

23 May 2023

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: 50th Annual General Meeting (AGM) of Sime Darby Property Berhad to be held on 24 May 2023**

We refer to your letter which was e-mailed to us on 10 May 2023 in relation to Sime Darby Property Berhad's ("the Group" or "Sime Darby Property") Annual General Meeting to be held on Wednesday, 24 May 2023.

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 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 the Group's launches in 2022. As at year end, no less than six of the developments had achieved 100% take-up rates. (Page 33 of IAR)
  - a) What were the latest take-up rates of each of the remaining nine industrial projects launched in 2022 with less than 100% take-up rates?
  - b) What were the challenges in selling each of the remaining 9 industrial projects that did not register 100% take-up rates?
  - c) What measures have been taken to improve the take-up rates of the remaining nine industrial projects?

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**Responses to (a), (b) and (c):**

The remaining nine industrial projects were launched in the second half of 2022. The Group do not foresee major challenges in selling the remaining 9 industrial projects as the less than 100% take-up rate is rather a launch timing issue. Therefore, no additional measure is deemed necessary to improve the take-up rates of the remaining nine industrial projects.

The latest take-up rates of the industrial projects are as follows:

No.	Project	Launch Date	Units	GDV (RM mil)	Take-up Rate	
					31 Dec 2022	7 May 2023
1.	i10 – Bandar Bukit Raja 3	30 June 2022	11	155	82%	91%
2.	i2 – Bandar Bukit Raja 3	30 June 2022	19	351	95%	95%
3.	Plot 4A, Bandar Hamilton	23 August 2022	24	96	92%	92%
4.	Plot 4B, Bandar Hamilton	23 August 2022	23	103	91%	100%
5.	Phase B13 : Business Park, Bandar Universiti Pagoh	20 September 2022	10	13	60%	60%
6.	Phase B14 : Business Park, Bandar Universiti Pagoh	20 September 2022	10	13	60%	60%
7.	CU-1, Serenia City	17 October 2022	8	41	38%	75%
8.	B9, Bandar Universiti Pagoh	21 December 2022	8	11	0%	38%
9.	B10, Bandar Universiti Pagoh	28 December 2022	8	10	0%	0%

Note: For the units in Bandar Universiti Pagoh, the present focus is on selling Phase B13 and B14 launched in September 2022, followed by Phase B9 and B10 launched in December 2022.

**2. The Group recorded RM8.9 million in gain from the disposal of a low-yielding asset in Vietnam. (Page 105 of IAR)**

**a) Why did the Group sell the Vietnam's leisure property as the country is enjoying good economic growth after the COVID-19 pandemic?**

**Response:**

The disposal of OSC Sunrise Apartment (formerly known as Darby Park Vietnam) was in-line with Sime Darby Property's strategy to rationalise its non-performing and non-core hospitality assets. Situated in Vung Tau, an oil & gas hub of Vietnam, the asset has seen a decline in revenues and increased losses since 2014 as a result of the challenges in the oil and gas sector, which has affected the industry's overall demand. In addition, there were no economies of scale as the property has less than 100 rooms and primarily cater expatriates for long-term stays. It is unable to attract broader target market, particularly budget travellers as the property was also up against stiff competition from nearby hotels.

The Management had commenced negotiations with the buyer on the key terms of the sale in 2019 and the sale agreement was executed in 2021. The property's average occupancy remained low at below 20% in 2021 due to the increase in Covid-19 infections.

**b) How long has the Group invested in the Vietnam's leisure property?**

**Response:**

The Group has invested in the Vietnam's leisure property since 1995. The partnership between Sime Darby Property (Vietnam) Pte Ltd and The National Oil Services Joint Stock Company of Vietnam began on 23 June 1995.

**c) What was the occupancy rate of the Vietnam's leisure property prior to the disposal?**

**Response:**

The property had low occupancy rate of 40% to 60% prior to its disposal.

