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23 May 2022

By E-mail

**MINORITY SHAREHOLDERS WATCH GROUP (MSWG)**

Level 23, Unit 23-2,  
 Menara AIA Sentral,  
 No.30, Jalan Sultan Ismail,  
 50250 Kuala Lumpur

**Attention: Mr. Devanesan Evanson**  
*Chief Executive Officer*

Dear Sir,

**RE: 49th Annual General Meeting (AGM) of Sime Darby Property Berhad to be held on 24 May 2022**

We refer to your letter which was e-mailed to us on 12 May 2022 in relation to Sime Darby Property Berhad's ("the Group" or "Sime Darby Property") Annual General Meeting to be held on Tuesday, 24 May 2022.

Please find our responses to the following questions raised by MSWG in the interest of minority shareholders and all other stakeholders of the Group:

**Operational /Financial Matters**

**1. The Group has joint venture with LOGOS Property of Australia and various tie-ups with other well-established international groups and organisations such as CapitaMalls Asia; Mitsui & Co., Ltd; and Mitsubishi Estate Co., Ltd to expand its Industrial & Logistics Development business.**

**a) What were the reasons for the Group to engage with four partners in the Industrial Logistics Development business?**

**Response:**

Within the past 4 years, the Group entered into partnerships with three foreign companies in the Industrial & Logistics Development ("ILD") business namely:-

- 1) Mitsui & Co Ltd;
- 2) Mitsubishi Estate Co., Ltd – collectively (1) and (2) under Sime Darby Property MIT Development Sdn Bhd; and
- 3) LOGOS Property Group under SDPLOG IDF 1 (JV Holdings) Pte Ltd.

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While leveraging on our key strengths, namely our track record and strong branding as one of the largest property developers in the country with approximately 15,400 acres of landbank and as the first Malaysian listed property developer to diversify into fund management business, Sime Darby Property believes that strategic collaborations with partners are a key strategy for growth.

Such partnerships provide (a) access to tenant networks and new markets, (b) specialised knowledge and expertise, and (c) alternative sources of capital. These enables us to accelerate development and be more responsive in riding on demand trends & seizing opportunities in the short to long-term.

Next query's response addresses the specific benefits each partner brings to the table.

**b) What is the special expertise of each of the four partners?**

**Response:**

Mitsui & Co., Ltd. ("Mitsui") and Mitsubishi Estate Co. ("Mitsubishi"), Ltd are part of the same Japanese consortium which holds a 50% interest (with Sime Darby Property holding the other 50%) in a joint venture ("JV") company called Sime Darby Property MIT Development Sdn Bhd (formed in 22 January 2018) to activate 39 acres of industrial lands in Bandar Bukit Raja. As one of the largest and reputable Japanese conglomerates, Mitsui and Mitsubishi bring to the table their industrial & logistics tenancy networks, coupled with availability of their own capital as well as accompanying project-level debt financing from Japanese financiers.

LOGOS Property Group ("LOGOS Property") is a leading logistic real estate specialist in Asia-Pacific, with total assets under management in excess of USD19.6 billion. Under the JV company in which Sime Darby Property and LOGOS Property hold 51% and 49% respectively called SDPLOG IDF 1 (JV Holdings) Pte Ltd (formed in 29 September 2021), we will set-up a fund management platform to manage funds for the logistics sector, as well as to provide development services. The JV will be able to tap on LOGOS Property' expertise on fund management, as well as extensive experience on logistics real estate, tenant networks and development & asset management.

As for the joint venture with CapitaMalls Asia Ltd. ("CapLand") in which CapLand and Sime Darby Property hold 50% each, please note that it is for a single retail mall in Melawati named Melawati Mall and not for the industrial & logistics development business.

