been described as “one of the most challenging engineering and architectural feats in London’s history” – led to no less than a quarter of a million visitors to the development on its opening weekend, the number increasing to three million as of mid-January 2023. The reopening of this prestigious building demonstrates Malaysia’s ability, working collaboratively with partners from across the world, to deliver inspirational projects. This is an achievement that our country can justifiably be proud of.

More than key business wins, we made significant progress in our sustainability journey during the year, further entrenching Sime Darby Property’s position as an Environmental, Social and Governance (“ESG”) leader in our industry. Of note, we set up a Management Sustainability Committee in September 2022 and a Board Sustainability Committee in January 2023 to guide our sustainability agenda and ensure that the Group continues to strike a balance in efforts to create positive outcomes based on the three spheres of People, Planet and Prosperity.

ROBUST LAUNCHES AND SALES

Industrial properties have seen tremendous growth over the years and continued to experience strong demand in 2022. In meeting the increase in demand for industrial properties, we launched a total of 15 industrial projects during the year, with a GDV of RM1.2 billion, comprising 46.0% of the GDV of all our launches in 2022. As at year end, no less than six of the developments had achieved 100% take-up rates.

At the same time, having identified demand for landed property post COVID-19 lockdowns, we introduced 13 semi-detached and super-link projects with a combined GDV of RM1.1 billion in our townships of Nilai Impian, City of Elmina,

Bandar Ainsdale, Bandar Bukit Raja, Serenia City and KL East. As with our industrial launches, several phases were fully sold by the end of the year, specifically Ilham Residence 2 in Elmina East; Anira 1 in Serenia City; and East 57 in KL East. Cumulatively, the average take-up rate of our landed residential properties stood at 89% as at 5 February 2023.

Following the successful launches of Jendela Residences and Maya Ara Residences, we introduced two more high-rise residential developments in 2022 – Serenade in Putra Heights and Park One in Melawati. Although both were launched only in November, they have achieved respectable take-up rates of 64% and 58% as at March 2023, respectively.

Successful sales enjoyed with our launches stem from robust market research and planning to ensure our products meet market needs and requirements. Our ability to understand the lifestyle needs of our customers especially in a post-pandemic era also contributed to our success. We place a great deal of emphasis on placemaking to inject each development with a unique identity that resonates with the lifestyle preferences of its residents.

For the year as a whole, our residential landed projects contributed to 42% of our sales revenue, with very strong performances from Ilham Residence 2, Nadira 1 & 2 in Bandar Bukit Raja, and Anira 1 & 2 in Serenia City. Industrial properties accounted for 25% of the total, or RM907 million, mainly from Industrial plots in Bandar Bukit Raja and Hamilton Nilai City. Meanwhile, our high-rise residential developments made up 24% of our sales, driven by Maya Ara in Ara Damansara, Park One in Melawati and The Serenade in Putra Heights.

In the United Kingdom, the Group’s Battersea Power Station project achieved £480 million in residential sales during the year, while £1.1 billion worth of completed properties were handed over, which saw the local community grow to over 2,500 residents.

- Overview of Sime Darby Property
- Key Messages
- Value Creation
- Management Discussion and Analysis
- Leadership
- Governance
- Sustainability Statement
- Financial Statements
- Additional Information

Group Managing Director's Review



Battersea Power Station in Central London

As a result of rapid development in 2022, as well as the disposal of 610 acres of non-core land, Sime Darby Property activated no less than approximately 1,250 acres during the year. Partly to replenish this, as well as to further strengthen our industrial portfolio, we signed an agreement to acquire 949 acres of land in Kapar, Klang, from Sime Darby Plantation Berhad, which is to be developed into an integrated sustainable industrial township.

SHIFTING OUR PRIORITIES

Integral to SHIFT25 strategy is to ensure the Group pivots from a pure-play property developer into a sustainable real estate company, having a broader presence along the real estate value chain encompassing property development, as well as investment and asset management.

This shift in strategic priority has been reflected in improved performance of our Investment & Asset Management as well as Leisure businesses, which saw year-on-year revenue growth of 18% to RM107.9 million and 53% to RM84.7 million, respectively.

