

Operations

Review

Investment & Asset Management

Our Investment & Asset Management ("IAM") segment provides recurring income through rental of investment properties, returns from our concession business and investments, and fees via our Industrial Development Fund ("IDF").



Average occupancy rate of

93.2%

INVESTMENT ASSETS

Our investment portfolio encompasses 5.4 million sq. ft. of diversified assets across the commercial, retail and industrial & logistics sectors throughout Malaysia, Singapore and the United Kingdom (“UK”). It comprises:

COMMERCIAL ASSETS

- Klang Valley – Wisma MRT, ReGen Rehab Hospital, Blocks F and G in Oasis Square, where Sime Darby Property’s corporate headquarters is located. The Group’s office assets in Malaysia currently enjoy an average occupancy rate of 94.5%.
- Overseas – Sime Darby Business Centre in Singapore and the Battersea Power Station in the United Kingdom, held via joint ventures (“JVs”).



➔ Battersea Power Station, located in the heart of Central London



➔ A built-to-suit warehouse at the Bandar Bukit Raja Industrial Gateway

INDUSTRIAL & LOGISTICS DEVELOPMENT (“ILD”)

The Bandar Bukit Raja Industrial Gateway in Bandar Bukit Raja 1, being developed under a JV partnership with Mitsui & Co., Ltd. and Mitsubishi Estate Co., Ltd. known as Sime Darby Property MIT Development Sdn. Bhd. (“SDPMIT”). To date, we have completed two built-to-suit (“BTS”) warehouses with a total gross floor area (“GFA”) of 384,000 sq. ft., with the first warehouse handed over to Malaysian electrical goods chain Senheng Electric (KL) Sdn. Bhd. (“Senheng”). Leschaco (Malaysia) Sdn. Bhd. (“Leschaco”), a German-integrated logistics provider, and CEVA Logistics, a multinational logistics and supply chain company, occupy the second warehouse.

RETAIL

- Fully owned KL East Mall within the KL East development, with a net lettable area (“NLA”) of 402,000 sq. ft.
- Melawati Mall, held under a 50:50 JV with CapitaMalls Asia Ltd., with an NLA of 615,000 sq. ft.

Concession Arrangement

Sime Darby Property Selatan (“SDPS”), a JV with Tunas Selatan Pagoh Sdn. Bhd., provides asset management services under a concession for the campus facilities and infrastructure at the Pagoh Education Hub in Bandar Universiti Pagoh in Johor, which houses four higher educational institutions.



➔ KL East Mall

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FUND MANAGEMENT

On 29 September 2021, we incorporated SDPLOG as a JV with LOGOS SE Asia Pte. Ltd. ("LOGOS") to provide fund management and development services to the Sime Darby Property-LOGOS Property Industrial Development Fund 1 LP ("IDF").

OVERVIEW

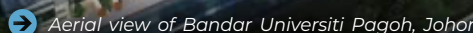
As the economy picked up in 2022, we have been able to push ahead with the development of assets under our portfolio, which include two retail malls in KLGCC and Elmina East, and three warehouses in Bandar Bukit Raja, while attracting more tenants to existing malls and retaining 100% occupancy at key commercial assets, as well as our industrial assets. Two of the warehouses being built at the E-Metro Logistics Park in Bandar Bukit Raja 2 are under the IDF, which is gaining traction. At its first close on 23 June 2022, IDF secured 70% of its targeted fund size of up to RM1 billion or approximately

US\$250 million from Sime Darby Property, LOGOS, PNB and KWAP. The 177-acre E-Metro Logistics Park is set to deliver efficient industrial and logistics solutions spanning 8 million sq. ft. in gross leasable area.

KEY FOCUS AREAS

- Broaden income streams – via fund management platforms such as IDF and facilities management for industrial properties.
- Deepen competencies – in mall management and industrial development products.
- Develop new capabilities – via talent pipeline in investment & fund management, marketing & leasing, property management and other value-added services via secondment from Sime Darby Property to SDPLOG.
- Digital transformation – through the adoption of digital marketing channels, a business-to-business ("B2B") social media platform, and the Procore solution for better project management, among others.