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**c) Where are the locations of the land that have been earmarked for the Industrial & Logistics Development business for each partner?**

**Response:**

For the JV with Mitsui & Co., Ltd. and Mitsubishi Estate Co., 39 acres in Bandar Bukit Raja 1 which comprised of 10 plots for built-to-suit (“BTS”) and lease facilities has been set aside. Out of this, 5 plots have already been taken up. The first BTS facility measuring c. 200,000 sq. ft. was handed over to SenHeng, a leading consumer electronics chain store in the country in November 2020 as their consolidated warehouse. A double-storey BTS warehouse measuring c. 180,000 sq. ft. was handed over to Leschaco, a third-party logistics provider (“3PL”) in August 2021. CEVA Logistics, a logistics and supply chain multinational company, started their operations within the same BTS warehouse with Leschaco in August 2021 as well.

As for the JV with LOGOS Property, a 177-acre site within the Bandar Bukit Raja 2 township in Klang has been set aside for purposes of this joint venture, named E-Metro Logistics Park. To-date, the JV has secured preliminary commitments of 50% for the first close of the inaugural industrial development fund at US\$250 million.

**d) How much revenue and profit contribution were from the Industrial & Logistics Development business in FY2021?**

**Response:**

The Group’s Industrial & Logistics Development business comprises sale of industrial products under our Property Development segment as well as leasing of industrial & logistics facilities in our Investment & Asset Management segment. In FY2021, the sale of industrial products contributed revenue and profit of approximately RM229.1 million and RM79.3 million respectively, while the leasing revenue and operating profit from the 2 operational properties in FY2021 amounted to RM5.5 million and RM1.6 million respectively, as recognised by our JV with Mitsui & Mitsubishi.

**2. The Group disposed of about 70 acres of non-core land to monetise assets with minimal development potential to the Group. (Page 34 of IAR)**

**a) Where is the location of the land that was disposed?**

**Response:**

The land is located in Kulim, Kedah.

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- b) What is the financial impact to the Group resulting from the disposal of the 70 acres of land?

**Response:**

There is no financial impact to the Group's results in FY2021 as yet, as the recognition of the land sale is still subject to fulfilment of conditions precedent ("CP") in the sale and purchase agreement which was entered into in year 2021. Upon fulfilment of the CPs, the Group will recognise the financial impact.

3. The Group's joint venture in Battersea Project Holding Company Limited, ("Battersea") had written-down its inventories by RM842.75 million in FY 2020 as compared to RM Nil in FY 2021. (Page 271 of IAR)

- a) Why was there no write-down of inventories in FY 2021?

**Response:**

Based on the assessment performed, no further write-down of inventories is required in the audited financial statements of FY2021. Battersea Group focused intensively on controlling costs, minimising unproductive spend during the lockdown period and maximising productivity where possible, hence keeping costs within the estimated net realisable value as per impairment assessment performed in FY2020.

- b) What are the types and amounts of inventories that were write-down in FY 2020?

**Response:**

The write-downs of RM842.8 million (RM337.1 million at 40% share) are in relation to inventories for residential development.

- c) Is there any amount of write-down inventories written back in FY 2021. If yes, what is the type and amount written back?

**Response:**

There is no write back of inventories in FY2021.

4. The accumulated impairment losses on other receivables remain high, constituting 73.1% and 69.6% of the other receivables as at FYs 2021 and 2020 respectively. (Page 295 of IAR)

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- a) Please provide the ageing profile of the impairment losses on other receivables for bands of less than 1 year, 1-2 years, 2-3 years, and more than 3 years for FY 2021

**Response:**

The Group's accumulated impairment losses of other receivables amounting to RM57.9 million and RM57.5 million for FY2021 and FY2020 respectively, includes impairment from Other receivables and Deposits as follows:

- impairment from Other Receivables (e.g claims and disputed amounts under arbitration) and
- impairment from Deposits (e.g. plan deposits, infrastructure related deposits)

With that, the analysis of the impairment losses on other receivables should be analysed together with Other Receivables and Deposits balances.

Accordingly, as at FY2021 and FY2020, the accumulated impairment constitutes 32.6% and 34.8% of total other receivables and deposits respectively, reflecting amounts in process of potential recovery which has similarly been provisioned for in the event of any disputes.