**d) Who was the buyer of the Vietnam's leisure property?**

**Response:**

The buyer of the Vietnam's leisure property was Goldswan Hospitality Investment Joint Stock Company, an affiliate company of the JV partner, The National Oil Services Joint Stock Company of Vietnam.

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3. The Group has disposed land located in Selangor, Sabah and Kedah as part of the Group's land bank management and monetisation exercise. (Page 105 of IAR)

- a) Where were the locations of the land disposed in Selangor, Sabah and Kedah respectively?
- b) How much profits (or loss) were made on the disposals in Selangor, Sabah and Kedah respectively?
- c) Who were the buyers of the land disposed in Selangor, Sabah and Kedah respectively?

**Responses to (a), (b) and (c):**

The lands disposed as part of the Group's land bank management and monetisation exercise are remnants from mature developments which no longer have economies of scale and is not aligned to the overall strategy of the Group. The following table details the locations, purchasers, and profit after tax (PAT) for land sales in Selangor, Sabah and Kedah:

State	Buyer	Location	Land use	Acreage	Profit After Tax (PAT)
<b>Selangor</b>					<b>RM51.8 mil</b>
	WorldKlang Group Development Sdn Bhd	Klang	Residential & Agriculture	82.6	
<b>Sabah</b>					<b>RM8.7 mil</b>
	Amazing Synergy Realty Sdn Bhd	Kunak (Tawau)	Agriculture	107.4	
	Top Borneo Sdn Bhd	Kunak (Tawau)	Agriculture	37.0	
<b>Kedah</b>					<b>RM7.7 mil</b>
	SCapital Group Sdn Bhd	Gurun	Agriculture	75.6	

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**4. The Group's gross profit margin from property development was 38.2 % in FY 2022 as compared to 43.2% in FY 2021, a drop of 5%. (Pages 265 & 266 of IAR)**

**a) What were the reasons for the lower gross profit margin in FY 2022?**

**Response:**

Revenue under the Property Development segment includes revenue from the sales of completed inventories, as such cost of completed development units sold amounting to RM102.3 million for FY2022 and RM299.0 million for FY2021 should be included in deriving the gross margin. After including the cost of completed development units sold, the Gross Development Profit (GDP) margin for FY2022 was higher at 34.2%, compared to 28.6% in FY2021. The higher GDP margin achieved in FY2022 was primarily due to the higher margin made from land monetisation in FY2022 and changes in product mix with higher contribution from industrial products.

**b) What measures have been taken to mitigate the drop in gross profit moving forward?**

**Response:**

As explained in Q4(a), GDP margin increased in FY2022. Nevertheless, the Group remains cautious in view of various headwinds faced by the property development segment including the prolonged labour shortage, escalating material costs, and rising interest rates. The Group aims to mitigate the impact of these headwinds on gross profit by focusing on operational efficiencies and prudent cost control.

**5. During the financial year, a director of the Company purchased a property amounting to RM1.9 million (2021: RM2.0 million). (Page 268 of AR)**

**a) What is the Company's policy on directors buying properties from the Group?**

**Response:**

All members of the Board of Directors of Sime Darby Property Berhad ("SDP") are allowed to purchase properties developed by Sime Darby Property Group.

The Board of Directors are entitled to discounts as provided under SDP's "DIRECTOR AND STAFF PURCHASE DISCOUNT POLICY" and subjected to the following conditions:

- All members of the Board of Directors of Sime Darby Property Berhad, including subsidiaries and joint ventures ("JV") in Malaysia or overseas, are allowed to purchase residential houses / condominiums / apartments / bungalow lots developed by Sime Darby Property Group. Staff discount

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does not apply to low-cost, statutory, and commercial non-residential properties.

- Up to 10% of units available are allocated for each phase of projects for the purchase discount, eligible to both Directors and employees. Any additional allocation above the 10% will be at the sole discretion of the Management of Sime Darby Property.
- Directors can utilise the staff discount once every three (3) years or thirty-six (36) months from the last discount received, i.e., the date of the previous Sale and Purchase Agreement.
- The Directors shall not be allowed to dispose of the asset purchased before completion and handing over.