KEY INITIATIVES

Sustainable Development Pipeline:

Continued to grow our recurring income through placemaking and catalytic elements such as retail and industrial assets in strategic locations.

Optimise Strategic Assets:

Optimised the mix of single-occupier and multi-tenanted assets in our portfolios through active asset and lease management, while focusing on tenant retention to maintain stable portfolio occupancy.

Commitment to ESG:

Integrated technology and innovation with ESG elements into existing and future assets to create sustainability-themed investments.

RESULTS & ACHIEVEMENTS

- Two retail malls in KLGCC Resort and City of Elmina are under development totalling 0.42 million sq. ft.
- Commenced construction of a ready-built warehouse (“RBW”) in Bandar Bukit Raja Industrial Gateway in August 2022 and secured pre-commitments for 487,000 sq. ft. of space from two anchor tenants: CEVA Logistics, a multinational logistics and supply chain company; and SL Ng, a leading home-grown FMCG market expansion service provider in Malaysia. The RBW is expected to be completed in the second half of 2023.
- Commenced construction of two RBWs: E-Metro Hub 1 (December 2022) and E-Metro Hub 2 (April 2022). E-Metro 2 is expected to be completed in the second half of 2023, and E-Metro Hub 1 in the second half of 2024. SDPLOG’s marketing team is in discussions with several leading international logistics players to come aboard as potential tenants.

- KL East Mall achieved 85.2% occupancy, attracting a few international retailers and two major entertainment brands. Among the notable new openings were Camp5 Climbing Gym, Jungle Gym, Charles & Keith, Bath & Body Works, Steve Madden, Victoria’s Secret and PUMA. This helped to attract higher footfall (904,000 shoppers, 86.4% more than in FY2021), and increased revenue.
- Occupancy in Melawati Mall improved to 81.6% from 79.8% in FY2021, with 72 new and renewed tenants occupying 115,427 sq. ft. of NLA.
- Maintained 100% occupancy in key commercial assets – Wisma MRT, ReGen Rehab Hospital and Block G in Oasis Square – with net yield above 5% (as at 31 December 2022). Moreover, these assets are leased to single tenants under typically long periods, providing stability and income visibility to our portfolio.
- Maintained 100% occupancy in all industrial assets, i.e., Senheng warehouse and Leschaco/CEVA Logistics warehouse (both totalling 384,000 sq. ft.) in Bandar Bukit Raja Industrial Gateway, providing a 6% to 7% net yield.
- Continuous contributions from the Pagoh Education Hub under the concession arrangement, contributing to 32% of IAM’s total revenue.

- KL East Mall was recognised with a 5 Star CII Rating Award for Best Practices in Food Waste Management and Best Food Waste Management from SWCorp Malaysia.
- Adoption of sustainability elements as standard design for new industrial buildings, targeting green certifications and accreditations.

IMPACT OF COVID-19

- New tenants/international prospects have delayed their opening to focus on existing stores.
- Labour shortage affecting operational efficiency of existing assets and progress of industrial projects currently under construction.

FINANCIAL PERFORMANCE

IAM recorded an 18% increase in revenue to RM107.9 million as compared to FY2021, with the retail business and commercial assets as main contributors. The increase in revenue from retail was mainly due to new tenants opening and a higher turnover rent post COVID-19 lockdowns. Revenue from commercial assets was mainly from higher rental income arising from better occupancy and rental rates, further enhanced by increased income from the car parks.

The segment’s PBT decreased from RM25.7 million in FY2021 to RM0.2 million in FY2022, mainly attributable to fair value adjustment on the investment properties, cushioned off by the better results from retail business. KL East Mall’s PBT increased due to higher occupancy and income post-pandemic. Melawati Mall also contributed an increase in share of profit in FY2022.