With the pandemic now firmly behind us, the retail sector has regained its momentum along with increased tenant occupancy, visitor footfall and patronage in KL East Mall and Melawati Mall. In the industrial space, through Sime Darby Property MIT Development Sdn Bhd ("SDPMIT") – a joint venture ("JV") with Mitsui & Co., Ltd. and Mitsubishi Estate Co., Ltd. – we have secured tenancies with CEVA Logistics and SL Ng in a 487,000 sq. ft. ready-built warehouse. This is our third project to kick off at the Bandar Bukit Raja Industrial Gateway, through which we aspire to provide solutions for the global supply chain industry.

Meanwhile, upon securing 70% capital commitment for our IDF, anchored by PNB and KWAP, alongside Sime Darby Property and our partner LOGOS Property as sponsors and co-sponsors, we held the ground-breaking ceremony for our maiden development through the fund on 8 July 2022. Upon its completion, the E-Metro Logistics Park in Bandar Bukit Raja will be managed by our JV with LOGOS Property, SDPLOG.

Kuala Lumpur Golf and Country Club ("KLGCC") continues to be a flagship asset in our Leisure portfolio. In 2021, in conjunction with the club's 30th anniversary, we carried out a rebranding exercise to adopt anew its original name, highlighting its history and prestige as a leading golf and country club in the region. In 2022, we affirmed the rebrand through an official launch event, which was graced by Her Majesty Seri Paduka Baginda The Raja Permaisuri Agong. Along with increased banqueting, dining and golfing activity following life post-pandemic, both KLGCC and Impian Golf and Country Club recorded higher revenues. More encouragingly, the Leisure segment is now profitable as a result of prudent cost management and improved service quality on top of revenue growth.

STRONG FINANCIAL PERFORMANCE

For the full year 2022, the Group recorded RM2.7 billion in revenue, marking a 24% increase year on year ("YoY"), supported by record sales of RM3.7 billion with the property sector still climbing up the growth curve post COVID-19 pandemic. On the back of our revenue growth, we achieved our highest ever operating profit of RM487.8 million, while our profit after tax and minority interest ("PATAMI") more

than doubled to RM315.8 million from RM146.9 million in 2021. Our profit before tax (“PBT”), meanwhile, grew by 64% YoY to RM458.9 million, underpinned by profitability growth across all business segments, together with contributions from land monetisation activities and the disposal of non-core assets. These more than cushioned the Group’s fair value loss and lease adjustments on investment properties totalling RM64.4 million.

I am pleased to share that our strong showing in 2022 meant that we ended the year with RM1.8 billion in total bookings, RM3.6 billion in unbilled sales, and a cash position that was 8.3% stronger YoY at RM985.3 million. The Group continues to demonstrate its financial strength as substantiated by a net gearing ratio of 21.8%.

DEVELOPING OUR PEOPLE

We recognise our people as being our most valuable asset and are investing significantly into providing opportunities for them to develop professionally in order to contribute to Sime Darby Property’s ongoing transformation. While providing targeted learning and upskilling programmes, we also encourage our employees to make the most of self-learning platforms such as LinkedIn Learning, which is accessible to all employees Group-wide. Our Human Resources (“HR”) department has assessed our competency gaps with regard to achieving SHIFT25 and has made known the critical skills we require to guide our employees in their self-learning journey. I am pleased to share that the focus we are placing on training and development has resulted in an almost four-fold increase in the average time spent in training from 2.2 days in 2021 to 8.7 days in 2022.

Further motivating our people, we are accelerating our talent management via a new framework that rewards high performance and incentivises contributions to our growth areas. We have also introduced an Internal Mobility Framework, giving preference to our internal talent to step up into vacant roles.

To keep employees engaged, we leveraged the ability to resume activities by bringing our people together via various events, key among which were our quarterly Townhalls, Sustainability Day 2022, Safety Day 2022, and our Annual Gala Dinner, which in 2022 celebrated our golden jubilee. Following the launch of our new Purpose, Vision, Mission statements and TEAM Values on 23 June 2022, we also held a number of workshops for management to personally engage all employees on the rationale and shared vision behind these statements. The objective was for employees to internalise these guiding principles and to contribute fully to our value creation aspirations.

While our 2022 business results are indicative of the success of our employee-facing initiatives, we were also pleased to see our annual employee engagement score increase by a notable 9% for the year versus the preceding year.

DIGITALISATION

We continue to press ahead with our digitalisation efforts to optimise systems and processes, with a focus on property development project management and customer engagement.