**b) What is the discount rate given to directors on the properties purchased by them?**

**Response:**

Directors and Employees of Sime Darby Property Group is entitled to a seven per cent (7%) discount under this Scheme. Where a Bumiputra discount has been granted, the staff discount will be computed based on the purchase price less the Bumiputra discount.

**c) Please name the directors who bought properties from the Company in FYs 2022 and 2021 respectively?**

**Response:**

The properties purchased by directors are as follows:

<b>FY</b>	<b>Name</b>	<b>Property</b>
2021	Dato' Soam Heng Choon	One (1) unit of Apartment at Jendela Residences
2022	Dato' Hamidah Naziadin	One (1) unit of Apartment at Jendela Residences

## **Sustainability Matters**

1. **The Group's Lost Time Injury Frequency Rate for FY 2022 was 0.11 %, much higher than 0.08% in FY 2021. (Page 14 IAR)**

- a) **Please explain how the fatality accident happened.**

**Response:**

The accident occurred at one of our high-rise construction projects in Subang Jaya on the 19<sup>th</sup> December 2022 when a vertical extension post became detached from its bracket, fell six meters away from the tower footprint, and struck a worker undertaking rebar work at podium level 1. The worker was pronounced dead shortly upon arriving at the hospital.

Our incident investigation revealed weaknesses in the safety oversight of temporary structures, including the failure to ensure that all scaffolding structures are enveloped with safety netting. After a review of the incident with senior management, the company concluded that the contractor failed to implement this key safety requirement and decided to blacklist the contractor from future projects

- b) **What mitigating measures have been taken to reduce its Lost Time Injury Frequency Rate in the future?**

**Response:**

Among the mitigating measures that have been taken to reduce Lost Time Injury Frequency Rate includes:

- I. Expansion coverage of visible and felt leadership program that involves larger group, including C-Suites, Head Business Units and Head of Township through Leadership Engagement Action Programme (LEAP), Health, Safety, Security and Environment (HSSE) Inspection and surprise visits.
  - II. Safety Observation to be recorded by all staff.
  - III. Work at Height improvement programme.
  - IV. Learning From Incident (LFI) on Work at Height and Lifting and Hoisting.
  - V. Rollout of a HSSE digital platform.
- c) **Please provide information on the gap closure plan, arising from the gap discovered from the gap analysis on the Group's Health, Safety, Security and Environment ("HSSE") Management System.**

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**Response:**

The HSSE Management System outlines HSSE requirements via 14 manuals that each operation must satisfy. For example, the Work at Height manual specifies that any work above 2-meter will be considered Work at Height and measures must be taken to ensure the task can be carried out safely while working at height. It is a holistic approach in managing safety in a systematic manner connecting the Group's HSSE policy with execution on the ground. Where there are gaps in meeting the requirements, they are included in the gap closure plan. The gap closure plan is a phased, multi-year approach to continuously improve our safety processes towards meeting the requirements.

**d) What are the gaps in HSSE the Group has implemented?**

**Response:**

The Group has implemented a number of gap closure plans and it will be an ongoing iterative improvement journey in processes, digital technology or adoption of safer practices. Some of the key implementations include:

- Leadership's Felt & Visible programme engages employees and contractors on-site regarding Safety. Safety Day was held in November 2022 to reaffirm the Group's commitment to workplace safety.
- Workers must have mandatory toolbox talks where they discuss safety prior to beginning work.
- Institutionalise the Learning from Incidents process where key findings from an investigation are shared across the Group, the contractors and consultants.

The Group is committed to the safety of our workplace guided by the 3 pillars of leadership, management system and people. The Group will continue to monitor the gaps closure and work with our contractors and consultants to provide a safer working environment for all.

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