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HIGHLIGHTS

<p>Strong portfolio occupancy of 100% for key commercial assets providing a net yield of above 5%.</p>	<p>Bandar Bukit Raja Industrial Gateway won The Edge Property Development Excellence Award 2022 at The Edge Malaysia Top Property Developers Award 2022.</p>	<p>KL East Mall received the 5 Star CII Rating Award for Best Practices in Food Waste Management and Best Food Waste Management from SWCorp Malaysia.</p>	<p>Held the First Close for IDF on 23 June 2022, with 70% capital commitment secured from Sime Darby Property, LOGOS, PNB and KWAP for the target fund size of up to RM1 billion or approximately US\$250 million.</p>
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CHALLENGES & THEIR MITIGATION

CHALLENGES	MITIGATING ACTIONS
<p>Risk of development delays, cost overruns and lower-than-expected quality due to manpower shortage.</p>	<ul style="list-style-type: none"> • Construction cost control through value engineering, as well as regular project progress reviews. • Stringent pre-qualifications for consultants and contractors, with increased emphasis on contractors' capability and manpower (i.e., lower value, number of contracts at hand with sufficient workers, etc.).
<p>Increasing cost of operations due to higher manpower and utility costs.</p>	<ul style="list-style-type: none"> • Many of our key commercial assets are leased to single tenants, who are responsible for a major part of maintenance costs. • Various initiatives and measures to ensure retail operations efficiency and cost control to minimise impact on financial returns.
<p>Securing new tenants for retail mall and to maintain footfall.</p>	<ul style="list-style-type: none"> • Adopt customer-centric approach to build stronger customer relationships and increase repeat visits. • Better tenancy mixes with more established experiential brands to drive high spending footfall.
<p>Securing tenants for industrial facilities and managing delays in roll-out of development plan under IDF.</p>	<ul style="list-style-type: none"> • Our industrial assets in Bandar Bukit Raja target the logistics and light to medium industries, leveraging the proximity to Port Klang; good connectivity/accessibility from major highways and infrastructure; and ready support ecosystem from surrounding industrial areas. • Leverage Sime Darby Property and LOGOS Property's extensive client networks, and experience in logistics real estate development, as well as asset and fund management. • SDPLOG has dedicated marketing and business development teams, as well as a development management team which oversees the construction and development of the Fund's assets/facilities.



The Twin Factories 2, Elmina Business Park

OUTLOOK & PROSPECTS

In 2023, IAM will continue to scale up our asset portfolio size and fund under management leveraging our development capabilities and sizeable as well as strategically placed land bank, focusing on placemaking and catalytic assets to uplift the value of our townships and surrounding developments. The year will see the completion of three properties – the retail mall at Elmina East and two RBWs in Bukit Bandar Raja, namely E-Metro Hub 2 and the warehouse at the Bandar Bukit Raja Industrial Gateway – adding approximately 1.5 million sq. ft. of NLA to our portfolio, increasing the total NLA by 28% to 6.9 million sq. ft.

SDPLOG, which is developing E-Metro Hubs 1 and 2, is confident of securing further commitments in the final close of IDF in 2023, given overall healthy investor interest in logistics as an asset class. Meanwhile, SDPMIT is in advanced discussion with BTS prospects to complete the development of the remaining five plots of land in the Bandar Bukit Raja Industrial Gateway. Interest in Bandar Bukit Raja remains high given the exponential growth in e-commerce and resulting demand for quality, as well as sustainable logistics facilities that are well-connected and close to transit hubs.

We are also actively marketing and planning future BTS developments in Elmina Business Park (“EBP”) and City of Elmina, providing more options in locations to our prospects with EBP being closer to the Kuala Lumpur (“KL”) city centre and boasting its own growing population. EBP is supported by a network of highways, mainly the Guthrie Corridor, and serves as the gateway from the northern hinterland to KL City.

With approximately 2,800 acres of industrial land available along the economic corridors of Peninsular Malaysia’s west coast, Sime Darby Property aims to be the preferred delivery partner for industrial and logistics developments in Malaysia. Our objective is to offer end-to-end services from the design to the pre-development, development and post-development phase of projects. In line with our ESG focus, moreover, all assets under the Group’s management will incorporate sustainability elements in their blueprint and DNA.

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