In 2021, we became the first in Malaysia to implement Procure, a collaborative software that creates transparency across the entire value chain, enabling better coordination across all stakeholders leading to more effective project execution. As of end December 2022, a total of 89 projects within our property development portfolio had been transitioned onto the platform.

We implemented an Online Booking and Payment System linked to a virtual showroom for product launches to boost sales. The system proved extremely effective when 84% of the units in Maya Ara Residences were snapped up within 45 minutes of its online launch. Its continued popularity with customers was underlined when we sold all 57 units of East 57 in KL East in less than a day following its virtual launch in May 2022. Meanwhile, through Project Crystal Ball, we are enabling our Marketing and Sales teams to deep-dive into a prospect’s profile, needs and preferences, allowing them to make more targeted recommendations.

We believe our digital transformation journey plays an important role in our future growth. Building on the momentum thus far, we will continue to realise our digital agenda given the fast pace of digital and technology adoption that we have seen in recent years.

Along with greater digitalisation, we are also enhancing our cybersecurity governance and creating greater awareness among our employees on how they can play their part to protect data belonging to the Group and our stakeholders.

CLIMATE ACTION

Sime Darby Property is one of Malaysia’s pioneers in sustainability in the property industry, recognising from early on the impact that we have on society and the environment, and our responsibility to minimise the negatives while enhancing positive outcomes. To streamline our sustainability efforts, in 2020, we developed our very own Group-centric 2030 Sustainability Goals, which outlined 18 key goals to be achieved by 2030, encompassing the four broad areas of economic,



Group Managing Director's Review

environmental, social and governance performance. It is with great pride to share that in 2022, we fulfilled 12 out of the 18 goals set.

Given the urgency of climate change, achieving carbon net zero throughout our operations is essential to Sime Darby Property's sustainable growth journey. Expanding on our reporting of greenhouse gas ("GHG") emissions, we are using the Science Based Targets initiative ("SBTi") framework to ensure that the accuracy of our committed target is based on science, which not only covers operational carbon reduction as measured under Scope 1 and Scope 2 but also results in a Scope 3 reduction target aligned with SBTi. Although it will be a challenge to manage our Scope 3 emissions, we are determined in this regard and are already working towards establishing our Scope 3 baseline while identifying ways in which we can reduce emissions along our supply chain. During the year, we commissioned an embodied carbon study on a typical double-storey link house, which led to a re-assessment of our design and the use of alternative low-carbon materials, among others.

Another environmental area that is very closely linked to our operations is biodiversity conservation. Towards this end, we are committed to incorporating the protection and conservation of biodiversity into our planning and applying a zero rainforest removal practice for our developments. Almost all our land bank comprises old plantation land which we rehabilitate by planting new trees, focusing on endangered local species. City of Elmina stands as a model of what we seek to achieve in all future townships. In designing this development, we collaborated with the Tropical Rainforest Conservation and Research Centre ("TRCRC") for guidance on optimising green open spaces. Among the features that we are most proud of are the Elmina Rainforest Knowledge Centre ("ERKC"), which is open to the public, as well as the Elmina Living Collection Nursery ("ELCN"), which will supply native forest tree seedlings to be planted throughout Elmina. To date, we have planted 125,161 trees; and our objective is 160,000 trees by 2030, at least 10% of which will be of endangered, rare and threatened ("ERT") species.

We believe that to be optimally effective in our ESG endeavours, we need the full support of our employees and partners. We are, therefore, building their ESG capacity and reinforcing the oversight function with our newly formed Board Sustainability Committee as well as Management Sustainability Committee. As from 2022, sustainability parameters have been included into the key performance indicators ("KPIs") of everyone, from the Board level down to employees on the ground, displaying our unwavering commitment to making sustainability part and parcel of our business.



we have planted **125,161** trees; and our objective is **160,000** trees by 2030

SAFETY FIRST

Taking the safety of our people and contractors' workers very seriously, we have been placing increasing emphasis on nurturing a culture of safety, whereby everyone takes responsibility for his or her own safety, as well as the safety of others. Underlining our philosophy that everyone should go home safe, we instil safe behaviours at our sites through constant training focusing on high-risk areas such as working at height, toolbox sessions, as well as LEAP visits and Fishbowl Sessions with contractors. In addition, audits are conducted by our Group Corporate Assurance Department ("GCAD"), and we recently conducted a gap analysis on our Health, Safety, Security and Environment ("HSSE") Management System, following which a gap closure plan was outlined.