The ageing profile of the said impairment losses is as tabulated below:

Ageing profile	FY2021 Accumulated impairment loss (RM'000)
Less than 1 year	529
1-2 years	8,460
2-3 years	13,219
More than 3 years	35,730
<b>Total</b>	<b>57,938</b>

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**b) What are the challenges the Group faced in collecting the impaired other receivables?**

**Response:**

Close to 50% of the impairment made are in relation to aged refundable deposits balances from prior years (e.g. plan deposits, infrastructure related deposits). The challenges involved include:

- regular follow-ups with the authorities on application for refunds made; and
- time required to track and resolve the required documentation and processes for refunds

The balance of the impairment is mainly related to disputed amounts under arbitration.

**c) What is the expected amount of the impairment losses that will have to be written-off eventually?**

**Response:**

The accumulated impairment as at 31 December 2021 was provided and recognised as per the Group's accounting policies. The provisions made are in relation to amounts for which recovery is still being pursued. The Group will continue to review the provisions and will only write-off the balances when there is certainty that the debts will not be collectible.

**5. The Group has fully impaired its Quoted Investment ("QI") of RM2.1 million in FY 2021. (Page 291 of IAR)**

- a) What was the reason for the full impairment of QI?**  
**b) In which exchange is QI listed?**

**Response:**

The QI relates to the Group's legacy, non-strategic holding of a c. 6.1% interest in a company listed on the Main Market of Bursa Malaysia Securities Berhad that has been classified as a Practice Note ("PN17") Company pursuant to PN17 of the Listing Requirements of Bursa Malaysia since early 2020. In 2021, the said company had announced that the financial statements for the financial year ended 31 December 2020 were prepared on a non-going concern basis and its management has initiated a debt settlement arrangement and are in discussion with bankers to complete the proposed debt settlement agreements for which discussions with bankers are ongoing. In view of the prolonged delay in the

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submission of a regularisation plan to address the above, full impairment has been recognised in FY2021 due to uncertainty on recoverability of the carrying amount.

**c) In which market-sector is QI quoted?**

**Response:**

The QI is classified under Transportation and Logistics sector.

**d) Is there any potential the impairment loss can be written back in the future?**

**Response:**

Based on public disclosure made by the said company, it has submitted an application to Bursa Securities for an extension of time for a period of 12 months of up to 9 February 2023 to submit its regularisation plan to the relevant authorities. Hence, it is uncertain whether the impairment loss can be written back until the financial position of the company improves. We will continue to monitor the developments closely.

**Corporate Governance Matters**

**During the financial year under review, several complaints were channelled through the whistleblowing channels and have been dealt with in the strictest confidence by the Group Corporate Assurance Department in consultation with the Chairman of the Audit Committee. (Page 25 of MCCG Report)**

**Please summarise the nature of complaints received, and how they were resolved.**

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**Response:**

<b>Subject</b>	<b>Details</b>
Overview	<p>There were 13 complaints received via the Sime Darby Property Whistleblowing Channel in 2021.</p> <p>There were no proven severe misconduct/wrongdoing and no cases have been escalated for reporting to external authorities in FY2021.</p>
Nature of the complaints	<p>For FY2021, the complaints received generally related to</p> <ul style="list-style-type: none"> <li>i) Project Implementation;</li> <li>ii) Human Resources;</li> <li>iii) Procurement;</li> <li>iv) Sales &amp; Marketing and</li> <li>v) Customer/product related complaints.</li> </ul>
How these complaints were resolved	<p>The investigations were solely conducted in-house by the Group Corporate Assurance (GCA) Department.</p> <p>In some cases, the investigations were jointly performed by GCA and other relevant departments. For instance, if it is related to staff grievances, the investigation would be performed by both GCA and the Human Resource Department.</p> <p>The final outcome of the investigation will be presented to the Audit Committee for their deliberation before closure, as per Sime Darby Property's Whistleblowing Policy.</p>

Thank you.

Yours faithfully,  
for **SIME DARBY PROPERTY BERHAD**



**Dato' Azmir Merican**  
**Group Managing Director**



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Copy to : Encik Rizal Rickman Ramli  
Chairman, Sime Darby Property Berhad

Madam Betty Lau Sui Hing  
Group Chief Financial Officer, Sime Darby Property Berhad