It was therefore heart-breaking to have suffered one recordable fatality of a contractor's worker during the year. This is unacceptable, and we have since worked closely with both our employees and contractors to heighten awareness of safety standards, practices and culture at worksites. At the same time, we will intensify all efforts to emphasise safety compliance and ramp up activities to ensure all employees, contractors and site workers comply with the latest safety standards and regulations.

OUTLOOK

We enter the year 2023 with the worst of the pandemic now behind us. However, geo-political uncertainties from elevated tensions caused by the invasion of Ukraine, heightened trade conflict between the US and China, as well as the sharp rise in interest rates to curb escalating inflation, are creating fears of a global recession.

Nevertheless, Malaysia remains relatively buffered from global headwinds, strengthened by private spending and domestic consumption amid labour market improvements. Despite continuing inflation and prospects of further increases in the Overnight Policy Rate ("OPR") to between 3.25% and 3.50%, the country's economy is expected to grow at between 4.0% and 5.0%. Although this is a significant slowdown from 8.7% in 2022, it is still relatively robust compared with the global average.

Growth experienced in the property sector in 2023 may slow down in tandem with rising interest rates and inflation. Nevertheless, we are confident that the new unity Government will help to create political stability and attract greater inflow of foreign investment. Along with normalising material costs and availability of foreign labour in the second half



Annual Management Dialogue 2023

of the year, the property market is expected to remain steady overall in 2023, with indications that demand for landed residential and industrial products will continue to be steadfast.

Given the anticipated economic outlook, Sime Darby Property will stand guided by our SHIFT25 strategy by further building on our Property Development business while continuing to diversify our product mix. In tandem with a more subdued market, we will rein in our aggressive product launches, yet continue to introduce products that resonate with market demand to maintain sustainable earnings visibility. Along with fears of a climate crisis, there is increasing demand for homes that incorporate ESG elements. This, together with placemaking to create lifestyle destinations, will influence our product design going forward.

Beyond Property Development, we seek to grow our Investment & Asset Management business segment through the generation of higher recurring income contribution to the Group. In 2023, we also expect to carry out the final close of the IDF as we complete the first phase of the E-Metro Logistics Park measuring approximately 2 million sq. ft. for prospective tenants.

While we have an expanded tenancy base for our Leisure segment, we continue to remain focused on delivering a good customer experience with quality F&B, lifestyle and event spaces.

Both Investment & Asset Management and Leisure segments will continue to rev up as key drivers for placemaking and developing catalytic assets such as retail, commercial, industrial and hospitality to uplift the value of our townships and their surrounding developments, while also accelerating our land monetisation strategy.

To counter any rise in the cost of development, we will continue to focus on effective cash flow and capital management. Our priority will be on funding requirements for business growth in support of SHIFT25. Our business teams are aware of the performance targets in the upcoming year and will work to ensure these are met while costs are prudently managed.

ACKNOWLEDGEMENTS

It gives me great pleasure to acknowledge the many parties that have contributed not only to Sime Darby Property's encouraging performance in 2022, but to our steady growth in the last 50 years.

Being a strategic investment company of PNB, Sime Darby Property appreciates its continued trust and support provided to the Group in contributing towards sustainable growth and returns.

To all our Board of Directors, thank you for the guidance, counsel and support; to my colleagues on the management, thank you for inspiring a spirit of collaboration across the Group.

I would also like to extend my gratitude to business partners, financiers, shareholders, regulatory bodies and the Government. Your continued support has been instrumental to the Group's continuous evolution, helping us to achieve deliverables that were set in 2022 and driving our current SHIFT25 transformation journey.

Special thanks goes to our customers for choosing Sime Darby Property. Your support and belief in the company is important to us and drives us to do better.

As for all our employees, my deepest appreciation for demonstrating incredible resilience during trying times, and continuing to be the backbone of the Group. Without your dedication and commitment, we would not be where we are today – on the cusp of becoming a leading ESG-driven real estate company. Thank you for sharing in our Purpose, Vision, Mission and Values. With everyone working together, I have no doubt that we will be a force for collective progress, multiplying value for people, businesses, economies and the planet.

Dato' Azmir Merican
Group Managing Director

- Overview of Sime Darby Property
- Key Messages
- Value Creation
- Management Discussion and Analysis
- Leadership
- Governance
- Sustainability Statement
- Financial Statements
- Additional Information